

HOUSE BILL 929

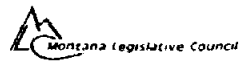
Introduced by Whalen, et al.

2/18	Introduced
2/18	Referred to Taxation
2/18	First Reading
2/18	Fiscal Note Requested
2/23	Fiscal Note Received
2/27	Fiscal Note Printed
3/20	Hearing
3/22	Tabled in Committee

1 *House* BILL NO. *929*  
 2 INTRODUCED BY *Whalen* *Ill + 4* *Ream*  
 3 *James* *Hail* *St* *Michael* *West*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT  
 5 MOTORBOATS POWERED BY A MOTOR OF MORE THAN 100 HORSEPOWER  
 6 ARE NOT SUBJECT TO A FEE IN LIEU OF TAX AND THUS BECOME  
 7 TAXABLE AS CLASS EIGHT PERSONAL PROPERTY; AMENDING SECTIONS  
 8 15-6-201, 15-8-201, 23-2-516, 23-2-517, AND 23-2-518, MCA;  
 9 AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY  
 10 DATE."  
 11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 13 **Section 1.** Section 15-6-201, MCA, is amended to read:  
 14 **"15-6-201. Exempt categories.** (1) The following  
 15 categories of property are exempt from taxation:  
 16 (a) the property of:  
 17 (i) the United States, the state, counties, cities,  
 18 towns, school districts, except, if congress passes  
 19 legislation that allows the state to tax property owned by  
 20 an agency created by congress to transmit or distribute  
 21 electrical energy, the property constructed, owned, or  
 22 operated by a public agency created by the congress to  
 23 transmit or distribute electric energy produced at privately  
 24 owned generating facilities (not including rural electric  
 25 cooperatives);

1 (ii) irrigation districts organized under the laws of  
 2 Montana and not operating for profit;  
 3 (iii) municipal corporations; and  
 4 (iv) public libraries;  
 5 (b) buildings, with land they occupy and furnishings  
 6 therein, owned by a church and used for actual religious  
 7 worship or for residences of the clergy, together with  
 8 adjacent land reasonably necessary for convenient use of the  
 9 buildings;  
 10 (c) property used exclusively for agricultural and  
 11 horticultural societies, for educational purposes, and for  
 12 nonprofit health care facilities, as defined in 50-5-101,  
 13 licensed by the department of health and environmental  
 14 sciences and organized under Title 35, chapter 2 or 3. A  
 15 health care facility that is not licensed by the department  
 16 of health and environmental sciences and organized under  
 17 Title 35, chapter 2 or 3, is not exempt.  
 18 (d) property that meets the following conditions:  
 19 (i) is owned and held by any association or corporation  
 20 organized under Title 35, chapter 2, 3, 20, or 21;  
 21 (ii) is devoted exclusively to use in connection with a  
 22 cemetery or cemeteries for which a permanent care and  
 23 improvement fund has been established as provided for in  
 24 Title 35, chapter 20, part 3; and  
 25 (iii) is not maintained and operated for private or



1 corporate profit;

2 (e) institutions of purely public charity;

3 (f) evidence of debt secured by mortgages of record  
4 upon real or personal property in the state of Montana;

5 (g) public art galleries and public observatories not  
6 used or held for private or corporate profit;

7 (h) all household goods and furniture, including but  
8 not limited to clocks, musical instruments, sewing machines,  
9 and wearing apparel of members of the family, used by the  
10 owner for personal and domestic purposes or for furnishing  
11 or equipping the family residence;

12 (i) a truck canopy cover or topper weighing less than  
13 300 pounds and having no accommodations attached. This  
14 property is also exempt from taxation under 61-3-504(2) and  
15 61-3-537.

