

SENATE BILL NO. 436

INTRODUCED BY B. BROWN
BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE SENATE

FEBRUARY 19, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

 FIRST READING.

MARCH 23, 1991 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 25, 1991 PRINTING REPORT.

MARCH 26, 1991 SECOND READING, DO PASS.

MARCH 27, 1991 ENGROSSING REPORT.

 THIRD READING, PASSED.
AYES, 47; NOES, 2.

 TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 27, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

 FIRST READING.

APRIL 13, 1991 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

APRIL 16, 1991 SECOND READING, CONCURRED IN AS
AMENDED.

APRIL 17, 1991 THIRD READING, CONCURRED IN.
AYES, 78; NOES, 22.

 RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 17, 1991 RECEIVED FROM HOUSE.

APRIL 18, 1991 SECOND READING, AMENDMENTS NOT
CONCURRED IN.

ON MOTION, CONFERENCE COMMITTEE
REQUESTED.

APRIL 19, 1991

CONFERENCE COMMITTEE APPOINTED.

IN THE HOUSE

APRIL 20, 1991

ON MOTION, CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE SENATE

APRIL 23, 1991

CONFERENCE COMMITTEE REPORTED.

IN THE HOUSE

APRIL 25, 1991

CONFERENCE COMMITTEE
REPORT REJECTED.

IN THE SENATE

APRIL 29, 1991

SECOND READING, CONFERENCE COMMITTEE
REPORT ADOPTED.

THIRD READING, CONFERENCE COMMITTEE
REPORT ADOPTED.

IN THE HOUSE

APRIL 29, 1991

ON MOTION, PREVIOUS ACTION
RECONSIDERED.

CONFERENCE COMMITTEE REPORT ADOPTED.

IN THE SENATE

APRIL 29, 1991

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. 436
 2 INTRODUCED BY Bob Brown
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT RESTRUCTURING THE
 6 PROPERTY TAX CLASSIFICATION SYSTEM BY CONSOLIDATING CLASSES;
 7 ELIMINATING CLASS TWELVE PROPERTY AND INCLUDING TRAILERS AND
 8 MOBILE HOMES IN CLASS FOUR PROPERTY; ELIMINATING CLASS
 9 EIGHTEEN (NONPRODUCTIVE MINING CLAIMS), CLASS NINETEEN
 10 (NONPRODUCTIVE REAL ESTATE), AND CLASS TWENTY
 11 (OUT-OF-PRODUCTION AGRICULTURAL LAND AND TIMBERLAND), ALL OF
 12 WHICH BECOME TAXABLE AS CLASS FOUR PROPERTY; CONSOLIDATING
 13 RAILROAD PROPERTY AND AIRLINE PROPERTY INTO ONE CLASS;
 14 DELETING THE FORMULA FOR COMPUTING THE VALUE OF OTHER
 15 COMMERCIAL PROPERTY NECESSARY FOR TAXATION OF RAILROAD
 16 PROPERTY AND AIRLINE PROPERTY BY DELETING NET AND GROSS
 17 PROCEEDS; DELETING IN CLASS SIX PROPERTY THE SEPARATE
 18 PROVISION FOR MALTING BARLEY FACILITIES; AMENDING SECTIONS
 19 7-13-2527, 15-1-111, 15-6-134, 15-6-136, 15-6-141, 15-6-144,
 20 15-6-145, 15-8-205, 15-10-402, 15-10-412, 15-16-611, AND
 21 67-3-204, MCA; REPEALING SECTIONS 15-6-142, 15-6-144,
 22 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153, 15-6-154,
 23 AND 15-6-155, MCA; AND PROVIDING AN APPLICABILITY DATE."
 24

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



1 **Section 1.** Section 7-13-2527, MCA, is amended to read:

2 "7-13-2527. List of property owners. (1) A copy of the
 3 order creating the district shall be delivered to the county
 4 assessor of each county within the district.

5 (2) The assessor shall, on or before August 1 of any
 6 given year, prepare and certify a list of all persons owning
 7 class four, ~~class twelve~~, or class fourteen eleven property
 8 within such district and deliver a copy of such list to the
 9 board of trustees of said district."

10 **Section 2.** Section 15-1-111, MCA, is amended to read:

11 "15-1-111. Reimbursement to local governments and
 12 schools -- duties of department and county treasurer --
 13 statutory appropriation. (1) (a) On or before May 1, 1990,
 14 the department of revenue shall remit to the county
 15 treasurer of each county 30% of the reimbursement amount
 16 specified in subsection (1)(b), as computed by the
 17 department. The department shall base the reimbursement on
 18 the reduction in personal property tax revenues due to the
 19 reduction in personal property tax rates for class eight
 20 property, as provided for in 15-6-138, and any reduction in
 21 taxes based upon recalculation of the effective tax rate for
 22 property in 15-6-145 ~~and 15-6-147~~. The reimbursement basis
 23 must also include loss of personal property tax revenue due
 24 to the reclassification of new industrial property from
 25 class five to class eight with the reduced tax rate. The

INTRODUCED BILL

1 determination of the reimbursement basis must be made in the
2 year in which the reclassification is made.

3 (b) The reimbursement revenue must be based on the
4 county's taxable value and mill levies for tax year 1989.

