



IN THE SENATE

APRIL 18, 1991

RECEIVED FROM HOUSE.

SECOND READING, AMENDMENTS  
CONCURRED IN.

APRIL 19, 1991

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *412*  
 2 INTRODUCED BY *Casper* *James Blaylock*  
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE *H. J. ...*  
 4 *Benjamin*  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
 6 EQUALIZATION OF RESIDENTIAL PROPERTY BY PROVIDING THAT  
 7 PROPERTY MEETING CERTAIN CONDITIONS WILL BE SUBJECT TO  
 8 REAPPRAISAL TO PROVIDE THAT THE DEPARTMENT'S SALES

9 ASSESSMENT AREA AND PERCENTAGE ADJUSTMENTS WILL BE SUBJECT  
 10 TO JUDICIAL REVIEW; TO PROVIDE THAT FOR TAX YEAR 1994 AND  
 11 THEREAFTER, SALES ASSESSMENT RATIO ADJUSTMENTS WILL BE  
 12 ELIMINATED AND ALL PROPERTY WILL BE REAPPRAISED EVERY 3  
 13 YEARS; AMENDING SECTIONS 15-1-101, 15-6-143, 15-7-102,  
 14 15-7-111, 15-7-201, AND 15-10-412, MCA, AND SECTION 10,  
 15 CHAPTER 681, LAWS OF 1985; AND PROVIDING EFFECTIVE DATES,  
 16 APPLICABILITY DATES, AND A PARTIAL TERMINATION DATE."

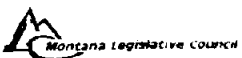
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18 **Section 1.** Section 15-7-102, MCA, is amended to read:  
 19 "15-7-102. Notice of classification and appraisal to  
 20 owners -- appeals. (1) It shall be the duty of the  
 21 department of revenue, through its agent as specified in  
 22 subsection (2), to cause to be mailed to each owner and  
 23 purchaser under contract for deed a notice of the  
 24 classification of the land owned or being purchased by him  
 25

1 and the appraisal of the improvements on the land only if  
 2 one or more of the following changes pertaining to the land  
 3 or improvements have been made since the last notice:  
 4 (a) change in ownership;  
 5 (b) change in classification;  
 6 (c) change in valuation; or  
 7 (d) addition or subtraction of personal property  
 8 affixed to the land.

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

17 (3) If the owner of any land and improvements is  
 18 dissatisfied with the appraisal as it reflects the market  
 19 value of the property as determined by the department or  
 20 with the classification of his land or improvements, he may  
 21 submit his objection in writing to the department's agent.  
 22 In an objection to the appraisal of the property, the  
 23 department may consider the actual selling price of the  
 24 property and independent appraisals of the property as  
 25 evidence of the market value of the property. Independent



1 appraisals to be considered by the department must be  
 2 performed by a licensed appraiser if a state licensing  
 3 program is in effect at the time of the appeal. The  
 4 department shall give reasonable notice to the taxpayer of  
 5 the time and place of hearing and hear any testimony or  
 6 other evidence that the taxpayer may desire to produce at  
 7 that time and afford the opportunity to other interested  
 8 persons to produce evidence at the hearing. After the  
 9 hearing, the department shall determine the true and correct  
 10 appraisal and classification of the land or improvements and  
 11 notify the taxpayer of its determination. In the  
 12 notification, the department must state its reasons for  
 13 revising the classification or appraisal. When the proper  
 14 appraisal and classification have been determined, the land  
 15 shall be classified and the improvements appraised in the  
 16 manner ordered by the department.

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

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

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

25 (5) A taxpayer's written objection to a classification

1 or appraisal and the department's notification to the  
 2 taxpayer of its determination and the reason for that  
 3 determination are public records. Each county appraiser  
 4 shall make the records available for inspection during  
 5 regular office hours.

6 (6) (a) If any property owner feels aggrieved at the  
 7 classification and/or the appraisal made by the department,  
 8 he shall have the right to appeal to the county tax appeal  
 9 board and then to the state tax appeal board, whose findings  
 10 shall be final subject to the right of review in the courts.  
 11 The property owner may appeal the base year valuation and  
 12 the classification determination. A county tax appeal board  
 13 or the state tax appeal board may consider the actual  
 14 selling price of the property and independent appraisals of  
 15 the property as evidence of the market value of the  
 16 property. Independent appraisals to be considered by a  
 17 county tax appeal board or the state tax appeal board must  
 18 be performed by a licensed appraiser if a state licensing  
 19 program is in effect at the time of the appeal. If the  
 20 county tax appeal board or the state tax appeal board  
 21 determines that an adjustment should be made, the department  
 22 shall adjust the base value of the property in accordance  
 23 with the board's order. If any percentage adjustment  
 24 required by the sales assessment ratio study provided in  
 25 15-7-111 is applied to the base value, the valuation of the

1 property for the current year must be the same as the  
 2 board's determination of market value and the property must  
 3 continue to be assessed in the area designated by the  
 4 department. ~~The property owner may not appeal the yearly~~  
 5 ~~percentage adjustments that are specified in 15-7-111 and~~  
 6 ~~that may be made as a result of the sales assessment ratio~~  
 7 ~~study, the stratum, or area designations as specified in~~  
 8 ~~15-7-111.~~

9 (b) If a property owner feels aggrieved by either the  
 10 percentage adjustment or the area designation established by  
 11 the department pursuant to 15-7-111, he may, within 60 days  
 12 of the date the rules provided for in subsection (7) are  
 13 adopted to implement 15-7-111(4)(b), file suit seeking a  
 14 declaratory judgment action to review the department's  
 15 determination of the percentage adjustment or area  
 16 designation.

17 (c) Venue for the action is the first judicial district  
 18 of Lewis and Clark County. The district court shall  
 19 consolidate all such actions brought by property owners into  
 20 one proceeding.

21 (d) During the pendency of the action, the court may  
 22 not restrain or enjoin the department from implementing  
 23 either the percentage adjustments or area designations made  
 24 by the department, but the court may direct that the  
 25 increase in the property owner's tax be paid into the

1 property tax protest fund of the county in which the  
 2 property is located. Upon final judgment, the court may  
 3 order a portion of the protested tax be refunded to the  
 4 property owner or such other remedy as the court considers  
 5 appropriate.

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

12 **Section 2.** Section 15-7-111, MCA, is amended to read:

13 "15-7-111. Periodic revaluation of taxable property --  
 14 publication of sales assessment ratio studies -- appeal of  
 15 revaluations. (1) The department of revenue shall administer  
 16 and supervise a program for the revaluation of all taxable  
 17 property within the state at least every 5 years. A  
 18 comprehensive written reappraisal plan shall be promulgated  
 19 by the department. The reappraisal plan adopted shall  
 20 provide that all property in each county shall be revalued  
 21 at least every 5 years. The department shall furnish a copy  
 22 of the plan and all amendments to the plan to the board of  
 23 county commissioners in each county.

24 (2) The new values determined during a revaluation  
 25 cycle must be provided to the taxpayers at the end of the

1 revaluation cycle but may not be placed on the tax rolls  
2 until 1 year following the completion of the revaluation  
3 cycle.

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

10 (4) (a) For the taxable year beginning January 1, 1990,  
11 and for every taxable year thereafter, the department shall  
12 conduct a stratified sales assessment ratio study of all  
13 residential land and improvements, agricultural 1-acre  
14 homesites and improvements, and commercial land and  
15 improvements. Residential improvements include condominiums  
16 but do not include mobile homes or housetrailerers that are  
17 not taxed as an improvement as defined in 15-1-101. The  
18 sales assessment ratio based on property sales finalized and  
19 recorded by no later than November 1 must be used to  
20 determine appraisals for the immediately succeeding tax  
21 year.

22 (b) (i) For tax year 1991, if the result of the  
23 stratified sales assessment ratio performed pursuant to  
24 subsection (4)(a) on residential property for tax year 1990  
25 shows for any area an assessment level of less than 80%, the

1 department shall perform a reappraisal of the residential  
2 property in the area. The reappraisal must be performed  
3 using a computer-assisted mass appraisal system based on the  
4 market approach to value, using comparable sales of similar  
5 property. If insufficient sales are available for market  
6 modeling, the department shall reappraise the property using  
7 the cost approach to value.

8 (ii) For tax year 1992, if the result of the stratified  
9 sales assessment ratio performed pursuant to subsection  
10 (4)(a) on residential property for tax year 1991 shows for  
11 any area an assessment level of less than 80% or a  
12 coefficient of dispersion with respect to the value weighted  
13 mean ratio of more than 20%, rounded to the nearest 0.1%,  
14 and an adjustment multiplier of 1.01 or greater, the  
15 department shall perform a reappraisal of the residential  
16 property in the area. The reappraisal must be performed  
17 using the same criteria provided in (4)(b)(i).

18 (iii) For tax year 1993, if the result of the stratified  
19 sales assessment ratio performed pursuant to subsection  
20 (4)(a) on residential property for tax year 1992 shows for  
21 any area an assessment level of less than 80% or a  
22 coefficient of dispersion with respect to the value weighted  
23 mean ratio of more than 20%, rounded to the nearest 0.1%,  
24 and an adjustment multiplier of 1.01 or greater, the  
25 department shall perform a reappraisal of the residential

1 property in the area. The reappraisal must be performed  
 2 using the same criteria provided in (4)(b)(i).

3 (iv) For those areas subject to reappraisal under the  
 4 provisions of subsection (4)(b)(i) for tax year 1992, the  
 5 department shall compare the stratified sales assessment  
 6 ratio performed in 1991 to the 1991 assessed value to  
 7 determine whether the area will be subject to further  
 8 appraisal. If that comparison of residential property shows  
 9 for the area a coefficient of dispersion with respect to the  
 10 value weighted mean ratio of more than 20%, rounded to the  
 11 nearest 0.1%, and an adjustment multiplier of 1.01 or  
 12 greater, the department shall reappraise the area. The  
 13 reappraisal must be performed using the same criteria  
 14 provided in (4)(b)(i).

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

17 (a) commonly accepted statistical standards and  
 18 methodology;

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

24 (c) the assessments and sales for areas of the state  
 25 that are economically, demographically, and geographically

1 similar in order to determine the sales assessment ratios  
 2 for a specific area.

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

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

12 (a) Department staff who did not participate in the  
 13 determination of appraised values are required to review the  
 14 sales transactions evidenced by a realty transfer  
 15 certificate. The review must be conducted to determine  
 16 whether each sale used in the study was a valid,  
 17 arm's-length transaction. Only valid, arm's-length sales may  
 18 be used in the sales assessment ratio study.

19 (b) The sales information entered in the  
 20 computer-assisted appraisal system is considered  
 21 confidential, as provided in 15-7-308. However, the  
 22 department shall annually publish a report containing the  
 23 results of all sales assessment ratio studies done in each  
 24 of the areas described in subsection (6). The report  
 25 containing the results of the study must be made available

1 to the public by request or by general disclosure.

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

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

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

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

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

22 **Section 3.** Section 15-7-201, MCA, is amended to read:

23 "15-7-201. (Applicable to ~~1991~~ 1993 land valuation  
24 schedules) Legislative intent -- value of agricultural  
25 property. (1) Since the market value of many agricultural

1 properties is based upon speculative purchases which do not  
2 reflect the productive capability of agricultural land, it  
3 is the legislative intent that bona fide agricultural  
4 properties shall be classified and assessed at a value that  
5 is exclusive of values attributed to urban influences or  
6 speculative purposes.

7 (2) Agricultural land shall be classified according to  
8 its use, which classifications shall include but not be  
9 limited to irrigated use, nonirrigated use, and grazing use.

10 (3) Within each class, land shall be assessed at a  
11 value that is fairly based on its productive capacity.

12 (4) In computing the agricultural land valuation  
13 schedules to take effect on ~~January 1, 1991~~ or on the date  
14 that the revaluation cycle commencing January 2, 1986, takes  
15 effect pursuant to 15-7-1117 and, thereafter, upon the  
16 effective date when each revaluation cycle takes effect, the  
17 department of revenue shall determine the productive  
18 capacity value of all agricultural lands using the formula  
19  $V = I/R$  where:

20 (a) V is the per-acre productive capacity value of  
21 agricultural land in each land use and production category;

22 (b) I is the per-acre net income of agricultural land  
23 in each land use and production category and is to be  
24 determined by the department using the formula  $I = (P - C) U$   
25 where:



1 (i) I is the per-acre net income;  
 2 (ii) P is the per-unit price of the commodity being  
 3 produced;  
 4 (iii) C is the per-unit production cost of the commodity  
 5 being produced; and  
 6 (iv) U is the yield in units per acre; and  
 7 (c) R is the capitalization rate to be determined by  
 8 the department as provided in subsection (9).  
 9 (5) Net income shall be:  
 10 (a) calculated for each year of a base period, which is  
 11 the most recent 3-year period for which data are available,  
 12 prior to a revaluation of property as provided in 15-7-111;  
 13 and  
 14 (b) based on commodity price and production cost data  
 15 for the base period from such sources as may be considered  
 16 appropriate by the department, which sources shall include  
 17 Montana state university.  
 18 (6) To the degree available, the department shall  
 19 compile:  
 20 (a) commodity price data reflecting the average prices  
 21 received per unit of measure by Montana farmers and  
 22 ranchers. Such data may be obtained from all geographical  
 23 areas of the state. Commodity prices may include wheat,  
 24 barley, alfalfa hay, grass hay, corn for grain, corn for  
 25 silage, sugar beets, dry beans, potatoes, cattle, and sheep.

1 Government payments may be considered. Typical rental  
 2 arrangements may be considered.  
 3 (b) production cost data reflecting average costs per  
 4 unit of measure paid by Montana farmers and ranchers. Such  
 5 data may be obtained from all geographical areas of the  
 6 state. Such production costs may include costs relating to  
 7 irrigation, fertilization, fuel, seed, weed control, hired  
 8 labor, management, insurance, repairs and maintenance, and  
 9 miscellaneous items. Variations in specific production cost  
 10 data, when affected by different levels of production, and  
 11 typical rental arrangements may be considered.  
 12 (7) The department shall appoint an advisory committee  
 13 of persons knowledgeable in agriculture and agricultural  
 14 economics to review the data prepared by Montana state  
 15 university and advise the department on the implementation  
 16 of subsections (2) through (6). The advisory committee shall  
 17 include one member of the Montana state university staff.  
 18 (8) Net income shall be determined separately for lands  
 19 in irrigated use, nonirrigated use, and grazing use and  
 20 shall be calculated for each use and production level  
 21 according to the provisions of subsections (4) through (7).  
 22 (9) The capitalization rate shall be calculated for  
 23 each year of the base period and is the annual average  
 24 interest rate on agricultural loans as reported by the  
 25 federal land bank association of Spokane, Washington, plus

1 the effective tax rate in Montana.

2 (10) The effective tax rate shall be calculated by the  
3 department for each year of the base period by dividing the  
4 total estimated tax due on agricultural land in the state by  
5 the total productive capacity value of agricultural land in  
6 the state."

7 **Section 4.** Section 15-6-143, MCA, is amended to read:

8 "15-6-143. ~~{Temporary}~~--Class thirteen property --  
9 description -- taxable percentage. (1) Class thirteen  
10 property includes all timberland.

11 (2) Timberland is contiguous land exceeding 15 acres in  
12 one ownership that is capable of producing timber that can  
13 be harvested in commercial quantity.

14 (3) Class thirteen property is taxed at the percentage  
15 rate "P" of the combined appraised value of the standing  
16 timber and grazing productivity of the property.

17 (4) For taxable years beginning January 1, 1986 1994,  
18 and thereafter, the taxable percentage rate "P" applicable  
19 to class thirteen property is  $30\%/B$ , where B is the  
20 certified statewide percentage increase to be determined by  
21 the department of revenue as provided in subsection (5). The  
22 taxable percentage rate "P" shall be rounded downward to the  
23 nearest 0.01% and shall be calculated by the department  
24 before July 1, 1986 1994.

