SENATE BILL 317

Introduced by Thayer

2/08	Introduced
2/08	Referred to Taxation
2/08	First Reading
2/08	Fiscal Note Requested
2/16	Fiscal Note Received
2/16	Fiscal Note Printed
2/20	Hearing
2/20	Tabled in Committee

Senate BILL NO. 317

INTRODUCED BY [signature]

A BILL FOR AN ACT ENTITLED: "AN ACT TO ELIMINATE THE SALES ASSESSMENT RATIO LAW THAT IS USED TO ADJUST THE VALUATION OF CERTAIN PROPERTY FOR TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-111, AND 15-10-412, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-101, MCA, is amended to read:

"**15-1-101. Definitions.** (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to the raising of livestock, poultry, bees, and other species of domestic animals and wildlife in domestication or a captive environment, and the raising of field crops, fruit, and other animal and vegetable matter for food or fiber.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "average wholesale value" means the value to a dealer prior to reconditioning and profit margin shown in national appraisal guides and manuals or the valuation schedules of the department of revenue.

(d) (i) The term "commercial", when used to describe property, means any property used or owned by a business, a trade, or a nonprofit corporation as defined in 35-2-102 or used for the production of income, except that property described in subsection (ii).

(ii) The following types of property are not commercial:

(A) agricultural lands;

(B) timberlands;

(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;

(D) mobile homes used exclusively as a residence except when held by a distributor or dealer of trailers or mobile homes as his stock in trade;

(E) all property described in 15-6-135; and

(F) all property described in 15-6-136.

(e) The term "comparable property" means property that has similar use, function, and utility; that is influenced by the same set of economic trends and physical, governmental, and social factors; and that has the potential of a similar highest and best use.

(f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

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(g) The term "improvements" includes all buildings, structures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. A mobile home or housetrailer may be determined to be permanently located only when it is attached to a foundation which cannot feasibly be relocated and only when the wheels are removed.

(h) The term "leasehold improvements" means improvements to mobile homes and mobile homes located on land owned by another person. This property is assessed under the appropriate classification and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on such leasehold improvements are a lien only on such leasehold improvements.

(i) The term "livestock" means cattle, sheep, swine, goats, horses, mules, and asses.

(j) The term "mobile home" means forms of housing known as "trailers", "housetrailers", or "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an independent power connected to them, or any "trailer", "housetrailer", or "trailer coach" up to 8 feet in width or 45 feet in length

used as a principal residence.

(k) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(l) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in domestication to produce food or feathers.

(m) The term "property" includes moneys, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must not be construed to authorize the taxation of the stocks of any company or corporation when the property of such company or corporation represented by the stocks is within the state and has been taxed.

(n) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title 15, chapter 23, part 8; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto.

(o) "Research and development firm" means an entity incorporated under the laws of this state or a foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific and technical nature into practical application for experimental and demonstration purposes, including the experimental production and testing of models, devices, equipment, materials, and processes.

(p) The term "taxable value" means the percentage of market or assessed value as provided for in Title 15, chapter 6, part 1.

~~(q)--The-term-"weighted-mean-assessment-ratio"-means-the total--of--the--assessed--values-divided-by-the-total-of-the selling-prices-of-all-area-sales-in-the-stratum.~~

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board."

Section 2. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification and appraisal to owners -- appeals. (1) It shall be the duty of the

department of revenue, through its agent as specified in subsection (2), to cause to be mailed to each owner and purchaser under contract for deed a notice of the classification of the land owned or being purchased by him and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(a) change in ownership;

(b) change in classification;

(c) change in valuation; or

(d) addition or subtraction of personal property affixed to the land.

(2) The county assessor shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of his property and of changes over the prior tax year.