5 (2) Prior to September 1, 1990, the department's agent
6 in the county shall supply the following information to the
7 department for each taxing jurisdiction within the county:

8 (a) the number of mills levied in the jurisdiction for
9 taxable year 1989;

10 (b) the number of mills levied in the jurisdiction for
11 taxable year 1990;

12 (c) the total taxable valuation for taxable years 1989
13 and 1990, reported separately for each year, of all personal
14 property not secured by real property; and

15 (d) the total taxable valuation for taxable years 1989
16 and 1990, reported separately for each year, of all personal
17 property secured by real property.

18 (3) After receipt of the information from its agent,
19 the department shall calculate the amount of revenue lost to
20 each taxing jurisdiction, using current year mill levies,
21 due to the annual reduction in personal property tax rates
22 set forth in 15-6-138, and any reduction in taxes based upon
23 recalculation of the effective tax rate for property in
24 15-6-145 and--15-6-147. The department shall total the
25 amounts for all taxing jurisdictions within the county.

1 (4) For taxable year 1990 and for each year thereafter,
2 the department shall remit to the county treasurer the base
3 amount of revenue reimbursable, determined pursuant to
4 subsection (3), as follows:

5 (a) on or before November 30, 1990, and on or before
6 each November 30 thereafter, the department shall remit 50%
7 of the base amount of the revenue reimbursable to the
8 county; and

9 (b) on or before May 31, 1991, and on or before each
10 May 31 thereafter, the department shall remit 50% of the
11 base amount of the revenue reimbursable to the county.

12 (5) Upon receipt of the reimbursement from the
13 department, the county treasurer shall distribute the
14 reimbursement to each taxing jurisdiction in the relative
15 proportions required by the levies for state, county, school
16 district, and municipal purposes in the same manner as
17 current year mill levies on personal property taxes are
18 distributed.

19 (6) For the purposes of this section, "taxing
20 jurisdiction" means local governments and includes school
21 districts, each municipality with tax increment financing,
22 and the state of Montana.

23 (7) The amounts necessary for the administration of
24 this section are statutorily appropriated, as provided in
25 17-7-502, from the general fund to reimburse school

1 districts and local governments for reductions in tax rates
 2 on personal property."

3 **Section 3.** Section 15-6-134, MCA, is amended to read:

4 "15-6-134. Class four property -- description --
 5 taxable percentage. (1) Class four property includes:

6 (a) all land except that specifically included in
 7 another class;

8 (b) all improvements, including trailers or mobile
 9 homes used as a residence, except those specifically
 10 included in another class;

11 (c) the first \$80,000 or less of the market value of
 12 any improvement on real property, including trailers or
 13 mobile homes, and appurtenant land not exceeding 5 acres
 14 owned or under contract for deed and actually occupied for
 15 at least 10 months a year as the primary residential
 16 dwelling of any person whose total income from all sources
 17 including otherwise tax-exempt income of all types is not
 18 more than \$10,000 for a single person or \$12,000 for a
 19 married couple, as adjusted according to subsection
 20 (2)(b)(ii);

21 (d) all golf courses, including land and improvements
 22 actually and necessarily used for that purpose, that consist
 23 of at least 9 holes and not less than 3,000 lineal yards.

24 (2) Class four property is taxed as follows:

25 (a) Except as provided in 15-24-1402 or 15-24-1501,

1 property described in subsections (1)(a) and (1)(b) is taxed
 2 at 3.86% of its market value.

3 (b) (i) Property described in subsection (1)(c) is
 4 taxed at 3.86% of its market value multiplied by a
 5 percentage figure based on income and determined from the
 6 following table:

7	Income	Income	Percentage
8	Single Person	Married Couple	Multiplier
9	\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
10	1,001 - 2,000	1,201 - 2,400	10%
11	2,001 - 3,000	2,401 - 3,600	20%
12	3,001 - 4,000	3,601 - 4,800	30%
13	4,001 - 5,000	4,801 - 6,000	40%
14	5,001 - 6,000	6,001 - 7,200	50%
15	6,001 - 7,000	7,201 - 8,400	60%
16	7,001 - 8,000	8,401 - 9,600	70%
17	8,001 - 9,000	9,601 - 10,800	80%
18	9,001 - 10,000	10,801 - 12,000	90%

19 (ii) The income levels contained in the table in
 20 subsection (2)(b)(i) must be adjusted for inflation annually
 21 by the department of revenue. The adjustment to the income
 22 levels is determined by:

23 (A) multiplying the appropriate dollar amount from the
 24 table in subsection (2)(b)(i) by the ratio of the PCE for
 25 the second quarter of the year prior to the year of

1 application to the PCE for the second quarter of 1986; and
 2 (B) rounding the product thus obtained to the nearest
 3 whole dollar amount.

4 (iii) "PCE" means the implicit price deflator for
 5 personal consumption expenditures as published quarterly in
 6 the Survey of Current Business by the bureau of economic
 7 analysis of the U.S. department of commerce.

8 (c) Property described in subsection (1)(d) is taxed at
 9 one-half the taxable percentage rate established in
 10 subsection (2)(a).

11 (3) After July 1, 1986, no adjustment may be made by
 12 the department to the taxable percentage rate for class four
 13 property until a revaluation has been made as provided in
 14 15-7-111.

15 (4) Within the meaning of comparable property as
 16 defined in 15-1-101, property assessed as commercial
 17 property is comparable only to other property assessed as
 18 commercial property, and property assessed as other than
 19 commercial property is comparable only to other property
 20 assessed as other than commercial property."