16 (j) a bicycle, as defined in 61-1-123, used by the  
17 owner for personal transportation purposes;

18 (k) motor homes, travel trailers, and campers;

19 (l) all watercraft, except motorboats powered by a  
20 motor of more than 100 horsepower;

21 (m) land, fixtures, buildings, and improvements owned  
22 by a cooperative association or nonprofit corporation  
23 organized to furnish potable water to its members or  
24 customers for uses other than the irrigation of agricultural  
25 land;

1 (n) the right of entry that is a property right  
2 reserved in land or received by mesne conveyance (exclusive  
3 of leasehold interests), devise, or succession to enter land  
4 whose surface title is held by another to explore, prospect,  
5 or dig for oil, gas, coal, or minerals;

6 (o) property owned and used by a corporation or  
7 association organized and operated exclusively for the care  
8 of the developmentally disabled, mentally ill, or  
9 vocationally handicapped as defined in 18-5-101, which is  
10 not operated for gain or profit;

11 (p) all farm buildings with a market value of less than  
12 \$500 and all agricultural implements and machinery with a  
13 market value of less than \$100;

14 (q) property owned by a nonprofit corporation organized  
15 to provide facilities primarily for training and practice  
16 for or competition in international sports and athletic  
17 events and not held or used for private or corporate gain or  
18 profit. For purposes of this subsection (q), "nonprofit  
19 corporation" means an organization exempt from taxation  
20 under section 501(c) of the Internal Revenue Code and  
21 incorporated and admitted under the Montana Nonprofit  
22 Corporation Act.

23 (r) provided the tools are owned by the taxpayer, the  
24 first \$15,000 or less of market value of tools that are  
25 customarily hand-held and that are used to:

1 (i) construct, repair, and maintain improvements to  
2 real property; or

3 (ii) repair and maintain machinery, equipment,  
4 appliances, or other personal property;

5 (s) harness, saddlery, and other tack equipment; and

6 (t) a title plant owned by a title insurer or a title  
7 insurance producer, as those terms are defined in 33-25-105.

8 (2) (a) The term "institutions of purely public  
9 charity" includes organizations owning and operating  
10 facilities for the care of the retired or aged or  
11 chronically ill, which are not operated for gain or profit.

12 (b) The terms "public art galleries" and "public  
13 observatories" include only those art galleries and  
14 observatories, whether of public or private ownership, that  
15 are open to the public without charge at all reasonable  
16 hours and are used for the purpose of education only.

17 (3) The following portions of the appraised value of a  
18 capital investment made after January 1, 1979, in a  
19 recognized nonfossil form of energy generation, as defined  
20 in 15-32-102, are exempt from taxation for a period of 10  
21 years following installation of the property:

22 (a) \$20,000 in the case of a single-family residential  
23 dwelling;

24 (b) \$100,000 in the case of a multifamily residential  
25 dwelling or a nonresidential structure."

1 **Section 2.** Section 15-8-201, MCA, is amended to read:

2 "15-8-201. **General assessment day.** (1) The department  
3 of revenue or its agent must, between January 1 and the  
4 second Monday of July in each year, ascertain the names of  
5 all taxable inhabitants and assess all property subject to  
6 taxation in each county. The department or its agent must  
7 assess property to the person by whom it was owned or  
8 claimed or in whose possession or control it was at midnight  
9 of January 1 next preceding. It must also ascertain and  
10 assess all mobile homes arriving in the county after  
11 midnight of January 1 next preceding. No mistake in the name  
12 of the owner or supposed owner of real property, however,  
13 renders the assessment invalid.

14 (2) The procedure provided by this section may not  
15 apply to:

16 (a) motor vehicles that are required by 15-8-202 to be  
17 assessed on January 1 or upon their anniversary registration  
18 date;

19 (b) motor homes, travel trailers, and campers;

20 (c) watercraft and motorboats powered by a motor of 100  
21 horsepower or less;

22 (d) livestock;

23 (e) property defined in 61-1-104 as "special mobile  
24 equipment" that is subject to assessment for personal  
25 property taxes on the date that application is made for a

1 special mobile equipment plate; and

2 (f) mobile homes held by a distributor or dealer of  
3 mobile homes as a part of his stock in trade.

4 (3) Credits must be assessed as provided in  
5 15-1-101(1)(f)."