(3) If the owner of any land and improvements is dissatisfied with the appraisal or classification of his land or improvements, he may submit his objection in writing to the department's agent. The department shall give reasonable notice to the taxpayer of the time and place of

hearing and hear any testimony or other evidence that the taxpayer may desire to produce at that time and afford the opportunity to other interested persons to produce evidence at the hearing. After the hearing, the department shall determine the true and correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department must state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land shall be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a hearing as provided in subsection (3) is held or not, the department or its agent may not adjust an appraisal or classification upon taxpayer's objection unless:

(a) the taxpayer has submitted his objection in writing; and

(b) the department or its agent has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. Each county appraiser shall make the records available for inspection during

regular office hours.

(6) If any property owner feels aggrieved at the classification and/or the appraisal made by the department, he shall have the right to appeal to the county tax appeal board and then to the state tax appeal board, whose findings shall be final subject to the right of review in the courts. The property owner may appeal the base year valuation and the classification determination. ~~The-property-owner-may-not appeal-the-yearly-percentage-adjustments-that-are--specified in--15-7-111--and--that-may-be-made-as-a-result-of-the-sales assessment-ratio-study,-the-stratum,-or-area-designations-as specified-in-15-7-111.~~

~~(7)--The--percentage--adjustments,--stratum,--and---area designations--must--be--adopted--by--administrative-rule.-An annual-hearing-must-be--held--to--accept--testimony--on--the percentage--adjustments,-stratum,-and-area-designations.-The department-shall-present-its-findings-and-the-proposed-rules to-the-revenue-oversight-committee.~~"

Section 3. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of taxable property -- ~~publication--of--sales-assessment-ratio-studies----appeal-of revaluations~~.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within the state at least every 5 years. A comprehensive written reappraisal plan shall be promulgated by the department. The reappraisal plan adopted shall provide that all property in each county shall be revalued at least every 5 years. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners in each county.

(2) The new values determined during a revaluation cycle must be provided to the taxpayers at the end of the revaluation cycle but may not be placed on the tax rolls until 1 year following the completion of the revaluation cycle.

(3) A taxpayer shall appeal the new value in advance of its placement on the tax rolls by filing an appeal pursuant to 15-15-102 before the first Monday in June or 15 days after receiving notice of the new valuation amount, whichever is later, or be barred from appealing for untimeliness.

~~(4) For the taxable year beginning January 1, 1990, and for every taxable year thereafter, the department shall conduct a stratified sales assessment ratio study of all residential land and improvements, agricultural 1-acre homesites and improvements, and commercial land and improvements. The sales assessment ratio based on property sales finalized and recorded by no later than November 1 must be used to determine appraisals for the immediately succeeding tax year.~~

~~(5) The study required in subsection (4) must be based on:~~

~~(a) commonly accepted statistical standards and methodology;~~

~~(b) a statistically valid sample of sales, using data from realty transfer certificates filed for up to 3 taxable years prior to the year the study is made, taking into account the dates of the included sales in the statistical analysis; and~~

~~(c) the assessments and sales for areas of the state that are economically, demographically, and geographically similar in order to determine the sales assessment ratios for a specific area.~~

~~(6) For purposes of conducting the study required by subsection (4), the department shall partition the state into as many as 100 areas for residential property and as many as 20 areas for commercial property. The areas must contain statistically sufficient numbers of sales and be as economically and demographically homogeneous as reasonably practicable.~~

~~(7) The department shall use the following procedure to validate sales information:~~

~~(a) Department staff who did not participate in the determination of appraised values are required to review the sales transactions evidenced by a realty transfer~~

~~certificate. The review must be conducted to determine whether each sale used in the study was a valid, arm's-length transaction. Only valid, arm's-length sales may be used in the sales assessment ratio study.~~

~~(b) The sales information entered in the computer-assisted appraisal system is considered confidential, as provided in 15-7-308. However, the department shall annually publish a report containing the results of all sales assessment ratio studies done in each of the areas described in subsection (6). The report containing the results of the study must be made available to the public by request or by general disclosure.~~