25 (5) (a) Prior to July 1, 1986 1994, the department

1 shall determine the certified statewide percentage increase  
2 for class thirteen property using the formula  $B = X/Y$ ,  
3 where:

4 (i) X is the appraised value, as of January 1, 1986  
5 1994, of all property in the state, excluding use changes  
6 occurring during the preceding year, classified under class  
7 thirteen as class thirteen is described in this section; and  
8 (ii) Y is the appraised value, as of January 1, 1985  
9 1993, of all property in the state that ~~as of January 1,~~  
10 ~~1986~~ would be classified under class thirteen as class  
11 thirteen is described in this section as it reads in 1993.

12 (b) B shall be rounded downward to the nearest 0.0001%.

13 (6) After July 1, 1986 1994, no adjustment may be made  
14 by the department to the taxable percentage rate "P" until a  
15 valuation has been made as provided in 15-7-111. ~~{Terminates~~  
16 ~~January 1, 1991--sec-107-Ch-6817-b-1985}~~"

17 **Section 5.** Section 10, Chapter 681, Laws of 1985, is  
18 amended to read:

19 "Section 10. **Effective date -- termination date.** This  
20 act is effective January 1, 1986, and except for ~~section-3~~  
21 sections 2 through 4, terminates January 1, 1991."

22 **Section 6.** Section 15-1-101, MCA, is amended to read:

23 "15-1-101. **Definitions.** (1) Except as otherwise  
24 specifically provided, when terms mentioned in this section  
25 are used in connection with taxation, they are defined in

1 the following manner:

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

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

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

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

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

19 (A) agricultural lands;

20 (B) timberlands;

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

24 (D) mobile homes used exclusively as a residence except  
25 when held by a distributor or dealer of trailers or mobile

1 homes as his stock in trade;

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

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

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

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

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

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

1 Delinquent taxes on such leasehold improvements are a lien  
2 only on such leasehold improvements.

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

5 (j) The term "mobile home" means forms of housing known  
6 as "trailers", "housetrailers", or "trailer coaches"  
7 exceeding 8 feet in width or 45 feet in length, designed to  
8 be moved from one place to another by an independent power  
9 connected to them, or any "trailer", "house trailer", or  
10 "trailer coach" up to 8 feet in width or 45 feet in length  
11 used as a principal residence.

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

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

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

1 (n) The term "real estate" includes:

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

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

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

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

22 ~~{q}--The-term-"weighted-mean-assessment-ratio"--means-the~~  
23 ~~total--of--the--assessed--values-divided-by-the-total-of-the~~  
24 ~~selling-prices-of-all-area-sales-in-the-stratum-~~

25 (2) The phrase "municipal corporation" or

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

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

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

9 "15-7-102. Notice of classification and appraisal to  
 10 owners -- appeals. (1) It shall be the duty of the  
 11 department of revenue, through its agent as specified in  
 12 subsection (2), to cause to be mailed to each owner and  
 13 purchaser under contract for deed a notice of the  
 14 classification of the land owned or being purchased by him  
 15 and the appraisal of the improvements on the land only if  
 16 one or more of the following changes pertaining to the land  
 17 or improvements have been made since the last notice:

- 18 (a) change in ownership;
- 19 (b) change in classification;
- 20 (c) change in valuation; or
- 21 (d) addition or subtraction of personal property  
 22 affixed to the land.

23 (2) The county assessor shall assign each assessment to  
 24 the correct owner or purchaser under contract for deed and  
 25 mail the notice of classification and appraisal on a

1 standardized form, adopted by the department, containing  
 2 sufficient information in a comprehensible manner designed  
 3 to fully inform the taxpayer as to the classification and  
 4 appraisal of his property and of changes over the prior tax  
 5 year.

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 7 dissatisfied with the appraisal as it reflects the market  
 8 value of the property as determined by the department or  
 9 with the classification of his land or improvements, he may  
 10 submit his objection in writing to the department's agent.  
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 15 appraisals to be considered by the department must be  
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 18 department shall give reasonable notice to the taxpayer of  
 19 the time and place of hearing and hear any testimony or  
 20 other evidence that the taxpayer may desire to produce at  
 21 that time and afford the opportunity to other interested  
 22 persons to produce evidence at the hearing. After the  
 23 hearing, the department shall determine the true and correct  
 24 appraisal and classification of the land or improvements and  
 25 notify the taxpayer of its determination. In the

1 notification, the department must state its reasons for  
2 revising the classification or appraisal. When the proper  
3 appraisal and classification have been determined, the land  
4 shall be classified and the improvements appraised in the  
5 manner ordered by the department.

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

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

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

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

20 (6) If any property owner feels aggrieved at the  
21 classification and/or the appraisal made by the department,  
22 he shall have the right to appeal to the county tax appeal  
23 board and then to the state tax appeal board, whose findings  
24 shall be final subject to the right of review in the courts.  
25 The property owner may appeal the base year valuation and

1 the classification determination. A county tax appeal board  
2 or the state tax appeal board may consider the actual  
3 selling price of the property and independent appraisals of  
4 the property as evidence of the market value of the  
5 property. Independent appraisals to be considered by a  
6 county tax appeal board or the state tax appeal board must  
7 be performed by a licensed appraiser if a state licensing  
8 program is in effect at the time of the appeal. If the  
9 county tax appeal board or the state tax appeal board  
10 determines that an adjustment should be made, the department  
11 shall adjust the base value of the property in accordance  
12 with the board's order. ~~The property owner may not appeal~~  
13 ~~the yearly percentage adjustments that are specified in~~  
14 ~~15-7-111 and that may be made as a result of the sales~~  
15 ~~assessment ratio study, the stratum, or area designations as~~  
16 ~~specified in 15-7-111.~~

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

23 **Section 8.** Section 15-7-111, MCA, is amended to read:

24 "15-7-111. Periodic revaluation of taxable property --  
25 publication of sales assessment ratio studies -- appeal of

1 revaluations. (1) The department of revenue shall administer  
 2 and supervise a program for the revaluation of all taxable  
 3 property within the state at least every 5 3 years. A  
 4 comprehensive written reappraisal plan shall be promulgated  
 5 by the department. The reappraisal plan adopted shall  
 6 provide that all property in each county shall be revalued  
 7 at least every 5 3 years. The department shall furnish a  
 8 copy of the plan and all amendments to the plan to the board  
 9 of county commissioners in each county.

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

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

21 ~~{4}--For the taxable year beginning January 1, 1990, and  
 22 for every taxable year thereafter, the department shall  
 23 conduct a stratified sales assessment ratio study of all  
 24 residential land and improvements, agricultural acre  
 25 homesites and improvements, and commercial land and~~

1 ~~improvements. The sales assessment ratio based on property  
 2 sales finalized and recorded by no later than November 1  
 3 must be used to determine appraisals for the immediately  
 4 succeeding tax year.~~

5 ~~{5}--The study required in subsection {4} must be based  
 6 on:~~

7 ~~{a}--commonly accepted statistical standards and  
 8 methodology;~~

9 ~~{b}--a statistically valid sample of sales, using data  
 10 from realty transfer certificates filed for up to 3 taxable  
 11 years prior to the year the study is made, taking into  
 12 account the dates of the included sales in the statistical  
 13 analysis; and~~

14 ~~{c}--the assessments and sales for areas of the state  
 15 that are economically, demographically, and geographically  
 16 similar in order to determine the sales assessment ratios  
 17 for a specific area.~~

18 ~~{6}--For purposes of conducting the study required by  
 19 subsection {4}, the department shall partition the state  
 20 into as many as 100 areas for residential property and as  
 21 many as 20 areas for commercial property. The areas must  
 22 contain statistically sufficient numbers of sales and be as  
 23 economically and demographically homogeneous as reasonably  
 24 practicable.~~

25 ~~{7}--The department shall use the following procedure to~~

1 validate sales information:

2 (a) Department staff who did not participate in the  
3 determination of appraised values are required to review the  
4 sales transactions evidenced by a realty transfer  
5 certificate. The review must be conducted to determine  
6 whether each sale used in the study was a valid  
7 arm's length transaction. Only valid arm's length sales may  
8 be used in the sales assessment ratio study.

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

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

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

23 (8)(a) The department shall have equalized property  
24 values throughout the state and may not make further  
25 adjustments to values under this section when the

1 assessments for each stratum within each area identified in  
2 subsection (6) are rescaled to bring all ratios to common  
3 value and when the sample size produces a standard error  
4 of less than 5%.

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

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

12 **Section 9.** Section 15-10-412, MCA, is amended to read:

13 "15-10-412. Property tax limited to 1986 levels --  
14 clarification -- extension to all property classes. Section  
15 15-10-402 is interpreted and clarified as follows:

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

19 (2) The limitation on the amount of taxes levied is  
20 interpreted to mean that, except as otherwise provided in  
21 this section, the actual tax liability for an individual  
22 property is capped at the dollar amount due in each taxing  
23 unit for the 1986 tax year. In tax years thereafter, the  
24 property must be taxed in each taxing unit at the 1986 cap  
25 or the product of the taxable value and mills levied,



1 whichever is less for each taxing unit, except in a taxing  
 2 unit that levied a tax in tax years 1983 through 1985 but  
 3 did not levy a tax in 1986, in which case the actual tax  
 4 liability for an individual property is capped at the dollar  
 5 amount due in that taxing unit for the 1985 tax year.

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

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

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

13 (c) transfer of property into a taxing unit;

14 (d) subdivision of real property;

15 (e) reclassification of property;

16 (f) increases in the amount of production or the value  
 17 of production for property described in 15-6-131 or  
 18 15-6-132;

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

21 (h) revaluations caused by:

22 (i) cyclical reappraisal; or

23 (ii) expansion, addition, replacement, or remodeling of  
 24 improvements; or

25 (i) ~~increases in property valuation pursuant to~~

1 ~~15-7-111(4) through (8) in order to equalize property values~~  
 2 ~~annually.~~

3 (4) The limitation on the amount of taxes levied does  
 4 not mean that no further increase may be made in the taxable  
 5 valuation or in the actual tax liability on individual  
 6 property in each class as a result of:

7 (a) a revaluation caused by:

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

10 (ii) cyclical reappraisal;

11 (b) transfer of property into a taxing unit;

12 (c) reclassification of property;

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

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

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

20 (g) ~~increases in property valuation pursuant to~~  
 21 ~~15-7-111(4) through (8) in order to equalize property values~~  
 22 ~~annually.~~

23 (5) Property in classes four, twelve, and fourteen is  
 24 valued according to the procedures used in 1986, including  
 25 the designation of 1982 as the base year, until the

1 reappraisal cycle beginning January 1, 1986, is completed  
 2 and new valuations are placed on the tax rolls and a new  
 3 base year designated, if the property is:

- 4 (a) new construction;
- 5 (b) expanded, deleted, replaced, or remodeled
- 6 improvements;
- 7 (c) annexed property; or
- 8 (d) property converted from tax-exempt to taxable
- 9 status.

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

15 (7) The limitation on the amount of taxes, as clarified  
 16 in this section, is intended to leave the property appraisal  
 17 and valuation methodology of the department of revenue  
 18 intact. Determinations of county classifications, salaries  
 19 of local government officers, and all other matters in which  
 20 total taxable valuation is an integral component are not  
 21 affected by 15-10-401 and 15-10-402 except for the use of  
 22 taxable valuation in fixing tax levies. In fixing tax  
 23 levies, the taxing units of local government may anticipate  
 24 the deficiency in revenues resulting from the tax  
 25 limitations in 15-10-401 and 15-10-402, while understanding

1 that regardless of the amount of mills levied, a taxpayer's  
 2 liability may not exceed the dollar amount due in each  
 3 taxing unit for the 1986 tax year unless:

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

11 (b) a levy authorized under Title 20 raised less  
 12 revenue in 1986 than was raised in either 1984 or 1985, in  
 13 which case the taxing unit may, after approval by the voters  
 14 in the taxing unit, raise each year thereafter an additional  
 15 number of mills but may not levy more revenue than the  
 16 3-year average of revenue raised for that purpose during  
 17 1984, 1985, and 1986;

18 (c) a levy authorized in 50-2-111 that was made in 1986  
 19 was for less than the number of mills levied in either 1984  
 20 or 1985, in which case the taxing unit may, after approval  
 21 by the voters in the taxing unit, levy each year thereafter  
 22 an additional number of mills but may not levy more than the  
 23 3-year average number of mills levied for that purpose  
 24 during 1984, 1985, and 1986.

25 (8) The limitation on the amount of taxes levied does

1 not apply to the following levy or special assessment  
2 categories, whether or not they are based on commitments  
3 made before or after approval of 15-10-401 and 15-10-402:

- 4 (a) rural improvement districts;
- 5 (b) special improvement districts;
- 6 (c) levies pledged for the repayment of bonded  
7 indebtedness, including tax increment bonds;
- 8 (d) city street maintenance districts;
- 9 (e) tax increment financing districts;
- 10 (f) satisfaction of judgments against a taxing unit;
- 11 (g) street lighting assessments;
- 12 (h) revolving funds to support any categories specified  
13 in this subsection (8);
- 14 (i) levies for economic development authorized pursuant  
15 to 90-5-112(4); and
- 16 (j) elementary and high school districts.

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

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

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

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

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

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

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

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

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

15 (b) The limitation set forth in this chapter on the  
16 amount of taxes levied does not apply to levies to support a  
17 city-county board of health as provided in Title 50, chapter  
18 2, if the governing bodies of the taxing units served by the  
19 board of health determine, after a public hearing, that  
20 public health programs require funds to ensure the public  
21 health. A levy for the support of a local board of health  
22 may not exceed the 5-mill limit established in 50-2-111.

23 (11) The limitation on the amount of taxes levied by a  
24 taxing jurisdiction subject to a statutory maximum mill levy  
25 does not prevent a taxing jurisdiction from increasing its

1 number of mills beyond the statutory maximum mill levy to  
2 produce revenue equal to its 1986 revenue.

3 (12) The limitation on the amount of taxes levied does  
4 not apply to a levy increase to repay taxes paid under  
5 protest in accordance with 15-1-402."

6 NEW SECTION. Section 10. Coordination instruction. If  
7 House Bill No. 340 is passed and approved and if it includes  
8 a section that amends 15-6-143, then the amendments made by  
9 [this act] to 15-6-143(1) through (5) are void and the  
10 amendments made to 15-6-143(6) by [this act] are to be  
11 codified with the amendments made to 15-6-143 by House Bill  
12 No. 340.

13 NEW SECTION. Section 11. Applicability dates. (1)  
14 [Section 2] applies retroactively, within the meaning of  
15 1-2-109, to property tax year 1991 and is applicable to  
16 taxable years 1992 and 1993.

17 (2) [Sections 6 through 9] apply to all taxable years  
18 beginning after December 31, 1993.

19 (3) [Section 5] applies retroactively, within the  
20 meaning of 1-2-109, to taxable years beginning after  
21 December 31, 1990.

22 NEW SECTION. Section 12. Termination. [Sections 1 and  
23 2] terminate December 31, 1993.

24 NEW SECTION. Section 13. Effective dates. (1) Except  
25 as provided in subsection (2), [this act] is effective on

1 passage and approval.

2 (2) [Sections 6 through 9] are effective January 1,  
3 1992.

-End-

STATE OF MONTANA - FISCAL NOTE  
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0412, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide for the equalization of residential property by providing that property meeting certain conditions will be subject to reappraisal; to provide that the department's sales assessment area and percentage adjustments will be subject to judicial review; to provide that for tax year 1994 and thereafter, sales assessment ratio adjustments will be eliminated and all property will be reappraised every 3 years; providing effective dates, applicability dates and a partial termination date.

FISCAL IMPACT:

The purpose of the proposal is to resolve property appraisal problems created by the Supreme Court's ruling that sales assessment ratio study adjustments as applied by the department in 1990 are unconstitutional. The proposal would do the following:

- 1) Reinstate ratio study adjustments until the current reappraisal cycle is completed in 1993.
- 2) Provide for reappraisal of individual residential properties in areas with low assessment levels or have poor assessment uniformity before the end of the current reappraisal cycle in 1993.
- 3) Reduces the reappraisal cycle after 1993 from 5 years to 3 years.
- 4) Permits appeals of individual property values.

Based on preliminary analysis;

In FY92, the increase in statewide taxable valuation of \$12,105,484 under this proposal would result in the following additional annual revenue to the university system, and the foundation program accounts.