21 **Section 4.** Section 15-6-136, MCA, is amended to read:

22 "15-6-136. Class six property -- description -- taxable
 23 percentage. (1) Class six property includes:

24 (a) livestock and other species of domestic animals and
 25 wildlife raised in domestication or a captive environment,

1 except for cats, dogs, and other household pets not raised
 2 for profit;

3 (b) items of personal property intended for rent or
 4 lease in the ordinary course of business, provided each item
 5 of personal property satisfies all of the following:

6 (i) the full and true value of the personal property is
 7 less than \$5,000;

8 (ii) the personal property is owned by a business whose
 9 primary business income is from rental or lease of personal
 10 property to individuals wherein no one customer of the
 11 business accounts for more than 10% of the total rentals or
 12 leases during a calendar year; and

13 (iii) the lease of the personal property is generally on
 14 an hourly, daily, or weekly basis; and

15 ~~(c) machinery and equipment used in a malting barley~~
 16 ~~facility; and~~

17 ~~(d) (c) machinery and equipment used in canola seed oil~~
 18 ~~processing facilities if:~~

19 (i) the operators of such facilities employ a minimum
 20 of 15 full-time employees; and

21 (ii) a canola seed oil processing facility locates in
 22 the state of Montana after July 25, 1989.

23 ~~(2) "Malting barley facility" means a facility the~~
 24 ~~principal purpose of which is to malt malting barley; the~~
 25 ~~term does not apply to a facility the principal purpose of~~

1 ~~which is to store, mix, blend, transport, transfer, or~~
 2 ~~otherwise do anything with maiting barley, except mait~~
 3 ~~maiting barley. However, any machinery or equipment the~~
 4 ~~principal purpose of which is to store, mix, blend,~~
 5 ~~transport, transfer, or otherwise handle maiting barley or~~
 6 ~~other machinery or equipment that is used in or is otherwise~~
 7 ~~an integral part of a facility that maites maiting barley is~~
 8 ~~machinery or equipment of a maiting barley facility for the~~
 9 ~~purposes of this section.~~

10 ~~(3)(2)~~ "Canola seed oil processing facility" means a
 11 facility that:

12 (a) extracts oil from canola seeds, refines the crude
 13 oil to produce edible oil, formulates and packages the
 14 edible oil into food products, or engages in any one or more
 15 of those processes; and

16 (b) employs at least 15 employees in a full-time
 17 capacity.

18 ~~(4)(3)~~ Class six property is taxed at 4% of its market
 19 value."

20 **Section 5.** Section 15-6-141, MCA, is amended to read:

21 "15-6-141. Class eleven nine property -- description --
 22 taxable percentage. (1) Class eleven nine property includes:

23 (a) centrally assessed electric power companies'
 24 allocations, including, if congress passes legislation that
 25 allows the state to tax property owned by an agency created

1 by congress to transmit or distribute electrical energy,
 2 allocations of properties constructed, owned, or operated by
 3 a public agency created by the congress to transmit or
 4 distribute electric energy produced at privately owned
 5 generating facilities (not including rural electric
 6 cooperatives);

7 (b) allocations for centrally assessed natural gas
 8 companies having a major distribution system in this state;
 9 and

10 (c) centrally assessed companies' allocations except:

11 (i) electric power and natural gas companies' property;

12 (ii) property owned by cooperative rural electric and
 13 cooperative rural telephone associations and classified in
 14 class five;

15 (iii) property owned by organizations providing
 16 telephone communications to rural areas and classified in
 17 class seven;

18 (iv) railroad transportation property included in class
 19 ~~fifteen~~ twelve; and

20 (v) airline transportation property included in class
 21 ~~seventeen~~ twelve.

22 (2) Class eleven nine property is taxed at 12% of
 23 market value."

24 **Section 6.** Section 15-6-144, MCA, is amended to read:

25 "15-6-144. Class ~~fourteen~~ eleven property --

1 **description -- taxable percentage.** (1) Class ~~fourteen~~ eleven
 2 property includes all improvements on land that is eligible
 3 for valuation, assessment, and taxation as agricultural land
 4 under 15-7-202(2). Class ~~fourteen~~ eleven property includes 1
 5 acre of real property beneath the agricultural improvements.
 6 The 1 acre shall be valued at market value.

7 (2) Class ~~fourteen~~ eleven property is taxed at 80% of
 8 the taxable percentage applicable to class four property."

9 **Section 7.** Section 15-6-145, MCA, is amended to read:

10 "15-6-145. Class ~~fifteen~~ twelve property -- description
 11 -- taxable percentage. (1) Class ~~fifteen~~ twelve property
 12 includes all railroad transportation property as described
 13 in the Railroad Revitalization and Regulatory Reform Act of
 14 1976 as it read on January 1, 1986, and all airline
 15 transportation property as described in the Tax Equity and
 16 Fiscal Responsibility Act of 1982 as it read on January 1,
 17 1986.

18 (2) For the ~~taxable tax~~ year beginning January 1, 1986
 19 1992, and for each ~~taxable tax~~ year thereafter, class
 20 ~~fifteen~~ twelve property is taxed at the percentage rate "R",
 21 to be determined by the department as provided in subsection
 22 (3), or 12%, whichever is less.