~~(c) The department shall exclude from the sales assessment ratio study any parcels in which the improvements have been remodeled, reconstructed, or expanded between the time of the assessment and the time of the sales.~~

~~(d) The department shall exclude sales assessment ratios of less than 50% or greater than 200%.~~

~~(8) (a) The department shall have equalized property values throughout the state and may not make further adjustments to values under this section when the assessments for each stratum within each area identified in subsection (6) are rescaled to bring all ratios to common value 1 and when the sample size produces a standard error of less than 5%.~~

~~(b) Under the method described in subsection (8)(a), taxable property in each area is considered revalued for each tax year, based on the results of the sales assessment ratio study and the adjustments required by that study.~~

~~(c) Assessments in an area are considered equalized under subsection (8)(a) if the ratio for the area is within plus or minus 5% of common value 1.~~"

Section 4. Section 15-10-412, MCA, is amended to read:

"**15-10-412. Property tax limited to 1986 levels -- clarification -- extension to all property classes.** Section 15-10-402 is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar

amount due in that taxing unit for the 1985 tax year.

(3) The limitation on the amount of taxes levied does not mean that no further increase may be made in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status;

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements~~;--or~~.

~~(i)--increases---in---property---valuation--pursuant--to 15-7-111(4)-through-(8)-in-order-to-equalize-property-values annually.~~

(4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable

valuation or in the actual tax liability on individual property in each class as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status~~;--or~~.

~~(g)--increases--in--property---valuation---pursuant---to 15-7-111(4)-through-(8)-in-order-to-equalize-property-values annually.~~

(5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

(a) the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

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(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;

(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection (8);

(i) levies for economic development authorized pursuant to 90-5-112(4); and

(j) elementary and high school districts.

(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

(b) an explanation of the nature of the financial emergency;

(c) an estimate of the amount of funding shortfall expected by the taxing unit;

(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;

(e) a finding that there are no alternative sources of revenue;

(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

(g) a statement of the need for the increased revenue and how it will be used.

(10) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(11) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

(12) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under

protest in accordance with 15-1-402."

NEW SECTION. **Section 5. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0317, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to eliminate the sales assessment ratio law that is used to adjust the valuation of certain property for tax purposes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Repealing HB0703 results in the repealing of all taxable valuation adjustments implemented under HB0703 and other legislation providing for annual adjustments using comparable methodology (i.e., HB0436 adjustments).
2. Taxable values in the state will be readjusted to reflect taxable values in place in tax year 1986.
3. Statewide taxable valuation under this proposal will increase by $17.7 million; however, taxable valuations may rise or fall within different local taxing jurisdictions depending on previous years' sales/assessment ratio study results (see attachment for county breakdown of net change in taxable valuation for adjustments in tax years 1988 and 1990--no adjustments were made in tax year 1989).

FISCAL IMPACT:

The increase in statewide taxable valuation under this proposal would result in the following additional annual revenue to the university system, and the foundation program accounts:

University System (6 mills):	$ 106,200
State Equalization Aid (40 mills):	$ 708,000
County Equalization (55 mills):	$ 973,500

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The revenue impact on county and other local government revenues will depend on the particular area in which the taxing jurisdiction is located. Areas experiencing a decrease in taxable values as a result of this proposal would experience a decrease in local revenues as well; conversely, areas experiencing an increase in taxable value may see an increase in local revenue.