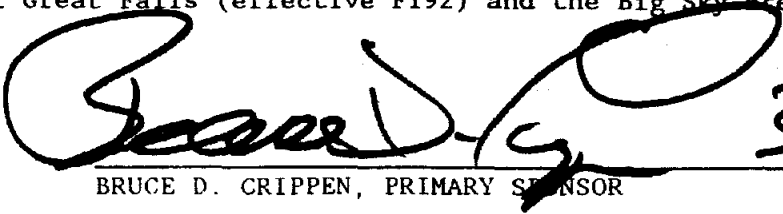
University System (6 mills):	\$ 72,633
State Equalization Aid (40 mills):	484,219
County Equalization (55 mills):	<u>665,802</u>
Total	\$1,222,654

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. See the attachment for a general description of areas where taxable values would rise or fall.

The proposal would result in reappraising part of the city of Great Falls (effective FY92) and the Big Sky area and Carbon County (both effective FY93).

Attachment: (1)

  
ROD SUNDESTED, BUDGET DIRECTOR      3-5-91      DATE  
Office of Budget and Program Planning

  
BRUCE D. CRIPPEN, PRIMARY SPONSOR      3-6-91      DATE

Fiscal Note for SB0412, as introduced

SB 412

**SB 412 Sales Ratio Studies**  
**Estimated Change in 1990 Taxable Value - Residential Property**

<b>RESIDENTIAL AREAS</b>		<b>Percent Change</b>	<b>Current Taxable</b>	<b>Change</b>
Area 1	Carbon County	2%	6,729,044	194,581
Area 2	Cascade County Great Falls	6%	44,189,795	2,654,142
		7%	33,521,003	2,278,902
Area 3	Gallatin County Bozeman	5%	34,104,128	1,825,242
		8%	10,319,598	825,568
Area 4	Jefferson County	-5%	5,081,750	(254,088)
Area 5	Lewis and Clark County Helena	4%	30,103,101	1,204,124
		4%	14,219,278	568,771
Area 6	Lincoln County	0%	10,157,998	0
Area 7	Madison County	1%	6,600,679	58,422
Area 8	Missoula County Missoula	5%	48,618,415	2,401,709
		3%	24,373,720	783,165
Area 9	Silver Bow County	2%	16,770,733	259,369
Area 10	Stillwater County	0%	4,610,318	0
Area 11	Yellowstone County Billings	0%	79,704,498	0
		0%	56,674,408	0
Area 12	Mineral and Sanders Counties	1%	5,780,258	57,803
Area 13	Flathead County Kalisp., Whitefish, Col. Falls	9%	47,960,898	4,249,203
		8%	11,990,741	1,003,486
Area 14	Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland Counties	0%	13,603,208	0
Area 15	Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park and Powell	0%	26,333,049	0

SB 412

APPROVED BY COMMITTEE  
ON TAXATION

SENATE BILL NO. 412

INTRODUCED BY CRIPPEN, DRISCOLL, BLAYLOCK, RYE, BENGTON,  
HAGER, KEATING, BURNETT, BRUSKI, WEEDING, DEVLIN, TVEIT,  
YELLOWTAIL, T. NELSON, NATHE, H. HANSON, M. HANSON, TOWE,  
ZOOK, SCOTT, GILBERT, ELLIS, KELLER, FAGG, BECKER, FORRESTER,  
SOUTHWORTH, MCCULLOCH, R. JOHNSON, L. NELSON, KIMBERLEY, WHALEN,  
RUSSELL, KILPATRICK, PECK, MCCAFFREE  
BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
EQUALIZATION OF RESIDENTIAL PROPERTY BY PROVIDING THAT  
PROPERTY MEETING CERTAIN CONDITIONS WILL BE SUBJECT TO  
REAPPRAISAL; TO PROVIDE THAT THE DEPARTMENT'S SALES  
ASSESSMENT AREA AND PERCENTAGE ADJUSTMENTS WILL BE SUBJECT  
TO JUDICIAL REVIEW; TO PROVIDE THAT FOR TAX YEAR 1994 AND  
THEREAFTER, SALES ASSESSMENT RATIO ADJUSTMENTS WILL BE  
ELIMINATED AND ALL PROPERTY WILL BE REAPPRAISED EVERY 3  
YEARS; AMENDING SECTIONS 15-1-101, 15-6-143, 15-7-102,  
15-7-111, 15-7-201, AND 15-10-412, MCA, AND SECTION 10,  
CHAPTER 681, LAWS OF 1985; REPEALING SECTIONS 15-7-132 AND  
15-7-133, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY  
DATES, AND A PARTIAL TERMINATION DATE."

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

**Section 1.** 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 as it reflects the market  
value of the property as determined by the department or

1 with the classification of his land or improvements, he may  
 2 submit his objection in writing to the department's agent.  
 3 In an objection to the appraisal of the property, the  
 4 department may consider the actual selling price of the  
 5 property, and independent appraisals of the property, AND  
 6 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as  
 7 evidence of the market value of the property. Independent  
 8 appraisals--to-be--considered--by--the--department--must-be  
 9 performed-by-a--licensed--appraiser--if--a--state--licensing  
 10 program--is--in--effect--at--the--time--of--the--appeal. The  
 11 department shall give reasonable notice to the taxpayer of  
 12 the time and place of hearing and hear any testimony or  
 13 other evidence that the taxpayer may desire to produce at  
 14 that time and afford the opportunity to other interested  
 15 persons to produce evidence at the hearing. After the  
 16 hearing, the department shall determine the true and correct  
 17 appraisal and classification of the land or improvements and  
 18 notify the taxpayer of its determination. In the  
 19 notification, the department must state its reasons for  
 20 revising the classification or appraisal. When the proper  
 21 appraisal and classification have been determined, the land  
 22 shall be classified and the improvements appraised in the  
 23 manner ordered by the department.

24 (4) Whether a hearing as provided in subsection (3) is  
 25 held or not, the department or its agent may not adjust an

1 appraisal or classification upon taxpayer's objection  
 2 unless:

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

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

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

13 (6) (a) If any property owner feels aggrieved at the  
 14 classification and/or the appraisal made by the department,  
 15 he shall have the right to appeal to the county tax appeal  
 16 board and then to the state tax appeal board, whose findings  
 17 shall be final subject to the right of review in the courts.  
 18 The property owner may appeal the base year valuation and  
 19 the classification determination. A county tax appeal board  
 20 or the state tax appeal board may consider the actual  
 21 selling price of the property, and independent appraisals of  
 22 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
 23 THE TAXPAYER as evidence of the market value of the  
 24 property. Independent--appraisals--to-be--considered--by--a  
 25 county--tax--appeal-board-or-the-state-tax-appeal-board-must



~~be performed by a licensed appraiser if a state licensing program is in effect at the time of the appeal.~~ If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order. If any percentage adjustment required by the sales assessment ratio study provided in 15-7-111 is applied to the base value, the valuation of the property for the current year must be the same as the board's determination of market value and the property must continue to be assessed in the area designated by the department. ~~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.~~

(b) If a property owner feels aggrieved by either the percentage adjustment or the area designation established by the department pursuant to 15-7-111, he may, within 60 days of the date the rules provided for in subsection (7) are adopted to implement 15-7-111(4)(b), file suit seeking a declaratory judgment action to review the department's determination of the percentage adjustment or area designation.

(c) ~~Venue for the action is the first judicial district~~

~~of Lewis and Clark County.~~ The district court shall consolidate all such actions brought by property owners into one proceeding. IF THE SUIT ENCOMPASSES MORE THAN ONE JUDICIAL DISTRICT, THE VENUE FOR ACTION IS THE FIRST JUDICIAL DISTRICT OF LEWIS AND CLARK COUNTY.

(d) During the pendency of the action, the court may not restrain or enjoin the department from implementing either the percentage adjustments or area designations made by the department, but the court may direct that the increase in the property owner's tax be paid into the property tax protest fund of the county in which the property is located. Upon final judgment, the court may order ALL OR a portion of the protested tax TO be refunded to the property owner or such other remedy as the court considers appropriate.

(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 2.** 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

1 and supervise a program for the revaluation of all taxable  
 2 property within the state at least every 5 years. A  
 3 comprehensive written reappraisal plan shall be promulgated  
 4 by the department. The reappraisal plan adopted shall  
 5 provide that all property in each county shall be revalued  
 6 at least every 5 years. The department shall furnish a copy  
 7 of the plan and all amendments to the plan to the board of  
 8 county commissioners in each county.

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

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

20 (4) (a) For the taxable year beginning January 1, 1990,  
 21 and for every taxable year thereafter, the department shall  
 22 conduct a stratified sales assessment ratio study of all  
 23 residential land and improvements, agricultural 1-acre  
 24 homesites and improvements, and commercial land and  
 25 improvements. Residential improvements include condominiums

1 but do not include mobile homes or housetrailerers that are  
 2 not taxed as an improvement as defined in 15-1-101. The  
 3 sales assessment ratio based on property sales finalized and  
 4 recorded by no later than November 1 must be used to  
 5 determine appraisals for the immediately succeeding tax  
 6 year.

7 (b) (i) For tax year 1991, if the result of the  
 8 stratified sales assessment ratio performed pursuant to  
 9 subsection (4)(a) on residential property for tax year 1990  
 10 shows for any area an assessment level of less than 80%, the  
 11 department shall perform a reappraisal of the residential  
 12 property in the area. The reappraisal must be performed  
 13 using a computer-assisted mass appraisal system based on the  
 14 market approach to value, using comparable sales of similar  
 15 property. If insufficient sales are available for market  
 16 modeling, the department shall reappraise the property using  
 17 the cost approach to value.

18 (ii) For tax year 1992, if the result of the stratified  
 19 sales assessment ratio performed pursuant to subsection  
 20 (4)(a) on residential property for tax year 1991 shows for  
 21 any area an assessment level of less than 80% or a  
 22 coefficient of dispersion with respect to the value weighted  
 23 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 24 and an adjustment multiplier of 1.01 or greater, the  
 25 department shall perform a reappraisal of the residential

1 property in the area. The reappraisal must be performed  
 2 using the same criteria provided in (4)(b)(i).

3 (iii) For tax year 1993, if the result of the stratified  
 4 sales assessment ratio performed pursuant to subsection  
 5 (4)(a) on residential property for tax year 1992 shows for  
 6 any area an assessment level of less than 80% or a  
 7 coefficient of dispersion with respect to the value weighted  
 8 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 9 and an adjustment multiplier of 1.01 or greater, the  
 10 department shall perform a reappraisal of the residential  
 11 property in the area. The reappraisal must be performed  
 12 using the same criteria provided in (4)(b)(i).

13 (iv) For those areas subject to reappraisal under the  
 14 provisions of subsection (4)(b)(i) for tax year 1992, the  
 15 department shall compare the stratified sales assessment  
 16 ratio performed in 1991 to the 1991 assessed value to  
 17 determine whether the area will be subject to further  
 18 appraisal. If that comparison of residential property shows  
 19 for the area a coefficient of dispersion with respect to the  
 20 value weighted mean ratio of more than 20%, rounded to the  
 21 nearest 0.1%, and an adjustment multiplier of 1.01 or  
 22 greater, the department shall reappraise the area. The  
 23 reappraisal must be performed using the same criteria  
 24 provided in (4)(b)(i).

25 (5) The study required in subsection (4) must be based

1 on:

2 (a) commonly accepted statistical standards and  
 3 methodology;

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

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

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

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

22 (a) Department staff who did not participate in the  
 23 determination of appraised values are required to review the  
 24 sales transactions evidenced by a realty transfer  
 25 certificate. The review must be conducted to determine

1 whether each sale used in the study was a valid,  
2 arm's-length transaction. Only valid, arm's-length sales may  
3 be used in the sales assessment ratio study.

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

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

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

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

25 (b) Under the method described in subsection (8)(a),

1 taxable property in each area is considered revalued for  
2 each tax year, based on the results of the sales assessment  
3 ratio study and the adjustments required by that study.

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

7 **Section 3.** Section 15-7-201, MCA, is amended to read:

8 "15-7-201. (Applicable to ~~1991~~ 1993 land valuation  
9 schedules) Legislative intent -- value of agricultural  
10 property. (1) Since the market value of many agricultural  
11 properties is based upon speculative purchases which do not  
12 reflect the productive capability of agricultural land, it  
13 is the legislative intent that bona fide agricultural  
14 properties shall be classified and assessed at a value that  
15 is exclusive of values attributed to urban influences or  
16 speculative purposes.

17 (2) Agricultural land shall be classified according to  
18 its use, which classifications shall include but not be  
19 limited to irrigated use, nonirrigated use, and grazing use.

20 (3) Within each class, land shall be assessed at a  
21 value that is fairly based on its productive capacity.

22 (4) In computing the agricultural land valuation  
23 schedules to take effect on ~~January 17, 1991~~ or on the date  
24 that the revaluation cycle commencing January 2, 1986, takes  
25 effect pursuant to 15-7-1117 and, thereafter, upon the

1 effective date when each revaluation cycle takes effect, the  
 2 department of revenue shall determine the productive  
 3 capacity value of all agricultural lands using the formula  
 4  $V = I/R$  where:

5 (a) V is the per-acre productive capacity value of  
 6 agricultural land in each land use and production category;

7 (b) I is the per-acre net income of agricultural land  
 8 in each land use and production category and is to be  
 9 determined by the department using the formula  $I = (P - C) U$   
 10 where:

11 (i) I is the per-acre net income;

12 (ii) P is the per-unit price of the commodity being  
 13 produced;

14 (iii) C is the per-unit production cost of the commodity  
 15 being produced; and

16 (iv) U is the yield in units per acre; and

17 (c) R is the capitalization rate to be determined by  
 18 the department as provided in subsection (9).

19 (5) Net income shall be:

20 (a) calculated for each year of a base period, which is  
 21 the most recent 3-year period for which data are available,  
 22 prior to a revaluation of property as provided in 15-7-111;  
 23 and

24 (b) based on commodity price and production cost data  
 25 for the base period from such sources as may be considered

1 appropriate by the department, which sources shall include  
 2 Montana state university.

3 (6) To the degree available, the department shall  
 4 compile:

5 (a) commodity price data reflecting the average prices  
 6 received per unit of measure by Montana farmers and  
 7 ranchers. Such data may be obtained from all geographical  
 8 areas of the state. Commodity prices may include wheat,  
 9 barley, alfalfa hay, grass hay, corn for grain, corn for  
 10 silage, sugar beets, dry beans, potatoes, cattle, and sheep.  
 11 Government payments may be considered. Typical rental  
 12 arrangements may be considered.

13 (b) production cost data reflecting average costs per  
 14 unit of measure paid by Montana farmers and ranchers. Such  
 15 data may be obtained from all geographical areas of the  
 16 state. Such production costs may include costs relating to  
 17 irrigation, fertilization, fuel, seed, weed control, hired  
 18 labor, management, insurance, repairs and maintenance, and  
 19 miscellaneous items. Variations in specific production cost  
 20 data, when affected by different levels of production, and  
 21 typical rental arrangements may be considered.

22 (7) The department shall appoint an advisory committee  
 23 of persons knowledgeable in agriculture and agricultural  
 24 economics to review the data prepared by Montana state  
 25 university and advise the department on the implementation

1 of subsections (2) through (6). The advisory committee shall  
2 include one member of the Montana state university staff.

3 (8) Net income shall be determined separately for lands  
4 in irrigated use, nonirrigated use, and grazing use and  
5 shall be calculated for each use and production level  
6 according to the provisions of subsections (4) through (7).

7 (9) The capitalization rate shall be calculated for  
8 each year of the base period and is the annual average  
9 interest rate on agricultural loans as reported by the  
10 federal land bank association of Spokane, Washington, plus  
11 the effective tax rate in Montana.

12 (10) The effective tax rate shall be calculated by the  
13 department for each year of the base period by dividing the  
14 total estimated tax due on agricultural land in the state by  
15 the total productive capacity value of agricultural land in  
16 the state."

17 **Section 4.** Section 15-6-143, MCA, is amended to read:

18 "15-6-143. ~~(Temporary)~~---Class thirteen property --  
19 description -- taxable percentage. (1) Class thirteen  
20 property includes all timberland.