6 **Section 3.** Section 23-2-516, MCA, is amended to read:

7 "23-2-516. Fee in lieu of tax for certain motorboats ~~10~~  
8 ten feet in length or longer, sailboats ~~12 twelve feet in~~  
9 length or longer, personal watercraft, motorized canoes,  
10 motorized rubber rafts, and motorized pontoons. (1) There is  
11 a fee in lieu of property tax as prescribed in 23-2-517  
12 imposed on motorboats 10 feet in length or longer that are  
13 propelled by a motor of 100 horsepower or less, sailboats 12  
14 feet in length or longer, personal watercraft, motorized  
15 canoes, motorized rubber rafts, and motorized pontoons. The  
16 fee is in addition to the annual fee required by 23-2-512  
17 for filing of the application for a certificate of number.

18 (2) The fee imposed by subsection (1) need not be paid  
19 by a dealer for motorboats, sailboats, personal watercraft,  
20 motorized canoes, motorized rubber rafts, or motorized  
21 pontoons that constitute inventory of the dealership."

22 **Section 4.** Section 23-2-517, MCA, is amended to read:

23 "23-2-517. Fees for motorboats, sailboats, personal  
24 watercraft, motorized canoes, motorized rubber rafts, and  
25 motorized pontoons. (1) The owner of a motorboat 10 feet in

1 length or longer propelled by a motor of 100 horsepower or  
2 less or a sailboat 12 feet in length or longer shall pay a  
3 fee based on the length and age of the motorboat or sailboat  
4 as follows:

5 (a) The fee schedule for a motorboat propelled by a  
6 motor of 100 horsepower or less at least 10 feet in length  
7 but less than 14 feet in length or sailboat at least 12 feet  
8 in length but less than 14 feet in length is as follows:

9 (i) for a motorboat or sailboat less than 5 years of  
10 age, \$7.50;

11 (ii) for a motorboat or sailboat 5 years of age or older  
12 but less than 10 years of age, \$5.65; and

13 (iii) for a motorboat or sailboat 10 years of age or  
14 older, \$3.75.

15 (b) The fee schedule for a motorboat propelled by a  
16 motor of 100 horsepower or less or sailboat at least 14 feet  
17 in length but less than 16 feet in length is as follows:

18 (i) for a motorboat or sailboat less than 5 years of  
19 age, \$15;

20 (ii) for a motorboat or sailboat 5 years of age or older  
21 but less than 10 years of age, \$11.25; and

22 (iii) for a motorboat or sailboat 10 years of age or  
23 older, \$7.50.

24 (c) The fee schedule for a motorboat propelled by a  
25 motor of 100 horsepower or less or sailboat at least 16 feet

1 in length but less than 17 feet in length is as follows:

2 (i) for a motorboat or sailboat less than 5 years of  
3 age, \$32;

4 (ii) for a motorboat or sailboat 5 years of age or older  
5 but less than 10 years of age, \$24; and

6 (iii) for a motorboat or sailboat 10 years of age or  
7 older, \$16.

8 (d) The fee schedule for a motorboat propelled by a  
9 motor of 100 horsepower or less or sailboat at least 17 feet  
10 in length but less than 19 feet in length is as follows:

11 (i) for a motorboat or sailboat less than 5 years of  
12 age, \$3 a foot or fraction of a foot;

13 (ii) for a motorboat or sailboat 5 years of age or older  
14 but less than 10 years of age, \$2.25 a foot or fraction of a  
15 foot; and

16 (iii) for a motorboat or sailboat 10 years of age or  
17 older, \$1.50 a foot or fraction of a foot.

18 (e) The fee schedule for a motorboat propelled by a  
19 motor of 100 horsepower or less or sailboat 19 feet in  
20 length or longer is as follows:

21 (i) for a motorboat or sailboat less than 5 years of  
22 age, \$4 a foot or fraction of a foot;

23 (ii) for a motorboat or sailboat 5 years of age or older  
24 but less than 10 years of age, \$3 a foot or fraction of a  
25 foot; and

1 (iii) for a motorboat or sailboat 10 years of age or  
2 older, \$2 a foot or fraction of a foot.

3 (2) The owner of a personal watercraft shall pay a fee  
4 based on the age of the watercraft as follows:

5 (a) The fee for a personal watercraft less than 4 years  
6 of age is \$22.

7 (b) The fee for a personal watercraft 4 years of age or  
8 older is \$15.

9 (3) The fee for a motorized canoe, a canoe or kayak  
10 propelled by wind, or a motorized rubber raft is \$7.50,  
11 regardless of its length or age.