23 (3) R = A/B where:

24 (a) A is the total statewide taxable value of all
 25 commercial property, except class ~~fifteen~~ twelve property,

1 as commercial property is described in 15-1-101(1)(d),
 2 ~~including class 1 and class 2 property~~; and

3 (b) B is the total statewide market value of all
 4 commercial property, except class ~~fifteen~~ twelve property,
 5 as commercial property is described in 15-1-101(1)(d),
 6 including class 1 and class 2 property.

7 (4) (a) For the taxable year beginning January 1, 1986,
 8 and for every taxable year thereafter, the department shall
 9 conduct a sales assessment ratio study of all commercial and
 10 industrial real property and improvements. The study must be
 11 based on:

12 (i) assessments of such property as of January 1 of the
 13 year for which the study is being conducted; and

14 (ii) a statistically valid sample of sales using data
 15 from realty transfer certificates filed during the same
 16 taxable year or from the immediately preceding taxable year,
 17 but only if a sufficient number of certificates is
 18 unavailable from the current taxable year to provide a
 19 statistically valid sample.

20 (b) The department shall determine the value-weighted
 21 mean sales assessment ratio "M" for all such property and
 22 reduce the taxable value of property described in subsection
 23 (4) only, by multiplying the total statewide taxable value
 24 of property described in subsection (4)(a) by "M" prior to
 25 calculating "A" in subsection (3)(a).

1 (c) The adjustment referred to in subsection (4)(b)
2 will be made beginning January 1, 1986, and in each
3 subsequent tax year to equalize the railroad taxable values.

4 (5) For the purpose of complying with the Railroad
5 Revitalization and Regulatory Reform Act of 1976, as it read
6 on January 1, 1986, the rate "R" referred to in this section
7 is the equalized average tax rate generally applicable to
8 commercial and industrial property, except class ~~fifteen~~
9 twelve property, as commercial property is defined in
10 15-1-101(1)(d)."

11 **Section 8.** Section 15-8-205, MCA, is amended to read:

12 "15-8-205. Initial assessment of class ~~twelve~~ four
13 trailer and mobile home property -- when. The county
14 assessor shall assess all class ~~twelve~~ four trailer and
15 mobile home property immediately upon arrival in the county
16 if the taxes have not been previously paid for that year in
17 another county in Montana."

18 **Section 9.** Section 15-10-402, MCA, is amended to read:

19 "15-10-402. Property tax limited to 1986 levels. (1)
20 Except as provided in subsections (2) and (3), the amount of
21 taxes levied on property described in 15-6-133, 15-6-134,
22 and 15-6-136~~7-15-6-142~~~~7-and-15-6-144~~ may not, for any taxing
23 jurisdiction, exceed the amount levied for taxable year
24 1986.

25 (2) The limitation contained in subsection (1) does not

1 apply to levies for rural improvement districts, Title 7,
2 chapter 12, part 21; special improvement districts, Title 7,
3 chapter 12, part 41; elementary and high school districts,
4 Title 20; or bonded indebtedness.

5 (3) New construction or improvements to or deletions
6 from property described in subsection (1) are subject to
7 taxation at 1986 levels.

8 (4) As used in this section, the "amount of taxes
9 levied" and the "amount levied" mean the actual dollar
10 amount of taxes imposed on an individual piece of property,
11 notwithstanding an increase or decrease in value due to
12 inflation, reappraisal, adjustments in the percentage
13 multiplier used to convert appraised value to taxable value,
14 changes in the number of mills levied, or increase or
15 decrease in the value of a mill."

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

17 "15-10-412. Property tax limited to 1986 levels --
18 clarification -- extension to all property classes. Section
19 15-10-402 is interpreted and clarified as follows:

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

23 (2) The limitation on the amount of taxes levied is
24 interpreted to mean that, except as otherwise provided in
25 this section, the actual tax liability for an individual

1 property is capped at the dollar amount due in each taxing
 2 unit for the 1986 tax year. In tax years thereafter, the
 3 property must be taxed in each taxing unit at the 1986 cap
 4 or the product of the taxable value and mills levied,
 5 whichever is less for each taxing unit, except in a taxing
 6 unit that levied a tax in tax years 1983 through 1985 but
 7 did not levy a tax in 1986, in which case the actual tax
 8 liability for an individual property is capped at the dollar
 9 amount due in that taxing unit for the 1985 tax year.

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

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

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

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

18 (d) subdivision of real property;

19 (e) reclassification of property;

20 (f) increases in the amount of production or the value
 21 of production for property described in 15-6-131 or
 22 15-6-132;

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

25 (h) revaluations caused by:

1 (i) cyclical reappraisal; or

2 (ii) expansion, addition, replacement, or remodeling of
 3 improvements; or

4 (i) increases in property valuation pursuant to
 5 15-7-111(4) through (8) in order to equalize property values
 6 annually.

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

11 (a) a revaluation caused by:

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

14 (ii) cyclical reappraisal;

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

16 (c) reclassification of property;

17 (d) increases in the amount of production or the value
 18 of production for property described in 15-6-131 or
 19 15-6-132;

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

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

24 (g) increases in property valuation pursuant to
 25 15-7-111(4) through (8) in order to equalize property values

1 annually.