21 (2) Timberland is contiguous land exceeding 15 acres in  
22 one ownership that is capable of producing timber that can  
23 be harvested in commercial quantity.

24 (3) Class thirteen property is taxed at the percentage  
25 rate "P" of the combined appraised value of the standing

1 timber and grazing productivity of the property.

2 (4) For taxable years beginning January 1, ~~1986~~ 1994,  
3 and thereafter, the taxable percentage rate "P" applicable  
4 to class thirteen property is  $30\%/B$ , where B is the  
5 certified statewide percentage increase to be determined by  
6 the department of revenue as provided in subsection (5). The  
7 taxable percentage rate "P" shall be rounded downward to the  
8 nearest 0.01% and shall be calculated by the department  
9 before July 1, ~~1986~~ 1994.

10 (5) (a) Prior to July 1, ~~1986~~ 1994, the department  
11 shall determine the certified statewide percentage increase  
12 for class thirteen property using the formula  $B = X/Y$ ,  
13 where:

14 (i) X is the appraised value, as of January 1, ~~1986~~  
15 1994, of all property in the state, excluding use changes  
16 occurring during the preceding year, classified under class  
17 thirteen as class thirteen is described in this section; and

18 (ii) Y is the appraised value, as of January 1, ~~1985~~  
19 1993, of all property in the state that ~~as of January 1,~~  
20 ~~1986,~~ would be classified under class thirteen as class  
21 thirteen is described in this section as it reads in 1993.

22 (b) B shall be rounded downward to the nearest 0.0001%.

23 (6) After July 1, ~~1986~~ 1994, no adjustment may be made  
24 by the department to the taxable percentage rate "P" until a  
25 valuation has been made as provided in 15-7-111. ~~(Terminates~~

1 ~~January 17, 1991 -- sec. 10, Ch. 681, S. 1985 --}~~

2 **Section 5.** Section 10, Chapter 681, Laws of 1985, is  
3 amended to read:

4 "Section 10. **Effective date -- termination date.** This  
5 act is effective January 1, 1986, and ~~except for section 3~~  
6 ~~sections 2 through 4,~~ [SECTION 1] terminates January 1,  
7 1991."

8 **Section 6.** Section 15-1-101, MCA, is amended to read:

9 "15-1-101. **Definitions.** (1) Except as otherwise  
10 specifically provided, when terms mentioned in this section  
11 are used in connection with taxation, they are defined in  
12 the following manner:

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

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

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

24 (d) (i) The term "commercial", when used to describe  
25 property, means any property used or owned by a business, a

1 trade, or a nonprofit corporation as defined in 35-2-102 or  
2 used for the production of income, except that property  
3 described in subsection (ii).

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

5 (A) agricultural lands;

6 (B) timberlands;

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

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

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

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

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

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

22 (g) The term "improvements" includes all buildings,  
23 structures, fences, and improvements situated upon, erected  
24 upon, or affixed to land. When the department of revenue or  
25 its agent determines that the permanency of location of a

1 mobile home or housetrailer has been established, the mobile  
 2 home or housetrailer is presumed to be an improvement to  
 3 real property. A mobile home or housetrailer may be  
 4 determined to be permanently located only when it is  
 5 attached to a foundation which cannot feasibly be relocated  
 6 and only when the wheels are removed.

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

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

16 (j) The term "mobile home" means forms of housing known  
 17 as "trailers", "housetrailer", or "trailer coaches"  
 18 exceeding 8 feet in width or 45 feet in length, designed to  
 19 be moved from one place to another by an independent power  
 20 connected to them, or any "trailer", "housetrailer", or  
 21 "trailer coach" up to 8 feet in width or 45 feet in length  
 22 used as a principal residence.

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

1 "improvements".

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

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

12 (n) The term "real estate" includes:

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

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

20 (o) "Research and development firm" means an entity  
 21 incorporated under the laws of this state or a foreign  
 22 corporation authorized to do business in this state whose  
 23 principal purpose is to engage in theoretical analysis,  
 24 exploration, and experimentation and the extension of  
 25 investigative findings and theories of a scientific and



1 technical nature into practical application for experimental  
2 and demonstration purposes, including the experimental  
3 production and testing of models, devices, equipment,  
4 materials, and processes.

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

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

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

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

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

20 "15-7-102. Notice of classification and appraisal to  
21 owners -- appeals. (1) It shall be the duty of the  
22 department of revenue, through its agent as specified in  
23 subsection (2), to cause to be mailed to each owner and  
24 purchaser under contract for deed a notice of the  
25 classification of the land owned or being purchased by him

1 and the appraisal of the improvements on the land only if  
2 one or more of the following changes pertaining to the land  
3 or improvements have been made since the last notice:

- 4 (a) change in ownership;  
5 (b) change in classification;  
6 (c) change in valuation; or  
7 (d) addition or subtraction of personal property  
8 affixed to the land.

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

17 (3) If the owner of any land and improvements is  
18 dissatisfied with the appraisal as it reflects the market  
19 value of the property as determined by the department or  
20 with the classification of his land or improvements, he may  
21 submit his objection in writing to the department's agent.  
22 In an objection to the appraisal of the property, the  
23 department may consider the actual selling price of the  
24 property, and independent appraisals of the property, AND  
25 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as

1 evidence of the market value of the property. Independent  
 2 appraisals to be considered by the department must be  
 3 performed by a licensed appraiser if a state licensing  
 4 program is in effect at the time of the appeal. The  
 5 department shall give reasonable notice to the taxpayer of  
 6 the time and place of hearing and hear any testimony or  
 7 other evidence that the taxpayer may desire to produce at  
 8 that time and afford the opportunity to other interested  
 9 persons to produce evidence at the hearing. After the  
 10 hearing, the department shall determine the true and correct  
 11 appraisal and classification of the land or improvements and  
 12 notify the taxpayer of its determination. In the  
 13 notification, the department must state its reasons for  
 14 revising the classification or appraisal. When the proper  
 15 appraisal and classification have been determined, the land  
 16 shall be classified and the improvements appraised in the  
 17 manner ordered by the department.

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

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

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

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

7 (6) If any property owner feels aggrieved at the  
 8 classification and/or the appraisal made by the department,  
 9 he shall have the right to appeal to the county tax appeal  
 10 board and then to the state tax appeal board, whose findings  
 11 shall be final subject to the right of review in the courts.  
 12 The property owner may appeal the base year valuation and  
 13 the classification determination. A county tax appeal board  
 14 or the state tax appeal board may consider the actual  
 15 selling price of the property, and independent appraisals of  
 16 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
 17 THE TAXPAYER as evidence of the market value of the  
 18 property. Independent appraisals to be considered by a  
 19 county tax appeal board or the state tax appeal board must  
 20 be performed by a licensed appraiser if a state licensing  
 21 program is in effect at the time of the appeal. If the  
 22 county tax appeal board or the state tax appeal board  
 23 determines that an adjustment should be made, the department  
 24 shall adjust the base value of the property in accordance  
 25 with the board's order. The property owner may not appeal

1 the yearly percentage adjustments that are specified in  
2 15-7-111 and that may be made as a result of the sales  
3 assessment ratio study, the stratum, or area designations as  
4 specified in 15-7-111.

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

11 **Section 8.** Section 15-7-111, MCA, is amended to read:

12 "15-7-111. Periodic revaluation of taxable property --  
13 publication of sales assessment ratio studies ---- appeal of  
14 revaluations. (1) The department of revenue shall administer  
15 and supervise a program for the revaluation of all taxable  
16 property within the state at least every 5 3 years. A  
17 comprehensive written reappraisal plan shall be promulgated  
18 by the department. The reappraisal plan adopted shall  
19 provide that all property in each county shall be revalued  
20 at least every 5 3 years. The department shall furnish a  
21 copy of the plan and all amendments to the plan to the board  
22 of county commissioners in each county.

23 (2) The new values determined during a revaluation  
24 cycle must be provided to the taxpayers at the end of the  
25 revaluation cycle but may not be placed on the tax rolls

1 until 1 year following the completion of the revaluation  
2 cycle.

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

9 (4) For the taxable year beginning January 1, 1997, and  
10 for every taxable year thereafter, the department shall  
11 conduct a stratified sales assessment ratio study of all  
12 residential land and improvements, agricultural 1-acre  
13 homesites and improvements, and commercial land and  
14 improvements. The sales assessment ratio based on property  
15 sales finalized and recorded by no later than November 1  
16 must be used to determine appraisals for the immediately  
17 succeeding tax year.

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

20 (a) commonly accepted statistical standards and  
21 methodology;

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

1 analysis, and

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

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

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

15 (a) Department staff who did not participate in the  
16 determination of appraised values are required to review the  
17 sales transactions evidenced by a realty transfer  
18 certificate. The review must be conducted to determine  
19 whether each sale used in the study was a valid,  
20 arm's-length transaction. Only valid, arm's-length sales may  
21 be used in the sales assessment ratio study.

22 (b) The sales information entered in the  
23 computer-assisted appraisal system is considered  
24 confidential, as provided in 15-7-300. However, the  
25 department shall annually publish a report containing the

1 results of all sales assessment ratio studies done in each  
2 of the areas described in subsection (6). The report  
3 containing the results of the study must be made available  
4 to the public by request or by general disclosure.

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

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

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

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

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

25 **Section 9.** Section 15-10-412, MCA, is amended to read:

1 "15-10-412. Property tax limited to 1986 levels --  
 2 clarification -- extension to all property classes. Section  
 3 15-10-402 is interpreted and clarified as follows:

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

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

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

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

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

1 (c) transfer of property into a taxing unit;

2 (d) subdivision of real property;

3 (e) reclassification of property;

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

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

9 (h) revaluations caused by:

10 (i) cyclical reappraisal; or

11 (ii) expansion, addition, replacement, or remodeling of  
 12 improvements; or

13 ~~(i) increases in property valuation pursuant to~~  
 14 ~~15-7-111(4) through (8) in order to equalize property values~~  
 15 ~~annually.~~

16 (4) The limitation on the amount of taxes levied does  
 17 not mean that no further increase may be made in the taxable  
 18 valuation or in the actual tax liability on individual  
 19 property in each class as a result of:

20 (a) a revaluation caused by:

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

23 (ii) cyclical reappraisal;

24 (b) transfer of property into a taxing unit;

25 (c) reclassification of property;

1 (d) increases in the amount of production or the value  
2 of production for property described in 15-6-131 or  
3 15-6-132;

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

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

8 ~~(g) increases in property valuation pursuant to~~  
9 ~~15-7-111(4) through (8) in order to equalize property values~~  
10 ~~annually.~~

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

17 (a) new construction;

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

20 (c) annexed property; or

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

23 (6) Property described in subsections (5)(a) through  
24 (5)(d) that is not class four, class twelve, or class  
25 fourteen property is valued according to the procedures used

1 in 1986 but is also subject to the dollar cap in each taxing  
2 unit based on 1986 mills levied.

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

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

24 (b) a levy authorized under Title 20 raised less  
25 revenue in 1986 than was raised in either 1984 or 1985, in

1 which case the taxing unit may, after approval by the voters  
2 in the taxing unit, raise each year thereafter an additional  
3 number of mills but may not levy more revenue than the  
4 3-year average of revenue raised for that purpose during  
5 1984, 1985, and 1986;

6 (c) a levy authorized in 50-2-111 that was made in 1986  
7 was for less than the number of mills levied in either 1984  
8 or 1985, in which case the taxing unit may, after approval  
9 by the voters in the taxing unit, levy each year thereafter  
10 an additional number of mills but may not levy more than the  
11 3-year average number of mills levied for that purpose  
12 during 1984, 1985, and 1986.

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

- 17 (a) rural improvement districts;
- 18 (b) special improvement districts;
- 19 (c) levies pledged for the repayment of bonded  
20 indebtedness, including tax increment bonds;
- 21 (d) city street maintenance districts;
- 22 (e) tax increment financing districts;
- 23 (f) satisfaction of judgments against a taxing unit;
- 24 (g) street lighting assessments;
- 25 (h) revolving funds to support any categories specified

1 in this subsection (8);

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

4 (j) elementary and high school districts.

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

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

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

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

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

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

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

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

24 (10) (a) The limitation on the amount of taxes levied  
25 does not apply to levies required to address the funding of

1 relief of suffering of inhabitants caused by famine,  
2 conflagration, or other public calamity.

3 (b) The limitation set forth in this chapter on the  
4 amount of taxes levied does not apply to levies to support a  
5 city-county board of health as provided in Title 50, chapter  
6 2, if the governing bodies of the taxing units served by the  
7 board of health determine, after a public hearing, that  
8 public health programs require funds to ensure the public  
9 health. A levy for the support of a local board of health  
10 may not exceed the 5-mill limit established in 50-2-111.

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

16 (12) The limitation on the amount of taxes levied does  
17 not apply to a levy increase to repay taxes paid under  
18 protest in accordance with 15-1-402."

19 NEW SECTION. SECTION 10. REPEALER. SECTIONS 15-7-132  
20 AND 15-7-133, MCA, ARE REPEALED.

21 NEW SECTION. Section 11. Coordination instruction. If  
22 House Bill No. 340 is passed and approved and if it includes  
23 a section that amends 15-6-143, then the amendments made by  
24 [this act] to 15-6-143(1) through (5) are void and the  
25 amendments made to 15-6-143(6) by [this act] are to be

1 codified with the amendments made to 15-6-143 by House Bill  
2 No. 340.

3 NEW SECTION. Section 12. Applicability dates. (1)  
4 [Section 2] applies retroactively, within the meaning of  
5 1-2-109, to property tax year 1991 and is applicable to  
6 taxable years 1992 and 1993.

7 (2) [Sections 6 through 9] apply to all taxable years  
8 beginning after December 31, 1993.

9 (3) [Section 5] applies retroactively, within the  
10 meaning of 1-2-109, to taxable years beginning after  
11 December 31, 1990.

12 NEW SECTION. Section 13. Termination. [Sections 1 and  
13 2] terminate December 31, 1993.

14 NEW SECTION. Section 14. Effective dates. (1) Except  
15 as provided in subsection (2), [this act] is effective on  
16 passage and approval.

17 (2) [Sections 6 through 9 10] are effective ~~January~~  
18 JULY 1, 1992 1993.

-End-



## SENATE BILL NO. 412

INTRODUCED BY CRIPPEN, DRISCOLL, BLAYLOCK, RYE, BENGTSON,  
 HAGER, KEATING, BURNETT, BRUSKI, WEEDING, DEVLIN, TVEIT,  
 YELLOWTAIL, T. NELSON, NATHE, H. HANSON, M. HANSON, TOWE,  
 ZOOK, SCOTT, GILBERT, ELLIS, KELLER, FAGG, BECKER, FORRESTER,  
 SOUTHWORTH, MCCULLOCH, R. JOHNSON, L. NELSON, KIMBERLEY, WHALEN,  
 RUSSELL, KILPATRICK, PECK, MCCAFFREE  
 BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
 EQUALIZATION OF RESIDENTIAL PROPERTY BY PROVIDING THAT  
 PROPERTY MEETING CERTAIN CONDITIONS WILL BE SUBJECT TO  
 REAPPRAISAL; TO PROVIDE THAT THE DEPARTMENT'S SALES  
 ASSESSMENT AREA AND PERCENTAGE ADJUSTMENTS WILL BE SUBJECT  
 TO JUDICIAL REVIEW; TO PROVIDE THAT FOR TAX YEAR 1994 AND  
 THEREAFTER, SALES ASSESSMENT RATIO ADJUSTMENTS WILL BE  
 ELIMINATED AND ALL PROPERTY WILL BE REAPPRAISED EVERY 3  
 YEARS; AMENDING SECTIONS 15-1-101, 15-6-143, 15-7-102,  
 15-7-111, 15-7-201, AND 15-10-412, MCA, AND SECTION 10,  
 CHAPTER 681, LAWS OF 1985; REPEALING SECTIONS 15-7-132 AND  
15-7-133, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY  
DATES, AND A PARTIAL TERMINATION DATE."