ATTACHMENT:

2-15-91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

2/16/91
GENE THAYER, PRIMARY SPONSOR DATE

Fiscal Note for SB0317, as introduced

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Impact of Repealing HB 703 and HB 436 on TY 90 Taxable Values

	% Adjustment Necessary to Repeal HB 703 and HB 436		Change in 1990 Taxable Value if HB 703 and HB 436 are Repealed		
County	**Residential**	**Commercial**	**Residential**	**Commercial**	**Total**
Beaverhead	0.0%	0.0%	0	0	0
Big Horn	11.8%	25.0%	360,751	796,7[illegible]9	1,157,550
Blaine	0.0%	7.5%	0	49,424	49,424
Broadwater	0.0%	0.0%	0	0	0
Carbon	7.5%	15.6%	506,487	152,861	659,349
Carter	17.5%	25.0%	118,417	11,491	129,908
Cascade	-14.3%	0.0%	(6,325,732)	0	(6,325,732)
Chouteau	0.0%	7.5%	0	46,988	46,988
Custer	21.9%	25.0%	1,068,830	473,384	1,542,214
Daniels	17.5%	25.0%	238,653	79,189	317,842
Dawson	30.7%	25.0%	1,482,601	428,720	1,911,320
Deer Lodge	0.0%	0.0%	0	0	0
Fallon	30.7%	25.0%	430,968	133,193	564,161
Fergus	0.0%	7.5%	0	121,009	121,009
Flathead	-7.4%	0.0%	(3,548,201)	0	(3,548,201)
Gallatin	-11.6%	0.0%	(3,923,484)	0	(3,923,484)
Garfield	17.5%	25.0%	133,748	24,991	158,739
Glacier	0.0%	7.5%	0	126,455	126,455
Golden Valley	0.0%	7.5%	0	3,743	3,743
Granite	0.0%	0.0%	0	0	0
Hill	0.0%	0.0%	0	0	0
Jefferson	-11.5%	0.0%	(584,626)	0	(584,626)
Judith Basin	0.0%	7.5%	0	16,207	16,207
Lake	0.0%	0.0%	0	0	0
Lewis And Clark	0.0%	-2.9%	0	(353,739)	(353,739)
Liberty	0.0%	7.5%	0	20,707	20,707
Lincoln	4.2%	4.2%	423,250	148,069	571,319
Madison	-5.7%	0.0%	(373,623)	0	(373,623)
Mccone	17.5%	25.0%	260,772	55,172	315,944
Meagher	0.0%	0.0%	0	0	0
Mineral	4.2%	4.2%	61,379	23,872	85,251
Missoula	-2.4%	0.0%	(1,154,509)	0	(1,154,509)
Musselshell	7.5%	15.6%	163,537	58,645	222,182
Park	0.0%	0.0%	0	0	0
Petroleum	16.3%	25.0%	36,057	3,860	39,917
Phillips	16.3%	25.0%	400,822	175,856	576,678
Pondera	0.0%	7.5%	0	74,221	74,221
Powder River	30.7%	25.0%	318,462	45,096	363,557
Powell	0.0%	0.0%	0	0	0
Prairie	17.5%	25.0%	116,256	27,331	143,588
Ravalli	-4.8%	0.0%	(879,961)	0	(879,961)
Richland	30.7%	25.0%	1,501,118	506,876	2,007,995
Roosevelt	16.3%	25.0%	501,881	230,855	732,737
Rosebud	11.8%	25.0%	429,056	455,903	884,959
Sanders	4.2%	4.2%	179,465	37,324	216,789
Sheridan	17.5%	25.0%	449,381	180,892	630,272
Silver Bow	-9.9%	-2.9%	(1,661,965)	(246,457)	(1,908,422)
Stillwater	7.5%	15.6%	347,013	117,225	464,238
Sweet Grass	0.0%	7.5%	0	36,860	36,860
Teton	0.0%	7.5%	0	55,722	55,722
Toole	0.0%	7.5%	0	69,360	69,360
Treasure	7.5%	15.6%	28,729	4,145	32,873
Valley	17.5%	25.0%	722,402	302,974	1,025,377
Wheatland	0.0%	7.5%	0	14,783	14,783
Wibaux	30.7%	25.0%	158,148	27,108	185,256
Yellowstone	10.0%	33.7%	7,967,913	13,146,291	21,114,204
Statewide	-0.0%	9.6%	(46,003)	17,777,804	[illegible]

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