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

8 (a) new construction;

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

11 (c) annexed property; or

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

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

19 (7) The limitation on the amount of taxes, as clarified
20 in this section, is intended to leave the property appraisal
21 and valuation methodology of the department of revenue
22 intact. Determinations of county classifications, salaries
23 of local government officers, and all other matters in which
24 total taxable valuation is an integral component are not
25 affected by 15-10-401 and 15-10-402 except for the use of

1 taxable valuation in fixing tax levies. In fixing tax
2 levies, the taxing units of local government may anticipate
3 the deficiency in revenues resulting from the tax
4 limitations in 15-10-401 and 15-10-402, while understanding
5 that regardless of the amount of mills levied, a taxpayer's
6 liability may not exceed the dollar amount due in each
7 taxing unit for the 1986 tax year unless:

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

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

22 (c) a levy authorized in 50-2-111 that was made in 1986
23 was for less than the number of mills levied in either 1984
24 or 1985, in which case the taxing unit may, after approval
25 by the voters in the taxing unit, levy each year thereafter

1 an additional number of mills but may not levy more than the
2 3-year average number of mills levied for that purpose
3 during 1984, 1985, and 1986.

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

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

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

- 25 (a) a finding that there are insufficient funds to

1 adequately operate the taxing unit as a result of 15-10-401
2 and 15-10-402;

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

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

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

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

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

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

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

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

1 may not exceed the 5-mill limit established in 50-2-111.

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

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

10 **Section 11.** Section 15-16-611, MCA, is amended to read:

11 "15-16-611. Reduction of property tax for property
12 destroyed by natural disaster. (1) The department of revenue
13 shall, upon showing by a taxpayer that some or all of the
14 improvements on his real property or a trailer or mobile
15 home ~~as described in 15-6-142~~ have been destroyed to such an
16 extent that such improvements have been rendered unsuitable
17 for their previous use by natural disaster, adjust the
18 taxable value on the property, accounting for the
19 destruction.

20 (2) The county treasurer shall adjust the tax due and
21 payable for the current year on the property under 15-16-102
22 as provided in subsection (3) of this section.

23 (3) To determine the amount of tax due for destroyed
24 property, the county treasurer shall:

25 (a) multiply the amount of tax levied and assessed on

1 the original taxable value of the property for the year by
2 the ratio that the number of days in the year that the
3 property existed before destruction bears to 365; and

4 (b) multiply the amount of tax levied and assessed on
5 the adjusted taxable value of the property for the remainder
6 of the year by the ratio that the number of days remaining
7 in the year after the destruction of the property bears to
8 365.

9 (4) This section does not apply to delinquent taxes
10 owed on the destroyed property for a year prior to the year
11 in which the property was destroyed.

12 (5) For the purposes of this section, "natural
13 disaster" includes but is not limited to fire, flood,
14 earthquake, or wind."

15 **Section 12.** Section 67-3-204, MCA, is amended to read:

16 "67-3-204. Fee in lieu of tax on registered aircraft --
17 decal. (1) Except as provided in subsection (3), aircraft
18 required to be registered in Montana are subject to a fee.
19 The registration fee is in lieu of property tax.

20 (2) The department shall issue a decal to the owner of
21 the aircraft required to be registered at the time of
22 payment of the registration fee in lieu of tax, as provided
23 in 67-3-201. No aircraft subject to a fee in lieu of tax may
24 be operated in this state unless there is displayed on the
25 aircraft a decal as visual proof that the fee in lieu of tax

1 has been paid for the aircraft and that the aircraft is
2 registered for the current year.

3 (3) Aircraft that meet the description of property
4 described in ~~15-6-147~~ 15-6-145 are exempt from the fee
5 imposed by subsection (1). Aircraft subject to the fee in
6 lieu of tax are exempt from all other taxation."

7 NEW SECTION. Section 13. Repealer. Sections 15-6-142,
8 15-6-144, 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153,
9 15-6-154, and 15-6-155, MCA, are repealed.

10 NEW SECTION. Section 14. Coordination instruction. (1)
11 If House Bill 340 is passed by the 52nd legislature and
12 approved by the governor, then the code commissioner is
13 instructed, at the time of codification of that enactment,
14 to change references in that enactment from class thirteen
15 property to class ten property.

16 (2) The code commissioner is instructed to change
17 references to classes of property in enactments of the 52nd
18 legislature to conform to the classifications established in
19 [this act].

20 NEW SECTION. Section 15. Applicability. [This act]
21 applies to tax years beginning on or after January 1, 1992.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0436, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act restructuring the property tax classification system by consolidating classes; eliminating class twelve property and including trailers and mobile homes in class four property; eliminating class eighteen (nonproductive mining claims), class nineteen (nonproductive real estate), and class twenty (out-of-production agricultural land and timberland), all of which become taxable as class four property; consolidating railroad property and airline property into one class; deleting the formula for computing the value of other commercial property necessary for taxation of railroad property and airline property by deleting net and gross proceeds; deleting in class six property the separate provision for malting barley facilities; and providing an applicability date;

ASSUMPTIONS:

1. Property currently in class 18 (nonproductive mining claims) switching to class 4 would be appraised on a market value basis, resulting in no revenue impact.
2. Property currently in class 19 (nonproductive real estate less than 20 acres) switching to class 4 would decrease in appraised value reflecting the conditions that preclude development of the property, resulting in no revenue impact.
3. The tax rate for Railroads and Airlines would increase 0.07 percentage points due to removing classes 1 and 2 from the rate formula, resulting in an increase in taxable valuation of \$43,093 and an increase of \$14,383 in property tax revenue.