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

**Section 1.** 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 as it reflects the market  
value of the property as determined by the department or

1 with the classification of his land or improvements, he may  
 2 submit his objection in writing to the department's agent.  
 3 In an objection to the appraisal of the property, the  
 4 department may consider the actual selling price of the  
 5 property, and independent appraisals of the property, AND  
 6 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as  
 7 evidence of the market value of the property. Independent  
 8 appraisals--to--be--considered--by--the--department--must--be  
 9 performed--by--a--licensed--appraiser--if--a--state--licensing  
 10 program--is--in--effect--at--the--time--of--the--appeal. The  
 11 department shall give reasonable notice to the taxpayer of  
 12 the time and place of hearing and hear any testimony or  
 13 other evidence that the taxpayer may desire to produce at  
 14 that time and afford the opportunity to other interested  
 15 persons to produce evidence at the hearing. After the  
 16 hearing, the department shall determine the true and correct  
 17 appraisal and classification of the land or improvements and  
 18 notify the taxpayer of its determination. In the  
 19 notification, the department must state its reasons for  
 20 revising the classification or appraisal. When the proper  
 21 appraisal and classification have been determined, the land  
 22 shall be classified and the improvements appraised in the  
 23 manner ordered by the department.

24 (4) Whether a hearing as provided in subsection (3) is  
 25 held or not, the department or its agent may not adjust an

1 appraisal or classification upon taxpayer's objection  
 2 unless:

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

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

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

13 (6) (a) If any property owner feels aggrieved at the  
 14 classification and/or the appraisal made by the department,  
 15 he shall have the right to appeal to the county tax appeal  
 16 board and then to the state tax appeal board, whose findings  
 17 shall be final subject to the right of review in the courts.  
 18 The property owner may appeal the base year valuation and  
 19 the classification determination. A county tax appeal board  
 20 or the state tax appeal board may consider the actual  
 21 selling price of the property, and independent appraisals of  
 22 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
 23 THE TAXPAYER as evidence of the market value of the  
 24 property. Independent--appraisals--to--be--considered--by--a  
 25 county--tax--appeal--board--or--the--state--tax--appeal--board--must

~~be performed by a licensed appraiser if a state licensing program is in effect at the time of the appeal.~~ If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order. If any percentage adjustment required by the sales assessment ratio study provided in 15-7-111 is applied to the base value, the valuation of the property for the current year must be the same as the board's determination of market value and the property must continue to be assessed in the area designated by the department. ~~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.~~

(b) If a property owner feels aggrieved by either the percentage adjustment or the area designation established by the department pursuant to 15-7-111, he may, within 60 days of the date the rules provided for in subsection (7) are adopted to implement 15-7-111(4)(b), file suit seeking a declaratory judgment action to review the department's determination of the percentage adjustment or area designation.

(c) ~~Venue for the action is the first judicial district~~

~~of Lewis and Clark County.~~ The district court shall consolidate all such actions brought by property owners into one proceeding. IF THE SUIT ENCOMPASSES MORE THAN ONE JUDICIAL DISTRICT, THE VENUE FOR ACTION IS THE FIRST JUDICIAL DISTRICT OF LEWIS AND CLARK COUNTY.

(d) During the pendency of the action, the court may not restrain or enjoin the department from implementing either the percentage adjustments or area designations made by the department, but the court may direct that the increase in the property owner's tax be paid into the property tax protest fund of the county in which the property is located. Upon final judgment, the court may order ALL OR a portion of the protested tax TO be refunded to the property owner or such other remedy as the court considers appropriate.

(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 2.** 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

1 and supervise a program for the revaluation of all taxable  
 2 property within the state at least every 5 years. A  
 3 comprehensive written reappraisal plan shall be promulgated  
 4 by the department. The reappraisal plan adopted shall  
 5 provide that all property in each county shall be revalued  
 6 at least every 5 years. The department shall furnish a copy  
 7 of the plan and all amendments to the plan to the board of  
 8 county commissioners in each county.

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

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

20 (4) (a) For the taxable year beginning January 1, 1990,  
 21 and for every taxable year thereafter, the department shall  
 22 conduct a stratified sales assessment ratio study of all  
 23 residential land and improvements, agricultural 1-acre  
 24 homesites and improvements, and commercial land and  
 25 improvements. Residential improvements include condominiums

1 but do not include mobile homes or housetrailers that are  
 2 not taxed as an improvement as defined in 15-1-101. The  
 3 sales assessment ratio based on property sales finalized and  
 4 recorded by no later than November 1 must be used to  
 5 determine appraisals for the immediately succeeding tax  
 6 year.

7 (b) (i) For tax year 1991, if the result of the  
 8 stratified sales assessment ratio performed pursuant to  
 9 subsection (4)(a) on residential property for tax year 1990  
 10 shows for any area an assessment level of less than 80%, the  
 11 department shall perform a reappraisal of the residential  
 12 property in the area. The reappraisal must be performed  
 13 using a computer-assisted mass appraisal system based on the  
 14 market approach to value, using comparable sales of similar  
 15 property. If insufficient sales are available for market  
 16 modeling, the department shall reappraise the property using  
 17 the cost approach to value.

18 (ii) For tax year 1992, if the result of the stratified  
 19 sales assessment ratio performed pursuant to subsection  
 20 (4)(a) on residential property for tax year 1991 shows for  
 21 any area an assessment level of less than 80% or a  
 22 coefficient of dispersion with respect to the value weighted  
 23 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 24 and an adjustment multiplier of 1.01 or greater, the  
 25 department shall perform a reappraisal of the residential

1 property in the area. The reappraisal must be performed  
 2 using the same criteria provided in (4)(b)(i).

3 (iii) For tax year 1993, if the result of the stratified  
 4 sales assessment ratio performed pursuant to subsection  
 5 (4)(a) on residential property for tax year 1992 shows for  
 6 any area an assessment level of less than 80% or a  
 7 coefficient of dispersion with respect to the value weighted  
 8 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 9 and an adjustment multiplier of 1.01 or greater, the  
 10 department shall perform a reappraisal of the residential  
 11 property in the area. The reappraisal must be performed  
 12 using the same criteria provided in (4)(b)(i).

13 (iv) For those areas subject to reappraisal under the  
 14 provisions of subsection (4)(b)(i) for tax year 1992, the  
 15 department shall compare the stratified sales assessment  
 16 ratio performed in 1991 to the 1991 assessed value to  
 17 determine whether the area will be subject to further  
 18 appraisal. If that comparison of residential property shows  
 19 for the area a coefficient of dispersion with respect to the  
 20 value weighted mean ratio of more than 20%, rounded to the  
 21 nearest 0.1%, and an adjustment multiplier of 1.01 or  
 22 greater, the department shall reappraise the area. The  
 23 reappraisal must be performed using the same criteria  
 24 provided in (4)(b)(i).

25 (5) The study required in subsection (4) must be based

1 on:

2 (a) commonly accepted statistical standards and  
 3 methodology;

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

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

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

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

22 (a) Department staff who did not participate in the  
 23 determination of appraised values are required to review the  
 24 sales transactions evidenced by a realty transfer  
 25 certificate. The review must be conducted to determine

1 whether each sale used in the study was a valid,  
2 arm's-length transaction. Only valid, arm's-length sales may  
3 be used in the sales assessment ratio study.

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

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

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

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

25 (b) Under the method described in subsection (8)(a),

1 taxable property in each area is considered revalued for  
2 each tax year, based on the results of the sales assessment  
3 ratio study and the adjustments required by that study.

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

7 **Section 3.** Section 15-7-201, MCA, is amended to read:

8 "15-7-201. (Applicable to ~~1991~~ 1993 land valuation  
9 schedules) Legislative intent -- value of agricultural  
10 property. (1) Since the market value of many agricultural  
11 properties is based upon speculative purchases which do not  
12 reflect the productive capability of agricultural land, it  
13 is the legislative intent that bona fide agricultural  
14 properties shall be classified and assessed at a value that  
15 is exclusive of values attributed to urban influences or  
16 speculative purposes.

17 (2) Agricultural land shall be classified according to  
18 its use, which classifications shall include but not be  
19 limited to irrigated use, nonirrigated use, and grazing use.

20 (3) Within each class, land shall be assessed at a  
21 value that is fairly based on its productive capacity.

22 (4) In computing the agricultural land valuation  
23 schedules to take effect on ~~January 1, 1991~~, or on the date  
24 that the revaluation cycle commencing January 2, 1986, takes  
25 effect pursuant to 15-7-111, and, thereafter, upon the

1 effective date when each revaluation cycle takes effect, the  
 2 department of revenue shall determine the productive  
 3 capacity value of all agricultural lands using the formula  
 4  $V = I/R$  where:

5 (a) V is the per-acre productive capacity value of  
 6 agricultural land in each land use and production category;

7 (b) I is the per-acre net income of agricultural land  
 8 in each land use and production category and is to be  
 9 determined by the department using the formula  $I = (P - C) U$   
 10 where:

11 (i) I is the per-acre net income;

12 (ii) P is the per-unit price of the commodity being  
 13 produced;

14 (iii) C is the per-unit production cost of the commodity  
 15 being produced; and

16 (iv) U is the yield in units per acre; and

17 (c) R is the capitalization rate to be determined by  
 18 the department as provided in subsection (9).

19 (5) Net income shall be:

20 (a) calculated for each year of a base period, which is  
 21 the most recent 3-year period for which data are available,  
 22 prior to a revaluation of property as provided in 15-7-111;  
 23 and

24 (b) based on commodity price and production cost data  
 25 for the base period from such sources as may be considered

1 appropriate by the department, which sources shall include  
 2 Montana state university.

3 (6) To the degree available, the department shall  
 4 compile:

5 (a) commodity price data reflecting the average prices  
 6 received per unit of measure by Montana farmers and  
 7 ranchers. Such data may be obtained from all geographical  
 8 areas of the state. Commodity prices may include wheat,  
 9 barley, alfalfa hay, grass hay, corn for grain, corn for  
 10 silage, sugar beets, dry beans, potatoes, cattle, and sheep.  
 11 Government payments may be considered. Typical rental  
 12 arrangements may be considered.

13 (b) production cost data reflecting average costs per  
 14 unit of measure paid by Montana farmers and ranchers. Such  
 15 data may be obtained from all geographical areas of the  
 16 state. Such production costs may include costs relating to  
 17 irrigation, fertilization, fuel, seed, weed control, hired  
 18 labor, management, insurance, repairs and maintenance, and  
 19 miscellaneous items. Variations in specific production cost  
 20 data, when affected by different levels of production, and  
 21 typical rental arrangements may be considered.

22 (7) The department shall appoint an advisory committee  
 23 of persons knowledgeable in agriculture and agricultural  
 24 economics to review the data prepared by Montana state  
 25 university and advise the department on the implementation

1 of subsections (2) through (6). The advisory committee shall  
2 include one member of the Montana state university staff.

3 (8) Net income shall be determined separately for lands  
4 in irrigated use, nonirrigated use, and grazing use and  
5 shall be calculated for each use and production level  
6 according to the provisions of subsections (4) through (7).

7 (9) The capitalization rate shall be calculated for  
8 each year of the base period and is the annual average  
9 interest rate on agricultural loans as reported by the  
10 federal land bank association of Spokane, Washington, plus  
11 the effective tax rate in Montana.

12 (10) The effective tax rate shall be calculated by the  
13 department for each year of the base period by dividing the  
14 total estimated tax due on agricultural land in the state by  
15 the total productive capacity value of agricultural land in  
16 the state."

17 **Section 4.** Section 15-6-143, MCA, is amended to read:

18 "15-6-143. ~~Temporary~~---Class thirteen property --  
19 description -- taxable percentage. (1) Class thirteen  
20 property includes all timberland.

21 (2) Timberland is contiguous land exceeding 15 acres in  
22 one ownership that is capable of producing timber that can  
23 be harvested in commercial quantity.

24 (3) Class thirteen property is taxed at the percentage  
25 rate "P" of the combined appraised value of the standing

1 timber and grazing productivity of the property.

2 (4) For taxable years beginning January 1, ~~1986~~ 1994,  
3 and thereafter, the taxable percentage rate "P" applicable  
4 to class thirteen property is  $30\%/B$ , where B is the  
5 certified statewide percentage increase to be determined by  
6 the department of revenue as provided in subsection (5). The  
7 taxable percentage rate "P" shall be rounded downward to the  
8 nearest 0.01% and shall be calculated by the department  
9 before July 1, ~~1986~~ 1994.

10 (5) (a) Prior to July 1, ~~1986~~ 1994, the department  
11 shall determine the certified statewide percentage increase  
12 for class thirteen property using the formula  $B = X/Y$ ,  
13 where:

14 (i) X is the appraised value, as of January 1, ~~1986~~  
15 1994, of all property in the state, excluding use changes  
16 occurring during the preceding year, classified under class  
17 thirteen as class thirteen is described in this section; and  
18 (ii) Y is the appraised value, as of January 1, ~~1985~~  
19 1993, of all property in the state that, ~~as of January 1,~~  
20 ~~1986,~~ would be classified under class thirteen as class  
21 thirteen is described in this section as it reads in 1993.

22 (b) B shall be rounded downward to the nearest 0.0001%.

23 (6) After July 1, ~~1986~~ 1994, no adjustment may be made  
24 by the department to the taxable percentage rate "P" until a  
25 valuation has been made as provided in 15-7-111. ~~terminates~~



1 ~~January 17, 1991 -- sec 10, Ch 681, Laws of 1985.~~"

2 **Section 5.** Section 10, Chapter 681, Laws of 1985, is  
3 amended to read:

4 "Section 10. **Effective date -- termination date.** This  
5 act is effective January 1, 1986, and ~~except for section 3~~  
6 ~~sections 2 through 4~~ [SECTION 1] terminates January 1,  
7 1991."

8 **Section 6.** Section 15-1-101, MCA, is amended to read:

9 "15-1-101. **Definitions.** (1) Except as otherwise  
10 specifically provided, when terms mentioned in this section  
11 are used in connection with taxation, they are defined in  
12 the following manner:

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

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

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

24 (d) (i) The term "commercial", when used to describe  
25 property, means any property used or owned by a business, a

1 trade, or a nonprofit corporation as defined in 35-2-102 or  
2 used for the production of income, except that property  
3 described in subsection (ii).

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

5 (A) agricultural lands;

6 (B) timberlands;

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

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

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

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

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

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

22 (g) The term "improvements" includes all buildings,  
23 structures, fences, and improvements situated upon, erected  
24 upon, or affixed to land. When the department of revenue or  
25 its agent determines that the permanency of location of a

1 mobile home or housetrailer has been established, the mobile  
 2 home or housetrailer is presumed to be an improvement to  
 3 real property. A mobile home or housetrailer may be  
 4 determined to be permanently located only when it is  
 5 attached to a foundation which cannot feasibly be relocated  
 6 and only when the wheels are removed.

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

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

16 (j) The term "mobile home" means forms of housing known  
 17 as "trailers", "housetrailer", or "trailer coaches"  
 18 exceeding 8 feet in width or 45 feet in length, designed to  
 19 be moved from one place to another by an independent power  
 20 connected to them, or any "trailer", "housetrailer", or  
 21 "trailer coach" up to 8 feet in width or 45 feet in length  
 22 used as a principal residence.

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

1 "improvements".

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

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

12 (n) The term "real estate" includes:

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

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

20 (o) "Research and development firm" means an entity  
 21 incorporated under the laws of this state or a foreign  
 22 corporation authorized to do business in this state whose  
 23 principal purpose is to engage in theoretical analysis,  
 24 exploration, and experimentation and the extension of  
 25 investigative findings and theories of a scientific and

1 technical nature into practical application for experimental  
2 and demonstration purposes, including the experimental  
3 production and testing of models, devices, equipment,  
4 materials, and processes.

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

8 ~~{q}--The term "weighted-mean-assessment-ratio" means the~~  
9 ~~total--of--the--assessed--values--divided--by--the--total--of--the~~  
10 ~~selling--prices--of--all--area--sales--in--the--stratum--~~

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

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

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

20 "15-7-102. Notice of classification and appraisal to  
21 owners -- appeals. (1) It shall be the duty of the  
22 department of revenue, through its agent as specified in  
23 subsection (2), to cause to be mailed to each owner and  
24 purchaser under contract for deed a notice of the  
25 classification of the land owned or being purchased by him

1 and the appraisal of the improvements on the land only if  
2 one or more of the following changes pertaining to the land  
3 or improvements have been made since the last notice:

- 4 (a) change in ownership;  
5 (b) change in classification;  
6 (c) change in valuation; or  
7 (d) addition or subtraction of personal property  
8 affixed to the land.