12 (4) The fee for a motorized pontoon is \$20, regardless  
13 of its length or age."

14 **Section 5.** Section 23-2-518, MCA, is amended to read:

15 "23-2-518. Disposition of fees in lieu of tax. The  
16 county treasurer shall distribute all fees in lieu of tax  
17 collected on motorboats 10 feet in length or longer  
18 propelled by a motor of 100 horsepower or less, sailboats 12  
19 feet in length or longer, personal watercraft, motorized  
20 canoes, motorized rubber rafts, and motorized pontoons  
21 pursuant to 23-2-516 and 23-2-517 in the relative  
22 proportions required by the levies for state, county, school  
23 district, and municipal purposes in the same manner as  
24 personal property taxes are distributed."

25 NEW SECTION. **Section 6.** Effective date --

LC 1962/01

1 applicability. [This act] is effective December 31, 1991,  
2 and applies to tax years beginning January 1, 1992.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0929, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

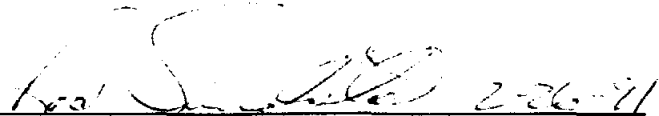
An act to provide that motorboats powered by a motor of more than 100 horsepower are not subject to a fee in lieu of tax and thus become taxable as class eight personal property; and providing a delayed effective date and an applicability date.

ASSUMPTIONS:

1. The total number of sailboats and motorboats subject to the fee in lieu of tax is 34,675.
2. 41% of all boats, subject to the fee in lieu of tax, are motorboats with horsepower (HP) greater than 100.
3. There are 14,217 boats, subject to the fee in lieu to tax, with motors in excess of 100 HP.
4. The average fee paid per boat is \$19.26.
5. The average length of motor boats powered by a motor in excess of 100 hp is 18 feet and the average age is 5-10 years old. The average fee in lieu of tax is \$41.
6. Total fee in lieu of tax for the 34,675 boats was \$667,841. The fee in lieu of tax for boats with motors over 100 HP is \$582,897.
7. The average price per boat having a motor larger than 100 HP is \$10,000 giving a total market value of \$142,170,000.
8. Under the proposal, boats with motors over 100 HP would be considered class 8 property with a tax rate of 9% giving a total taxable value of \$12,795,300.
9. Average mills are as follows: university 6 mills; school foundation 95 mills; schools 107 mills; county governments 69.3 mills; and cities and towns 28.5 mills.
10. The proposal is effective December 31, 1991 and applies to tax years beginning January 1, 1992.
11. Under the proposal, there would be an increase in property tax of \$3,912,803 and a corresponding decrease in fees in lieu of tax of \$582,897 for a net increase of \$3,329,906 for each year of the biennium.
12. This proposal would require an additional 2.20 FTE at a cost of \$39,708 (Grade 8/2) for each year of the biennium.
13. Operating expenses would be \$12,597 for each year of the biennium.
14. Equipment outlays would be \$8,376 in FY92.

FISCAL IMPACT:

see next page

  
ROD SUNDSTED, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

1  
TIMOTHY J. WHALEN, PRIMARY SPONSOR      DATE

Fiscal Note for HB0929, as introduced

**HB 929**



FISCAL IMPACT:

Expenditures:

	FY '92			FY '93		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
F.T.E.	0	2.20	2.20	0	2.20	2.20
Personal Services	0	39,708	39,708	0	39,708	39,708
Operating Expenses	0	12,597	12,597	0	12,597	12,597
Equipment	0	8,376	8,376	0	0	0
Total	0	60,681	60,681	0	52,305	52,305
<u>Funding:</u>						
General Fund	0	60,681	60,681	0	52,305	52,305
Impact to General Fund			(60,681)			(52,305)

Revenues:

The proposal would increase state property revenues in each year of the biennium by the following amounts: \$65,335 for universities and \$1,034,470 for state and county equalization.

The proposal would increase local property revenues in each year of the biennium by the following amounts: \$1,165,140 for schools, \$754,619 for counties; and by \$310,341 for cities and towns.

HB 929