FISCAL IMPACT:

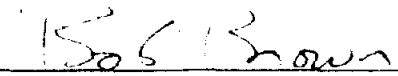
The proposal would slightly increase state and local property tax revenues beginning in FY93, \$259 for the universities, \$1,724 for state equalization, \$3,845 for counties, \$8,095 for schools, and \$460 for cities and towns.

TECHNICAL NOTES:

The proposal deletes classes 1 and 2 only partially from the tax rate formula for Railroads and Airlines. Reference to classes 1 and 2 are deleted in section 7(3)(a) but not in section 7(3)(b).

The title, and Section 13 (repealer) incorrectly show that 15-6-144 is being repealed. In Section 9, the reference to 15-6-144 should not be stricken.

 2-20-91
ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 Feb. 21/91
ROBERT (BOB) BROWN, PRIMARY SPONSOR DATE
Fiscal Note for SB0436, as introduced SB 436

APPROVED BY COMMITTEE
ON TAXATION

1 SENATE BILL NO. 436
2 INTRODUCED BY B. BROWN
3 BY REQUEST OF THE DEPARTMENT OF REVENUE
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT RESTRUCTURING THE
6 PROPERTY TAX CLASSIFICATION SYSTEM BY CONSOLIDATING CLASSES;
7 ELIMINATING CLASS TWELVE PROPERTY AND INCLUDING TRAILERS AND
8 MOBILE HOMES IN CLASS FOUR PROPERTY; ELIMINATING CLASS
9 EIGHTEEN (NONPRODUCTIVE MINING CLAIMS), CLASS NINETEEN
10 (NONPRODUCTIVE REAL ESTATE), AND CLASS TWENTY
11 (OUT-OF-PRODUCTION AGRICULTURAL LAND AND TIMBERLAND), ALL OF
12 WHICH BECOME TAXABLE AS CLASS FOUR PROPERTY; CONSOLIDATING
13 RAILROAD PROPERTY AND AIRLINE PROPERTY INTO ONE CLASS;
14 DELETING THE FORMULA FOR COMPUTING THE VALUE OF OTHER
15 COMMERCIAL PROPERTY NECESSARY FOR TAXATION OF RAILROAD
16 PROPERTY AND AIRLINE PROPERTY BY DELETING NET AND GROSS
17 PROCEEDS; DELETING IN CLASS SIX PROPERTY THE SEPARATE
18 PROVISION FOR MALTING BARLEY FACILITIES; AMENDING SECTIONS
19 7-13-2527, 15-1-111, 15-6-134, 15-6-136, 15-6-141, 15-6-144,
20 15-6-145, 15-8-205, 15-10-402, 15-10-412, 15-16-611, AND
21 67-3-204, MCA; REPEALING SECTIONS 15-6-142, ~~15-6-144~~,
22 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153, 15-6-154,
23 AND 15-6-155, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
24 AND A RETROACTIVE APPLICABILITY DATE."
25

1 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
2 **Section 1.** Section 7-13-2527, MCA, is amended to read:
3 "7-13-2527. List of property owners. (1) A copy of the
4 order creating the district shall be delivered to the county
5 assessor of each county within the district.
6 (2) The assessor shall, on or before August 1 of any
7 given year, prepare and certify a list of all persons owning
8 class four, ~~class twelve~~, or class ~~fourteen~~ eleven property
9 within such district and deliver a copy of such list to the
10 board of trustees of said district."
11 **Section 2.** Section 15-1-111, MCA, is amended to read:
12 "15-1-111. Reimbursement to local governments and
13 schools -- duties of department and county treasurer --
14 statutory appropriation. (1) (a) On or before May 1, 1990,
15 the department of revenue shall remit to the county
16 treasurer of each county 30% of the reimbursement amount
17 specified in subsection (1)(b), as computed by the
18 department. The department shall base the reimbursement on
19 the reduction in personal property tax revenues due to the
20 reduction in personal property tax rates for class eight
21 property, as provided for in 15-6-138, and any reduction in
22 taxes based upon recalculation of the effective tax rate for
23 property in 15-6-145 and ~~15-6-147~~. The reimbursement basis
24 must also include loss of personal property tax revenue due
25 to the reclassification of new industrial property from



1 class five to class eight with the reduced tax rate. The
2 determination of the reimbursement basis must be made in the
3 year in which the reclassification is made.

4 (b) The reimbursement revenue must be based on the
5 county's taxable value and mill levies for tax year 1989.

6 (2) Prior to September 1, 1990, the department's agent
7 in the county shall supply the following information to the
8 department for each taxing jurisdiction within the county:

9 (a) the number of mills levied in the jurisdiction for
10 taxable year 1989;

11 (b) the number of mills levied in the jurisdiction for
12 taxable year 1990;

13 (c) the total taxable valuation for taxable years 1989
14 and 1990, reported separately for each year, of all personal
15 property not secured by real property; and

16 (d) the total taxable valuation for taxable years 1989
17 and 1990, reported separately for each year, of all personal
18 property secured by real property.

19 (3) After receipt of the information from its agent,
20 the department shall calculate the amount of revenue lost to
21 each taxing jurisdiction, using current year mill levies,
22 due to the annual reduction in personal property tax rates
23 set forth in 15-6-138, and any reduction in taxes based upon
24 recalculation of the effective tax rate for property in
25 15-6-145 and ~~15-6-147~~. The department shall total the

1 amounts for all taxing jurisdictions within the county.