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

17 (3) If the owner of any land and improvements is  
18 dissatisfied with the appraisal as it reflects the market  
19 value of the property as determined by the department or  
20 with the classification of his land or improvements, he may  
21 submit his objection in writing to the department's agent.  
22 In an objection to the appraisal of the property, the  
23 department may consider the actual selling price of the  
24 property, and independent appraisals of the property, AND  
25 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as

1 evidence of the market value of the property. Independent  
 2 appraisals-to-be-considered-by-the-department-must-be  
 3 performed-by-a-licensed-appraiser-if-a-state-licensing  
 4 program-is-in-effect-at-the-time-of-the-appeal. The

5 department shall give reasonable notice to the taxpayer of  
 6 the time and place of hearing and hear any testimony or  
 7 other evidence that the taxpayer may desire to produce at  
 8 that time and afford the opportunity to other interested  
 9 persons to produce evidence at the hearing. After the  
 10 hearing, the department shall determine the true and correct  
 11 appraisal and classification of the land or improvements and  
 12 notify the taxpayer of its determination. In the  
 13 notification, the department must state its reasons for  
 14 revising the classification or appraisal. When the proper  
 15 appraisal and classification have been determined, the land  
 16 shall be classified and the improvements appraised in the  
 17 manner ordered by the department.

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

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

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

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

7 (6) If any property owner feels aggrieved at the  
 8 classification and/or the appraisal made by the department,  
 9 he shall have the right to appeal to the county tax appeal  
 10 board and then to the state tax appeal board, whose findings  
 11 shall be final subject to the right of review in the courts.  
 12 The property owner may appeal the base year valuation and  
 13 the classification determination. A county tax appeal board  
 14 or the state tax appeal board may consider the actual  
 15 selling price of the property, and independent appraisals of  
 16 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
 17 THE TAXPAYER as evidence of the market value of the  
 18 property. Independent--appraisals--to--be--considered--by--a  
 19 county--tax--appeal-board-or-the-state-tax-appeal-board-must  
 20 be-performed-by-a-licensed-appraiser-if--a--state--licensing  
 21 program--is--in--effect--at--the--time-of-the-appeal. If the  
 22 county tax appeal board or the state tax appeal board  
 23 determines that an adjustment should be made, the department  
 24 shall adjust the base value of the property in accordance  
 25 with the board's order. The-property-owner--may--not--appeal

1 the yearly percentage adjustments that are specified in  
2 15-7-111 and that may be made as a result of the sales  
3 assessment ratio study, the stratum, or area designations as  
4 specified in 15-7-111.

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

11 **Section 8.** Section 15-7-111, MCA, is amended to read:

12 "15-7-111. Periodic revaluation of taxable property --  
13 publication of sales assessment ratio studies ---- appeal of  
14 revaluations. (1) The department of revenue shall administer  
15 and supervise a program for the revaluation of all taxable  
16 property within the state at least every 5 3 years. A  
17 comprehensive written reappraisal plan shall be promulgated  
18 by the department. The reappraisal plan adopted shall  
19 provide that all property in each county shall be revalued  
20 at least every 5 3 years. The department shall furnish a  
21 copy of the plan and all amendments to the plan to the board  
22 of county commissioners in each county.

23 (2) The new values determined during a revaluation  
24 cycle must be provided to the taxpayers at the end of the  
25 revaluation cycle but may not be placed on the tax rolls

1 until 1 year following the completion of the revaluation  
2 cycle.

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

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

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

20 (a) commonly accepted statistical standards and  
21 methodology;

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

1 analysis; and

2 (c) the assessments and sales for areas of the state  
3 that are economically, demographically, and geographically  
4 similar in order to determine the sales assessment ratios  
5 for a specific area;

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

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

15 (a) Department staff who did not participate in the  
16 determination of appraised values are required to review the  
17 sales transactions evidenced by a realty transfer  
18 certificate. The review must be conducted to determine  
19 whether each sale used in the study was a valid,  
20 arm's-length transaction. Only valid, arm's-length sales may  
21 be used in the sales assessment ratio study.

22 (b) The sales information entered in the  
23 computer-assisted appraisal system is considered  
24 confidential, as provided in 15-7-308. However, the  
25 department shall annually publish a report containing the

1 results of all sales assessment ratio studies done in each  
2 of the areas described in subsection (6). The report  
3 containing the results of the study must be made available  
4 to the public by request or by general disclosure.

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

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

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

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

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

25 **Section 9.** Section 15-10-412, MCA, is amended to read:

1       "15-10-412. Property tax limited to 1986 levels --  
2 clarification -- extension to all property classes. Section  
3 15-10-402 is interpreted and clarified as follows:

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

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

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

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

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

1       (c) transfer of property into a taxing unit;  
2       (d) subdivision of real property;  
3       (e) reclassification of property;  
4       (f) increases in the amount of production or the value  
5 of production for property described in 15-6-131 or  
6 15-6-132;

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

9       (h) revaluations caused by:

10       (i) cyclical reappraisal; or

11       (ii) expansion, addition, replacement, or remodeling of  
12 improvements; or

13       ~~(i) increases in property valuation pursuant to~~  
14 ~~§5-7-111(4) through (8) in order to equalize property values~~  
15 ~~annually;~~

16       (4) The limitation on the amount of taxes levied does  
17 not mean that no further increase may be made in the taxable  
18 valuation or in the actual tax liability on individual  
19 property in each class as a result of:

20       (a) a revaluation caused by:

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

23       (ii) cyclical reappraisal;

24       (b) transfer of property into a taxing unit;

25       (c) reclassification of property;

1 (d) increases in the amount of production or the value  
2 of production for property described in 15-6-131 or  
3 15-6-132;

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

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

8 ~~(g) increases in property valuation pursuant to~~  
9 ~~15-7-111(4) through (8) in order to equalize property values~~  
10 ~~annually.~~

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

17 (a) new construction;

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

20 (c) annexed property; or

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

23 (6) Property described in subsections (5)(a) through  
24 (5)(d) that is not class four, class twelve, or class  
25 fourteen property is valued according to the procedures used

1 in 1986 but is also subject to the dollar cap in each taxing  
2 unit based on 1986 mills levied.

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

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

24 (b) a levy authorized under Title 20 raised less  
25 revenue in 1986 than was raised in either 1984 or 1985, in



1 which case the taxing unit may, after approval by the voters  
2 in the taxing unit, raise each year thereafter an additional  
3 number of mills but may not levy more revenue than the  
4 3-year average of revenue raised for that purpose during  
5 1984, 1985, and 1986;

6 (c) a levy authorized in 50-2-111 that was made in 1986  
7 was for less than the number of mills levied in either 1984  
8 or 1985, in which case the taxing unit may, after approval  
9 by the voters in the taxing unit, levy each year thereafter  
10 an additional number of mills but may not levy more than the  
11 3-year average number of mills levied for that purpose  
12 during 1984, 1985, and 1986.

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

- 17 (a) rural improvement districts;
- 18 (b) special improvement districts;
- 19 (c) levies pledged for the repayment of bonded  
20 indebtedness, including tax increment bonds;
- 21 (d) city street maintenance districts;
- 22 (e) tax increment financing districts;
- 23 (f) satisfaction of judgments against a taxing unit;
- 24 (g) street lighting assessments;
- 25 (h) revolving funds to support any categories specified

1 in this subsection (8);

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

4 (j) elementary and high school districts.

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

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

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

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

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

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

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

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

24 (10) (a) The limitation on the amount of taxes levied  
25 does not apply to levies required to address the funding of

1 relief of suffering of inhabitants caused by famine,  
2 conflagration, or other public calamity.

3 (b) The limitation set forth in this chapter on the  
4 amount of taxes levied does not apply to levies to support a  
5 city-county board of health as provided in Title 50, chapter  
6 2, if the governing bodies of the taxing units served by the  
7 board of health determine, after a public hearing, that  
8 public health programs require funds to ensure the public  
9 health. A levy for the support of a local board of health  
10 may not exceed the 5-mill limit established in 50-2-111.

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

16 (12) The limitation on the amount of taxes levied does  
17 not apply to a levy increase to repay taxes paid under  
18 protest in accordance with 15-1-402."

19 NEW SECTION. SECTION 10. REPEALER. SECTIONS 15-7-132  
20 AND 15-7-133, MCA, ARE REPEALED.

21 NEW SECTION. Section 11. Coordination instruction. If  
22 House Bill No. 340 is passed and approved and if it includes  
23 a section that amends 15-6-143, then the amendments made by  
24 [this act] to 15-6-143(1) through (5) are void and the  
25 amendments made to 15-6-143(6) by [this act] are to be

1 codified with the amendments made to 15-6-143 by House Bill  
2 No. 340.

3 NEW SECTION. Section 12. Applicability dates. (1)  
4 [Section 2] applies retroactively, within the meaning of  
5 1-2-109, to property tax year 1991 and is applicable to  
6 taxable years 1992 and 1993.

7 (2) [Sections 6 through 9] apply to all taxable years  
8 beginning after December 31, 1993.

9 (3) [Section 5] applies retroactively, within the  
10 meaning of 1-2-109, to taxable years beginning after  
11 December 31, 1990.

12 NEW SECTION. Section 13. Termination. [Sections 1 and  
13 2] terminate December 31, 1993.

14 NEW SECTION. Section 14. Effective dates. (1) Except  
15 as provided in subsection (2), [this act] is effective on  
16 passage and approval.

17 (2) [Sections 6 through 9 10] are effective January  
18 JULY 1, 1992 1993.

-End-

HOUSE STANDING COMMITTEE REPORT

April 12, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 412 (third reading copy -- blue) be concurred in as amended .

Signed:   
Dan Harrington, Chairman

Carried by: Rep. Driscoll

And, that such amendments read:

1. Page 15, lines 24 and 25.

Strike: "the percentage rate "p""

Insert: "4%"

2. Page 16, lines 2 through 25.

Strike: subsections (4) through (6) in their entirety

3. Page 35, line 24 through page 36, line 2.

Strike: "(1) through (5)"

Strike: "and the" on page 35, line 24 through "340" on page 36,  
line 2

HOUSE

SB 412

781517SC.Hpd

HOUSE COMMITTEE OF THE WHOLE AMENDMENT  
Senate Bill 412  
Representative Galvin

April 15, 1991  
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April 15, 1991 12:31 pm  
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Mr. Chairman: I move to amend Senate Bill 412 (third reading copy -- blue).

Signed: Pat Galvin  
Representative Galvin

And, that such amendments to Senate Bill 412 read as follows:

1. Title, line 15.  
Following: "REVIEW;"  
Insert: "TO REQUIRE THE DEPARTMENT OF REVENUE TO HOLD A PUBLIC HEARING IF THE PERCENTAGE ADJUSTMENT IS GREATER THAN 10 PERCENT; TO REQUIRE THE COUNTY ASSESSOR TO PROVIDE ADDITIONAL INFORMATION IF VALUATION OF PROPERTY INCREASES AS A RESULT OF THE SALES ASSESSMENT RATIO STUDY; TO REQUIRE THE BOARD OF COUNTY COMMISSIONERS TO APPOINT AN ADVISORY BOARD;"
2. Page 2, line 15.  
Following: "(2)"  
Insert: "(a)"
3. Page 2, line 23.  
Following: line 22  
Insert: "(b) If the valuation of the property described in subsection (1) increased from the prior tax year, the notice must include the following information:  
(i) the valuation of the property in the prior tax year; and  
(ii) a statement showing the amount of taxes that would be due on the property in the current tax year if the property were subject to the same mill levies imposed in the prior tax year."
4. Page 6, line 25.  
Following: "revaluations"  
Insert: "-- public hearing"
5. Page 12, line 7.  
Following: line 6  
Insert: "(9) If the results of the stratified sales assessment ratio study required under this section show an increase in the percentage adjustment in excess of 10% in an area designation, the department shall conduct a public hearing

in that area designation to present information showing the reasons for the increase."

6. Page 35, line 21.

Following: line 20

Insert: "NEW SECTION. Section 11. Sales assessment advisory board -- duties. (1) The board of county commissioners of each county shall appoint a seven-member sales assessment advisory board. The members of the board must be residents of the county in which they serve. The members of the board must be appointed as follows:

- (a) two members who are certified appraisers;
  - (b) two members who are realtors; and
  - (c) three members who are from the general public.
- (2) The term of membership is 3 years.

(3) The advisory board shall meet from time to time to review the department of revenue's determination of area designations, stratum, and percentage adjustments within the county and to recommend to the department changes the board considers necessary regarding the determination of area designations."

Renumber: subsequent sections

ADOPT

REJECT

SB 412.3  
801231CW.HSF

HOUSE  
SB 412

## 1 SENATE BILL NO. 412

2 INTRODUCED BY CRIPPEN, DRISCOLL, BLAYLOCK, RYE, BENGTSON,  
 3 HAGER, KEATING, BURNETT, BRUSKI, WEEDING, DEVLIN, TVEIT,  
 4 YELLOWTAIL, T. NELSON, NATHE, H. HANSON, M. HANSON, TOWE,  
 5 ZOOK, SCOTT, GILBERT, ELLIS, KELLER, FAGG, BECKER, FORRESTER,  
 6 SOUTHWORTH, MCCULLOCH, R. JOHNSON, L. NELSON, KIMBERLEY, WHALEN,  
 7 RUSSELL, KILPATRICK, PECK, MCCAFFREE  
 8 BY REQUEST OF THE DEPARTMENT OF REVENUE  
 9

10 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
 11 EQUALIZATION OF RESIDENTIAL PROPERTY BY PROVIDING THAT  
 12 PROPERTY MEETING CERTAIN CONDITIONS WILL BE SUBJECT TO  
 13 REAPPRAISAL; TO PROVIDE THAT THE DEPARTMENT'S SALES  
 14 ASSESSMENT AREA AND PERCENTAGE ADJUSTMENTS WILL BE SUBJECT  
 15 TO JUDICIAL REVIEW; TO REQUIRE THE DEPARTMENT OF REVENUE TO  
 16 HOLD A PUBLIC HEARING IF THE PERCENTAGE ADJUSTMENT IS  
 17 GREATER THAN 10 PERCENT; TO REQUIRE THE COUNTY ASSESSOR TO  
 18 PROVIDE ADDITIONAL INFORMATION IF VALUATION OF PROPERTY  
 19 INCREASES AS A RESULT OF THE SALES ASSESSMENT RATIO STUDY;  
 20 TO REQUIRE THE BOARD OF COUNTY COMMISSIONERS TO APPOINT AN  
 21 ADVISORY BOARD; TO PROVIDE THAT FOR TAX YEAR 1994 AND  
 22 THEREAFTER, SALES ASSESSMENT RATIO ADJUSTMENTS WILL BE  
 23 ELIMINATED AND ALL PROPERTY WILL BE REAPPRAISED EVERY 3  
 24 YEARS; AMENDING SECTIONS 15-1-101, 15-6-143, 15-7-102,  
 25 15-7-111, 15-7-201, AND 15-10-412, MCA, AND SECTION 10,

1 CHAPTER 681, LAWS OF 1985; REPEALING SECTIONS 15-7-132 AND  
 2 15-7-133, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY  
 3 DATES, AND A PARTIAL TERMINATION DATE."  
 4

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

6 **Section 1.** Section 15-7-102, MCA, is amended to read:

7 "15-7-102. Notice of classification and appraisal to  
 8 owners -- appeals. (1) It shall be the duty of the  
 9 department of revenue, through its agent as specified in  
 10 subsection (2), to cause to be mailed to each owner and  
 11 purchaser under contract for deed a notice of the  
 12 classification of the land owned or being purchased by him  
 13 and the appraisal of the improvements on the land only if  
 14 one or more of the following changes pertaining to the land  
 15 or improvements have been made since the last notice:

16 (a) change in ownership;

17 (b) change in classification;

18 (c) change in valuation; or

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

21 (2) (A) The county assessor shall assign each  
 22 assessment to the correct owner or purchaser under contract  
 23 for deed and mail the notice of classification and appraisal  
 24 on a standardized form, adopted by the department,  
 25 containing sufficient information in a comprehensible manner

1 designed to fully inform the taxpayer as to the  
2 classification and appraisal of his property and of changes  
3 over the prior tax year.

4 (B) IF THE VALUATION OF THE PROPERTY DESCRIBED IN  
5 SUBSECTION (1) INCREASED FROM THE PRIOR TAX YEAR, THE NOTICE  
6 MUST INCLUDE THE FOLLOWING INFORMATION:

7 (I) THE VALUATION OF THE PROPERTY IN THE PRIOR TAX  
8 YEAR; AND

9 (II) A STATEMENT SHOWING THE AMOUNT OF TAXES THAT WOULD  
10 BE DUE ON THE PROPERTY IN THE CURRENT TAX YEAR IF THE  
11 PROPERTY WERE SUBJECT TO THE SAME MILL LEVIES IMPOSED IN THE  
12 PRIOR TAX YEAR.

13 (3) If the owner of any land and improvements is  
14 dissatisfied with the appraisal as it reflects the market  
15 value of the property as determined by the department or  
16 with the classification of his land or improvements, he may  
17 submit his objection in writing to the department's agent.  
18 In an objection to the appraisal of the property, the  
19 department may consider the actual selling price of the  
20 property, and independent appraisals of the property, AND  
21 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as  
22 evidence of the market value of the property. independent  
23 appraisals-to-be-considered-by-the-department-must-be  
24 performed-by-a-licensed-appraiser-if-a-state-licensing  
25 program-is-in-effect-at-the-time-of-the-appeal. The

1 department shall give reasonable notice to the taxpayer of  
2 the time and place of hearing and hear any testimony or  
3 other evidence that the taxpayer may desire to produce at  
4 that time and afford the opportunity to other interested  
5 persons to produce evidence at the hearing. After the  
6 hearing, the department shall determine the true and correct  
7 appraisal and classification of the land or improvements and  
8 notify the taxpayer of its determination. In the  
9 notification, the department must state its reasons for  
10 revising the classification or appraisal. When the proper  
11 appraisal and classification have been determined, the land  
12 shall be classified and the improvements appraised in the  
13 manner ordered by the department.

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

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

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

22 (5) A taxpayer's written objection to a classification  
23 or appraisal and the department's notification to the  
24 taxpayer of its determination and the reason for that  
25 determination are public records. Each county appraiser

1 shall make the records available for inspection during  
2 regular office hours.

3 (6) (a) If any property owner feels aggrieved at the  
4 classification and/or the appraisal made by the department,  
5 he shall have the right to appeal to the county tax appeal  
6 board and then to the state tax appeal board, whose findings  
7 shall be final subject to the right of review in the courts.  
8 The property owner may appeal the base year valuation and  
9 the classification determination. A county tax appeal board  
10 or the state tax appeal board may consider the actual  
11 selling price of the property, and independent appraisals of  
12 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
13 THE TAXPAYER as evidence of the market value of the  
14 property. independent--appraisals--to--be--considered--by--a  
15 county-tax-appeal-board-or-the-state-tax-appeal-board--must  
16 be--performed--by--a-licensed-appraiser-if-a-state-licensing  
17 program-is-in-effect-at-the--time--of--the--appeal. If the  
18 county tax appeal board or the state tax appeal board  
19 determines that an adjustment should be made, the department  
20 shall adjust the base value of the property in accordance  
21 with the board's order. If any percentage adjustment  
22 required by the sales assessment ratio study provided in  
23 15-7-111 is applied to the base value, the valuation of the  
24 property for the current year must be the same as the  
25 board's determination of market value and the property must

1 continue to be assessed in the area designated by the  
2 department. The--property--owner--may-not-appeal-the-yearly  
3 percentage-adjustments-that-are-specified--in--15-7-111--and  
4 that--may--be-made-as-a-result-of-the-sales-assessment-ratio  
5 study,-the-stratum,-or-area--designations--as--specified--in  
6 15-7-111.

7 (b) If a property owner feels aggrieved by either the  
8 percentage adjustment or the area designation established by  
9 the department pursuant to 15-7-111, he may, within 60 days  
10 of the date the rules provided for in subsection (7) are  
11 adopted to implement 15-7-111(4)(b), file suit seeking a  
12 declaratory judgment action to review the department's  
13 determination of the percentage adjustment or area  
14 designation.

15 (c) Venue-for-the-action-is-the-first-judicial-district  
16 of--Lewis--and--Clark--County. The district court shall  
17 consolidate all such actions brought by property owners into  
18 one proceeding. IF THE SUIT ENCOMPASSES MORE THAN ONE  
19 JUDICIAL DISTRICT, THE VENUE FOR ACTION IS THE FIRST  
20 JUDICIAL DISTRICT OF LEWIS AND CLARK COUNTY.

21 (d) During the pendency of the action, the court may  
22 not restrain or enjoin the department from implementing  
23 either the percentage adjustments or area designations made  
24 by the department, but the court may direct that the  
25 increase in the property owner's tax be paid into the

1 property tax protest fund of the county in which the  
 2 property is located. Upon final judgment, the court may  
 3 order ALL OR a portion of the protested tax TO be refunded  
 4 to the property owner or such other remedy as the court  
 5 considers appropriate.

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

12 **Section 2.** Section 15-7-111, MCA, is amended to read:

13 "15-7-111. Periodic revaluation of taxable property --  
 14 publication of sales assessment ratio studies -- appeal of  
 15 revaluations -- PUBLIC HEARING. (1) The department of  
 16 revenue shall administer and supervise a program for the  
 17 revaluation of all taxable property within the state at  
 18 least every 5 years. A comprehensive written reappraisal  
 19 plan shall be promulgated by the department. The reappraisal  
 20 plan adopted shall provide that all property in each county  
 21 shall be revalued at least every 5 years. The department  
 22 shall furnish a copy of the plan and all amendments to the  
 23 plan to the board of county commissioners in each county.

24 (2) The new values determined during a revaluation  
 25 cycle must be provided to the taxpayers at the end of the

1 revaluation cycle but may not be placed on the tax rolls  
 2 until 1 year following the completion of the revaluation  
 3 cycle.

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

10 (4) (a) For the taxable year beginning January 1, 1990,  
 11 and for every taxable year thereafter, the department shall  
 12 conduct a stratified sales assessment ratio study of all  
 13 residential land and improvements, agricultural 1-acre  
 14 homesites and improvements, and commercial land and  
 15 improvements. Residential improvements include condominiums  
 16 but do not include mobile homes or housetrailers that are  
 17 not taxed as an improvement as defined in 15-1-101. The  
 18 sales assessment ratio based on property sales finalized and  
 19 recorded by no later than November 1 must be used to  
 20 determine appraisals for the immediately succeeding tax  
 21 year.

22 (b) (i) For tax year 1991, if the result of the  
 23 stratified sales assessment ratio performed pursuant to  
 24 subsection (4)(a) on residential property for tax year 1990  
 25 shows for any area an assessment level of less than 80%, the



1 department shall perform a reappraisal of the residential  
 2 property in the area. The reappraisal must be performed  
 3 using a computer-assisted mass appraisal system based on the  
 4 market approach to value, using comparable sales of similar  
 5 property. If insufficient sales are available for market  
 6 modeling, the department shall reappraise the property using  
 7 the cost approach to value.

8 (ii) For tax year 1992, if the result of the stratified  
 9 sales assessment ratio performed pursuant to subsection  
 10 (4)(a) on residential property for tax year 1991 shows for  
 11 any area an assessment level of less than 80% or a  
 12 coefficient of dispersion with respect to the value weighted  
 13 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 14 and an adjustment multiplier of 1.01 or greater, the  
 15 department shall perform a reappraisal of the residential  
 16 property in the area. The reappraisal must be performed  
 17 using the same criteria provided in (4)(b)(i).

18 (iii) For tax year 1993, if the result of the stratified  
 19 sales assessment ratio performed pursuant to subsection  
 20 (4)(a) on residential property for tax year 1992 shows for  
 21 any area an assessment level of less than 80% or a  
 22 coefficient of dispersion with respect to the value weighted  
 23 mean ratio of more than 20%, rounded to the nearest 0.1%,  
 24 and an adjustment multiplier of 1.01 or greater, the  
 25 department shall perform a reappraisal of the residential

1 property in the area. The reappraisal must be performed  
 2 using the same criteria provided in (4)(b)(i).

3 (iv) For those areas subject to reappraisal under the  
 4 provisions of subsection (4)(b)(i) for tax year 1992, the  
 5 department shall compare the stratified sales assessment  
 6 ratio performed in 1991 to the 1991 assessed value to  
 7 determine whether the area will be subject to further  
 8 appraisal. If that comparison of residential property shows  
 9 for the area a coefficient of dispersion with respect to the  
 10 value weighted mean ratio of more than 20%, rounded to the  
 11 nearest 0.1%, and an adjustment multiplier of 1.01 or  
 12 greater, the department shall reappraise the area. The  
 13 reappraisal must be performed using the same criteria  
 14 provided in (4)(b)(i).

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

17 (a) commonly accepted statistical standards and  
 18 methodology;

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

24 (c) the assessments and sales for areas of the state  
 25 that are economically, demographically, and geographically

1 similar in order to determine the sales assessment ratios  
2 for a specific area.

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

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

12 (a) Department staff who did not participate in the  
13 determination of appraised values are required to review the  
14 sales transactions evidenced by a realty transfer  
15 certificate. The review must be conducted to determine  
16 whether each sale used in the study was a valid,  
17 arm's-length transaction. Only valid, arm's-length sales may  
18 be used in the sales assessment ratio study.

19 (b) The sales information entered in the  
20 computer-assisted appraisal system is considered  
21 confidential, as provided in 15-7-308. However, the  
22 department shall annually publish a report containing the  
23 results of all sales assessment ratio studies done in each  
24 of the areas described in subsection (6). The report  
25 containing the results of the study must be made available

1 to the public by request or by general disclosure.

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

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

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

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

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

22 (9) IF THE RESULTS OF THE STRATIFIED SALES ASSESSMENT  
23 RATIO STUDY REQUIRED UNDER THIS SECTION SHOW AN INCREASE IN  
24 THE PERCENTAGE ADJUSTMENT IN EXCESS OF ±0% IN AN AREA  
25 DESIGNATION, THE DEPARTMENT SHALL CONDUCT A PUBLIC HEARING

1 IN THAT AREA DESIGNATION TO PRESENT INFORMATION SHOWING THE  
 2 REASONS FOR THE INCREASE.

3 **Section 3.** Section 15-7-201, MCA, is amended to read:

4 **"15-7-201. (Applicable to ~~1991~~ 1993 land valuation**  
 5 **schedules) Legislative intent -- value of agricultural**  
 6 **property. (1) Since the market value of many agricultural**  
 7 **properties is based upon speculative purchases which do not**  
 8 **reflect the productive capability of agricultural land, it**  
 9 **is the legislative intent that bona fide agricultural**  
 10 **properties shall be classified and assessed at a value that**  
 11 **is exclusive of values attributed to urban influences or**  
 12 **speculative purposes.**

13 (2) Agricultural land shall be classified according to  
 14 its use, which classifications shall include but not be  
 15 limited to irrigated use, nonirrigated use, and grazing use.

16 (3) Within each class, land shall be assessed at a  
 17 value that is fairly based on its productive capacity.

18 (4) In computing the agricultural land valuation  
 19 schedules to take effect on ~~January 1, 1991~~ or on the date  
 20 that the revaluation cycle commencing January 2, 1986, takes  
 21 effect pursuant to 15-7-111, and, thereafter, upon the  
 22 effective date when each revaluation cycle takes effect, the  
 23 department of revenue shall determine the productive  
 24 capacity value of all agricultural lands using the formula  
 25  $V = I/R$  where:

1 (a) V is the per-acre productive capacity value of  
 2 agricultural land in each land use and production category;

3 (b) I is the per-acre net income of agricultural land  
 4 in each land use and production category and is to be  
 5 determined by the department using the formula  $I = (P - C) U$   
 6 where:

7 (i) I is the per-acre net income;

8 (ii) P is the per-unit price of the commodity being  
 9 produced;

10 (iii) C is the per-unit production cost of the commodity  
 11 being produced; and

12 (iv) U is the yield in units per acre; and

13 (c) R is the capitalization rate to be determined by  
 14 the department as provided in subsection (9).

15 (5) Net income shall be:

16 (a) calculated for each year of a base period, which is  
 17 the most recent 3-year period for which data are available,  
 18 prior to a revaluation of property as provided in 15-7-111;  
 19 and

20 (b) based on commodity price and production cost data  
 21 for the base period from such sources as may be considered  
 22 appropriate by the department, which sources shall include  
 23 Montana state university.

24 (6) To the degree available, the department shall  
 25 compile:

1 (a) commodity price data reflecting the average prices  
 2 received per unit of measure by Montana farmers and  
 3 ranchers. Such data may be obtained from all geographical  
 4 areas of the state. Commodity prices may include wheat,  
 5 barley, alfalfa hay, grass hay, corn for grain, corn for  
 6 silage, sugar beets, dry beans, potatoes, cattle, and sheep.  
 7 Government payments may be considered. Typical rental  
 8 arrangements may be considered.

9 (b) production cost data reflecting average costs per  
 10 unit of measure paid by Montana farmers and ranchers. Such  
 11 data may be obtained from all geographical areas of the  
 12 state. Such production costs may include costs relating to  
 13 irrigation, fertilization, fuel, seed, weed control, hired  
 14 labor, management, insurance, repairs and maintenance, and  
 15 miscellaneous items. Variations in specific production cost  
 16 data, when affected by different levels of production, and  
 17 typical rental arrangements may be considered.

18 (7) The department shall appoint an advisory committee  
 19 of persons knowledgeable in agriculture and agricultural  
 20 economics to review the data prepared by Montana state  
 21 university and advise the department on the implementation  
 22 of subsections (2) through (6). The advisory committee shall  
 23 include one member of the Montana state university staff.

24 (8) Net income shall be determined separately for lands  
 25 in irrigated use, nonirrigated use, and grazing use and

1 shall be calculated for each use and production level  
 2 according to the provisions of subsections (4) through (7).

3 (9) The capitalization rate shall be calculated for  
 4 each year of the base period and is the annual average  
 5 interest rate on agricultural loans as reported by the  
 6 federal land bank association of Spokane, Washington, plus  
 7 the effective tax rate in Montana.

8 (10) The effective tax rate shall be calculated by the  
 9 department for each year of the base period by dividing the  
 10 total estimated tax due on agricultural land in the state by  
 11 the total productive capacity value of agricultural land in  
 12 the state."

13 **Section 4.** Section 15-6-143, MCA, is amended to read:

14 ~~"15-6-143. (Temporary)--Class thirteen property --~~  
 15 ~~description -- taxable percentage. (1) Class thirteen~~  
 16 ~~property includes all timberland.~~

17 (2) Timberland is contiguous land exceeding 15 acres in  
 18 one ownership that is capable of producing timber that can  
 19 be harvested in commercial quantity.

20 (3) Class thirteen property is taxed at ~~the percentage~~  
 21 ~~rate--"P" 4%~~ of the combined appraised value of the standing  
 22 timber and grazing productivity of the property.

23 ~~(4)--For--taxable--years--beginning--January--17--1986 1994,~~  
 24 ~~and--thereafter,--the--taxable--percentage--rate--"P"--applicable~~  
 25 ~~to--class--thirteen--property--is--30%<sup>B</sup>,--where--B--is--the~~

1 certified--statewide--percentage--increase--to--be--determined--by  
 2 the--department--of--revenue--as--provided--in--subsection--(5)--The  
 3 taxable--percentage--rate--"P"--shall--be--rounded--downward--to--the  
 4 nearest--0.01%--and--shall--be--calculated--by--the--department  
 5 before--July--17--1986 1994

6 (5)--(a)--Prior--to--July--17--1986 1994--the--department  
 7 shall--determine--the--certified--statewide--percentage--increase  
 8 for--class--thirteen--property--using--the--formula-- $B = X/Y$ ,  
 9 where:

10 (i)--X--is--the--appraised--value--as--of--January--17--1986  
 11 1994--of--all--property--in--the--state--excluding--use--changes  
 12 occurring--during--the--preceding--year--classified--under--class  
 13 thirteen--as--class--thirteen--is--described--in--this--section--and

14 (ii)--Y--is--the--appraised--value--as--of--January--17--1985  
 15 1993--of--all--property--in--the--state--that--as--of--January--17  
 16 1986--would--be--classified--under--class--thirteen--as--class  
 17 thirteen--is--described--in--this--section as--it--reads--in--1993

18 (b)--B--shall--be--rounded--downward--to--the--nearest--0.0001%.