2 (4) For taxable year 1990 and for each year thereafter,
3 the department shall remit to the county treasurer the base
4 amount of revenue reimbursable, determined pursuant to
5 subsection (3), as follows:

6 (a) on or before November 30, 1990, and on or before
7 each November 30 thereafter, the department shall remit 50%
8 of the base amount of the revenue reimbursable to the
9 county; and

10 (b) on or before May 31, 1991, and on or before each
11 May 31 thereafter, the department shall remit 50% of the
12 base amount of the revenue reimbursable to the county.

13 (5) Upon receipt of the reimbursement from the
14 department, the county treasurer shall distribute the
15 reimbursement to each taxing jurisdiction in the relative
16 proportions required by the levies for state, county, school
17 district, and municipal purposes in the same manner as
18 current year mill levies on personal property taxes are
19 distributed.

20 (6) For the purposes of this section, "taxing
21 jurisdiction" means local governments and includes school
22 districts, each municipality with tax increment financing,
23 and the state of Montana.

24 (7) The amounts necessary for the administration of
25 this section are statutorily appropriated, as provided in

1 17-7-502, from the general fund to reimburse school
 2 districts and local governments for reductions in tax rates
 3 on personal property."

4 **Section 3.** Section 15-6-134, MCA, is amended to read:

5 "15-6-134. Class four property -- description --
 6 taxable percentage. (1) Class four property includes:

7 (a) all land except that specifically included in
 8 another class;

9 (b) all improvements, including trailers or mobile
 10 homes used as a residence, except those specifically
 11 included in another class;

12 (c) the first \$80,000 or less of the market value of
 13 any improvement on real property, including trailers or
 14 mobile homes, and appurtenant land not exceeding 5 acres
 15 owned or under contract for deed and actually occupied for
 16 at least 10 months a year as the primary residential
 17 dwelling of any person whose total income from all sources
 18 including otherwise tax-exempt income of all types is not
 19 more than \$10,000 for a single person or \$12,000 for a
 20 married couple, as adjusted according to subsection
 21 (2)(b)(ii);

22 (d) all golf courses, including land and improvements
 23 actually and necessarily used for that purpose, that consist
 24 of at least 9 holes and not less than 3,000 lineal yards.

25 (2) Class four property is taxed as follows:

1 (a) Except as provided in 15-24-1402 or 15-24-1501,
 2 property described in subsections (1)(a) and (1)(b) is taxed
 3 at 3.86% of its market value.

4 (b) (i) Property described in subsection (1)(c) is
 5 taxed at 3.86% of its market value multiplied by a
 6 percentage figure based on income and determined from the
 7 following table:

8	Income	Income	Percentage
9	Single Person	Married Couple	Multiplier
10	\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
11	1,001 - 2,000	1,201 - 2,400	10%
12	2,001 - 3,000	2,401 - 3,600	20%
13	3,001 - 4,000	3,601 - 4,800	30%
14	4,001 - 5,000	4,801 - 6,000	40%
15	5,001 - 6,000	6,001 - 7,200	50%
16	6,001 - 7,000	7,201 - 8,400	60%
17	7,001 - 8,000	8,401 - 9,600	70%
18	8,001 - 9,000	9,601 - 10,800	80%
19	9,001 - 10,000	10,801 - 12,000	90%

20 (ii) The income levels contained in the table in
 21 subsection (2)(b)(i) must be adjusted for inflation annually
 22 by the department of revenue. The adjustment to the income
 23 levels is determined by:

24 (A) multiplying the appropriate dollar amount from the
 25 table in subsection (2)(b)(i) by the ratio of the PCE for

1 the second quarter of the year prior to the year of
2 application to the PCE for the second quarter of 1986; and

3 (B) rounding the product thus obtained to the nearest
4 whole dollar amount.

5 (iii) "PCE" means the implicit price deflator for
6 personal consumption expenditures as published quarterly in
7 the Survey of Current Business by the bureau of economic
8 analysis of the U.S. department of commerce.

9 (c) Property described in subsection (1)(d) is taxed at
10 one-half the taxable percentage rate established in
11 subsection (2)(a).

12 (3) After July 1, 1986, no adjustment may be made by
13 the department to the taxable percentage rate for class four
14 property until a revaluation has been made as provided in
15 15-7-111.

16 (4) Within the meaning of comparable property as
17 defined in 15-1-101, property assessed as commercial
18 property is comparable only to other property assessed as
19 commercial property, and property assessed as other than
20 commercial property is comparable only to other property
21 assessed as other than commercial property."

22 **Section 4.** Section 15-6-136, MCA, is amended to read:

23 "15-6-136. ~~Class six property -- description -- taxable~~
24 ~~percentage.~~ (1) Class six property includes:

25 (a) livestock and other species of domestic animals and

1 wildlife raised in domestication or a captive environment,
2 except for cats, dogs, and other household pets not raised
3 for profit;

4 (b) items of personal property intended for rent or
5 lease in the ordinary course of business, provided each item
6 of personal property satisfies all of the following:

7 (i) the full and true value of the personal property is
8 less than \$5,000;

9 (ii) the personal property is owned by a business whose
10 primary business income is from rental or lease of personal
11 property to individuals wherein no one customer of the
12 business accounts for more than 10% of the total rentals or
13 leases during a calendar year; and

14 (iii) the lease of the personal property is generally on
15 an hourly, daily, or weekly basis; and

16 ~~(c) machinery and equipment used in a maiting barley~~
17 ~~facility; and~~

18 ~~(d)~~(c) machinery and equipment used in canola seed oil
19 processing facilities if:

20 (i) the operators of such facilities employ a minimum
21 of 15 full-time employees; and

22 (ii) a canola seed oil processing facility locates in
23 the state of Montana after July 25, 1989.