19 (6)--After--July--17--1986 1994--no--adjustment--may--be--made  
 20 by--the--department--to--the--taxable--percentage--rate--"P"--until--a  
 21 valuation--has--been--made--as--provided--in--15-7-111--(Terminates  
 22 January--17--1991--sec--107--Ch--6817-b7--19857)

23 **Section 5.** Section 10, Chapter 681, Laws of 1985, is  
 24 amended to read:

25 "Section 10. Effective date -- termination date. This

1 act is effective January 1, 1986, and except-for-section-3  
 2 sections-2-through-47 [SECTION 1] terminates January 1,  
 3 1991."

4 **Section 6.** Section 15-1-101, MCA, is amended to read:

5 "15-1-101. Definitions. (1) Except as otherwise  
 6 specifically provided, when terms mentioned in this section  
 7 are used in connection with taxation, they are defined in  
 8 the following manner:

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

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

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

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

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

1 (A) agricultural lands;  
 2 (B) timberlands;  
 3 (C) single-family residences and ancillary improvements  
 4 and improvements necessary to the function of a bona fide  
 5 farm, ranch, or stock operation;  
 6 (D) mobile homes used exclusively as a residence except  
 7 when held by a distributor or dealer of trailers or mobile  
 8 homes as his stock in trade;  
 9 (E) all property described in 15-6-135; and  
 10 (F) all property described in 15-6-136.  
 11 (e) The term "comparable property" means property that  
 12 has similar use, function, and utility; that is influenced  
 13 by the same set of economic trends and physical,  
 14 governmental, and social factors; and that has the potential  
 15 of a similar highest and best use.  
 16 (f) The term "credit" means solvent debts, secured or  
 17 unsecured, owing to a person.  
 18 (g) The term "improvements" includes all buildings,  
 19 structures, fences, and improvements situated upon, erected  
 20 upon, or affixed to land. When the department of revenue or  
 21 its agent determines that the permanency of location of a  
 22 mobile home or housetrailer has been established, the mobile  
 23 home or housetrailer is presumed to be an improvement to  
 24 real property. A mobile home or housetrailer may be  
 25 determined to be permanently located only when it is

1 attached to a foundation which cannot feasibly be relocated  
 2 and only when the wheels are removed.

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

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

12 (j) The term "mobile home" means forms of housing known  
 13 as "trailers", "housetrailer", or "trailer coaches"  
 14 exceeding 8 feet in width or 45 feet in length, designed to  
 15 be moved from one place to another by an independent power  
 16 connected to them, or any "trailer", "housetrailer", or  
 17 "trailer coach" up to 8 feet in width or 45 feet in length  
 18 used as a principal residence.

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

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

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

8 (n) The term "real estate" includes:

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

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

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

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

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

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

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

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

16 "15-7-102. Notice of classification and appraisal to  
 17 owners -- appeals. (1) It shall be the duty of the  
 18 department of revenue, through its agent as specified in  
 19 subsection (2), to cause to be mailed to each owner and  
 20 purchaser under contract for deed a notice of the  
 21 classification of the land owned or being purchased by him  
 22 and the appraisal of the improvements on the land only if  
 23 one or more of the following changes pertaining to the land  
 24 or improvements have been made since the last notice:

25 (a) change in ownership;

1 (b) change in classification;  
 2 (c) change in valuation; or  
 3 (d) addition or subtraction of personal property  
 4 affixed to the land.

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

13 (3) If the owner of any land and improvements is  
 14 dissatisfied with the appraisal as it reflects the market  
 15 value of the property as determined by the department or  
 16 with the classification of his land or improvements, he may  
 17 submit his objection in writing to the department's agent.  
 18 In an objection to the appraisal of the property, the  
 19 department may consider the actual selling price of the  
 20 property, and independent appraisals of the property, AND  
 21 OTHER RELEVANT INFORMATION PRESENTED BY THE TAXPAYER as  
 22 evidence of the market value of the property. Independent  
 23 appraisals--to--be--considered--by--the--department--must--be  
 24 performed--by--a--licensed--appraiser--if--a--state--licensing  
 25 program--is--in--effect--at--the--time--of--the--appeal. The

1 department shall give reasonable notice to the taxpayer of  
 2 the time and place of hearing and hear any testimony or  
 3 other evidence that the taxpayer may desire to produce at  
 4 that time and afford the opportunity to other interested  
 5 persons to produce evidence at the hearing. After the  
 6 hearing, the department shall determine the true and correct  
 7 appraisal and classification of the land or improvements and  
 8 notify the taxpayer of its determination. In the  
 9 notification, the department must state its reasons for  
 10 revising the classification or appraisal. When the proper  
 11 appraisal and classification have been determined, the land  
 12 shall be classified and the improvements appraised in the  
 13 manner ordered by the department.

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

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

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

22 (5) A taxpayer's written objection to a classification  
 23 or appraisal and the department's notification to the  
 24 taxpayer of its determination and the reason for that  
 25 determination are public records. Each county appraiser



1 shall make the records available for inspection during  
2 regular office hours.

3 (6) If any property owner feels aggrieved at the  
4 classification and/or the appraisal made by the department,  
5 he shall have the right to appeal to the county tax appeal  
6 board and then to the state tax appeal board, whose findings  
7 shall be final subject to the right of review in the courts.  
8 The property owner may appeal the base year valuation and  
9 the classification determination. A county tax appeal board  
10 or the state tax appeal board may consider the actual  
11 selling price of the property, and independent appraisals of  
12 the property, AND OTHER RELEVANT INFORMATION PRESENTED BY  
13 THE TAXPAYER as evidence of the market value of the  
14 property. ~~Independent appraisals to be considered by a~~  
15 county tax appeal board or the state tax appeal board must  
16 be performed by a licensed appraiser if a state licensing  
17 program is in effect at the time of the appeal. If the  
18 county tax appeal board or the state tax appeal board  
19 determines that an adjustment should be made, the department  
20 shall adjust the base value of the property in accordance  
21 with the board's order. ~~The property owner may not appeal~~  
22 the yearly percentage adjustments that are specified in  
23 15-7-111 and that may be made as a result of the sales  
24 assessment ratio study, the stratum, or area designations as  
25 specified in 15-7-111.

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

7 **Section 8.** Section 15-7-111, MCA, is amended to read:

8 "15-7-111. Periodic revaluation of taxable property --  
9 publication of sales assessment ratio studies -- appeal of  
10 revaluations. (1) The department of revenue shall administer  
11 and supervise a program for the revaluation of all taxable  
12 property within the state at least every 5 3 years. A  
13 comprehensive written reappraisal plan shall be promulgated  
14 by the department. The reappraisal plan adopted shall  
15 provide that all property in each county shall be revalued  
16 at least every 5 3 years. The department shall furnish a  
17 copy of the plan and all amendments to the plan to the board  
18 of county commissioners in each county.

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

24 ~~(3) A taxpayer shall appeal the new value in advance of~~  
25 ~~its placement on the tax rolls by filing an appeal pursuant~~

1 to 15-15-192 before the first Monday in June or 15 days  
2 after receiving notice of the new valuation amount,  
3 whichever is later, or be barred from appealing for  
4 untimeliness.

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

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

16 (a) commonly accepted statistical standards and  
17 methodology;

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

23 (c) the assessments and sales for areas of the state  
24 that are economically, demographically, and geographically  
25 similar in order to determine the sales assessment ratios

1 for a specific area:

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

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

11 (a) Department staff who did not participate in the  
12 determination of appraised values are required to review the  
13 sales transactions evidenced by a realty transfer  
14 certificate. The review must be conducted to determine  
15 whether each sale used in the study was a valid,  
16 arm's length transaction. Only valid, arm's length sales may  
17 be used in the sales assessment ratio study.

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

1 of production for property described in 15-6-131 or  
 2 15-6-132;  
 3 (g) transfer of property from tax-exempt to taxable  
 4 status; or  
 5 (h) revaluations caused by:  
 6 (i) cyclical reappraisal; or  
 7 (ii) expansion, addition, replacement, or remodeling of  
 8 improvements; or  
 9 ~~(i) increases in property valuation pursuant to~~  
 10 ~~15-7-iii(4) through (8) in order to equalize property values~~  
 11 ~~annually.~~  
 12 (4) The limitation on the amount of taxes levied does  
 13 not mean that no further increase may be made in the taxable  
 14 valuation or in the actual tax liability on individual  
 15 property in each class as a result of:  
 16 (a) a revaluation caused by:  
 17 (i) construction, expansion, replacement, or remodeling  
 18 of improvements that adds value to the property; or  
 19 (ii) cyclical reappraisal;  
 20 (b) transfer of property into a taxing unit;  
 21 (c) reclassification of property;  
 22 (d) increases in the amount of production or the value  
 23 of production for property described in 15-6-131 or  
 24 15-6-132;  
 25 (e) annexation of the individual property into a new

1 taxing unit; or  
 2 (f) conversion of the individual property from  
 3 tax-exempt to taxable status; or  
 4 ~~(g) increases in property valuation pursuant to~~  
 5 ~~15-7-iii(4) through (8) in order to equalize property values~~  
 6 ~~annually.~~  
 7 (5) Property in classes four, twelve, and fourteen is  
 8 valued according to the procedures used in 1986, including  
 9 the designation of 1982 as the base year, until the  
 10 reappraisal cycle beginning January 1, 1986, is completed  
 11 and new valuations are placed on the tax rolls and a new  
 12 base year designated, if the property is:  
 13 (a) new construction;  
 14 (b) expanded, deleted, replaced, or remodeled  
 15 improvements;  
 16 (c) annexed property; or  
 17 (d) property converted from tax-exempt to taxable  
 18 status.  
 19 (6) Property described in subsections (5)(a) through  
 20 (5)(d) that is not class four, class twelve, or class  
 21 fourteen property is valued according to the procedures used  
 22 in 1986 but is also subject to the dollar cap in each taxing  
 23 unit based on 1986 mills levied.  
 24 (7) The limitation on the amount of taxes, as clarified  
 25 in this section, is intended to leave the property appraisal

~~{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--i--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--i:"~~

**Section 9.** 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

1 and valuation methodology of the department of revenue  
 2 intact. Determinations of county classifications, salaries  
 3 of local government officers, and all other matters in which  
 4 total taxable valuation is an integral component are not  
 5 affected by 15-10-401 and 15-10-402 except for the use of  
 6 taxable valuation in fixing tax levies. In fixing tax  
 7 levies, the taxing units of local government may anticipate  
 8 the deficiency in revenues resulting from the tax  
 9 limitations in 15-10-401 and 15-10-402, while understanding  
 10 that regardless of the amount of mills levied, a taxpayer's  
 11 liability may not exceed the dollar amount due in each  
 12 taxing unit for the 1986 tax year unless:

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

20 (b) a levy authorized under Title 20 raised less  
 21 revenue in 1986 than was raised in either 1984 or 1985, in  
 22 which case the taxing unit may, after approval by the voters  
 23 in the taxing unit, raise each year thereafter an additional  
 24 number of mills but may not levy more revenue than the  
 25 3-year average of revenue raised for that purpose during

1 1984, 1985, and 1986;

2 (c) a levy authorized in 50-2-111 that was made in 1986  
 3 was for less than the number of mills levied in either 1984  
 4 or 1985, in which case the taxing unit may, after approval  
 5 by the voters in the taxing unit, levy each year thereafter  
 6 an additional number of mills but may not levy more than the  
 7 3-year average number of mills levied for that purpose  
 8 during 1984, 1985, and 1986.

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

- 13 (a) rural improvement districts;
- 14 (b) special improvement districts;
- 15 (c) levies pledged for the repayment of bonded
- 16 indebtedness, including tax increment bonds;
- 17 (d) city street maintenance districts;
- 18 (e) tax increment financing districts;
- 19 (f) satisfaction of judgments against a taxing unit;
- 20 (g) street lighting assessments;
- 21 (h) revolving funds to support any categories specified
- 22 in this subsection (8);
- 23 (i) levies for economic development authorized pursuant
- 24 to 90-5-112(4); and
- 25 (j) elementary and high school districts.

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

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

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

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

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

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

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

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

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

24 (b) The limitation set forth in this chapter on the  
25 amount of taxes levied does not apply to levies to support a

1 city-county board of health as provided in Title 50, chapter  
2 2, if the governing bodies of the taxing units served by the  
3 board of health determine, after a public hearing, that  
4 public health programs require funds to ensure the public  
5 health. A levy for the support of a local board of health  
6 may not exceed the 5-mill limit established in 50-2-111.

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

12 (12) The limitation on the amount of taxes levied does  
13 not apply to a levy increase to repay taxes paid under  
14 protest in accordance with 15-1-402."

15 NEW SECTION. SECTION 10. REPEALER. SECTIONS 15-7-132  
16 AND 15-7-133, MCA, ARE REPEALED.

17 NEW SECTION. SECTION 11. SALES ASSESSMENT ADVISORY  
18 BOARD -- DUTIES. (1) THE BOARD OF COUNTY COMMISSIONERS OF  
19 EACH COUNTY SHALL APPOINT A SEVEN-MEMBER SALES ASSESSMENT  
20 ADVISORY BOARD. THE MEMBERS OF THE BOARD MUST BE RESIDENTS  
21 OF THE COUNTY IN WHICH THEY SERVE. THE MEMBERS OF THE BOARD  
22 MUST BE APPOINTED AS FOLLOWS:

23 (A) TWO MEMBERS WHO ARE CERTIFIED APPRAISERS;

24 (B) TWO MEMBERS WHO ARE REALTORS; AND

25 (C) THREE MEMBERS WHO ARE FROM THE GENERAL PUBLIC.

1       (2) THE TERM OF MEMBERSHIP IS 3 YEARS.  
 2       (3) THE ADVISORY BOARD SHALL MEET FROM TIME TO TIME TO  
 3 REVIEW THE DEPARTMENT OF REVENUE'S DETERMINATION OF AREA  
 4 DESIGNATIONS, STRATUM, AND PERCENTAGE ADJUSTMENTS WITHIN THE  
 5 COUNTY AND TO RECOMMEND TO THE DEPARTMENT CHANGES THE BOARD  
 6 CONSIDERS NECESSARY REGARDING THE DETERMINATION OF AREA  
 7 DESIGNATIONS.

8       NEW SECTION. Section 12. Coordination instruction. If  
 9 House Bill No. 340 is passed and approved and if it includes  
 10 a section that amends 15-6-143, then the amendments made by  
 11 [this act] to 15-6-143(1) through (5) are void and the  
 12 amendments made to 15-6-143(6) by [this act] are to be  
 13 codified with the amendments made to 15-6-143 by House Bill  
 14 No. 340.

15       NEW SECTION. Section 13. Applicability dates. (1)  
 16 [Section 2] applies retroactively, within the meaning of  
 17 1-2-109, to property tax year 1991 and is applicable to  
 18 taxable years 1992 and 1993.

19       (2) [Sections 6 through 9] apply to all taxable years  
 20 beginning after December 31, 1993.

21       (3) [Section 5] applies retroactively, within the  
 22 meaning of 1-2-109, to taxable years beginning after  
 23 December 31, 1990.

24       NEW SECTION. Section 14. Termination. [Sections 1 and  
 25 2] terminate December 31, 1993.

1       NEW SECTION. Section 15. Effective dates. (1) Except  
 2 as provided in subsection (2), [this act] is effective on  
 3 passage and approval.  
 4       (2) [Sections 6 through 9 10] are effective January  
 5 JULY 1, 1992 1993.

-End-