24 ~~(2) "Maiting barley facility" means a facility the~~
25 ~~principal purpose of which is to malt maiting barley. The~~

~~term--does--not--apply--to--a--facility--the--principal--purpose--of
 which--is--to--store,--mix,--blend,--transport,--transfer,--or
 otherwise--do--anything--with--malting--barley,--except--malt
 malting--barley.--However,--any--machinery--or--equipment--the
 principal--purpose--of--which--is--to--store,--mix,--blend,
 transport,--transfer,--or--otherwise--handle--malting--barley--or
 other--machinery--or--equipment--that--is--used--in--or--is--otherwise
 an--integral--part--of--a--facility--that--malts--malting--barley--is
 machinery--or--equipment--of--a--malting--barley--facility--for--the
 purposes--of--this--section.~~

+3+(2) "Canola seed oil processing facility" means a facility that:

(a) extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes; and

(b) employs at least 15 employees in a full-time capacity.

+4+(3) Class six property is taxed at 4% of its market value."

Section 5. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class ~~eleven~~ nine property -- description -- taxable percentage. (1) Class ~~eleven~~ nine property includes:

(a) centrally assessed electric power companies' allocations, including, if congress passes legislation that

allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electric power and natural gas companies' property;

(ii) property owned by cooperative rural electric and cooperative rural telephone associations and classified in class five;

(iii) property owned by organizations providing telephone communications to rural areas and classified in class seven;

(iv) railroad transportation property included in class ~~fifteen~~ twelve; and

(v) airline transportation property included in class ~~seventeen~~ twelve.

(2) Class ~~eleven~~ nine property is taxed at 12% of market value."

Section 6. Section 15-6-144, MCA, is amended to read:

1 "15-6-144. Class fourteen eleven property --
 2 description -- taxable percentage. (1) Class fourteen eleven
 3 property includes all improvements on land that is eligible
 4 for valuation, assessment, and taxation as agricultural land
 5 under 15-7-202(2). Class fourteen eleven property includes 1
 6 acre of real property beneath the agricultural improvements.
 7 The 1 acre shall be valued at market value.

8 (2) Class fourteen eleven property is taxed at 80% of
 9 the taxable percentage applicable to class four property."

10 **Section 7.** Section 15-6-145, MCA, is amended to read:

11 "15-6-145. Class fifteen twelve property -- description
 12 -- taxable percentage. (1) Class fifteen twelve property
 13 includes all railroad transportation property as described
 14 in the Railroad Revitalization and Regulatory Reform Act of
 15 1976 as it read on January 1, 1986, and all airline
 16 transportation property as described in the Tax Equity and
 17 Fiscal Responsibility Act of 1982 as it read on January 1,
 18 1986.

19 (2) For the taxable tax year beginning January 1, 1986
 20 1992 1991, and for each taxable tax year thereafter, class
 21 fifteen twelve property is taxed at the percentage rate "R",
 22 to be determined by the department as provided in subsection
 23 (3), or 12%, whichever is less.

24 (3) R = A/B where:

25 (a) A is the total statewide taxable value of all

1 commercial property, except class fifteen twelve property,
 2 as commercial property is described in 15-1-101(1)(d) ~~r~~
 3 ~~including class-1-and-class-2-property~~; and

4 (b) B is the total statewide market value of all
 5 commercial property, except class fifteen twelve property,
 6 as commercial property is described in 15-1-101(1)(d) ~~r~~
 7 ~~including class-1-and-class-2-property~~.

8 (4) (a) For the taxable year beginning January 1, 1986,
 9 and for every taxable year thereafter, the department shall
 10 conduct a sales assessment ratio study of all commercial and
 11 industrial real property and improvements. The study must be
 12 based on:

13 (i) assessments of such property as of January 1 of the
 14 year for which the study is being conducted; and

15 (ii) a statistically valid sample of sales using data
 16 from realty transfer certificates filed during the same
 17 taxable year or from the immediately preceding taxable year,
 18 but only if a sufficient number of certificates is
 19 unavailable from the current taxable year to provide a
 20 statistically valid sample.

21 (b) The department shall determine the value-weighted
 22 mean sales assessment ratio "M" for all such property and
 23 reduce the taxable value of property described in subsection
 24 (4) only, by multiplying the total statewide taxable value
 25 of property described in subsection (4)(a) by "M" prior to

1 calculating "A" in subsection (3)(a).

2 (c) The adjustment referred to in subsection (4)(b)
3 will be made beginning January 1, 1986, and in each
4 subsequent tax year to equalize the railroad taxable values.

5 (5) For the purpose of complying with the Railroad
6 Revitalization and Regulatory Reform Act of 1976, as it read
7 on January 1, 1986, the rate "R" referred to in this section
8 is the equalized average tax rate generally applicable to
9 commercial and industrial property, except class fifteen
10 twelve property, as commercial property is defined in
11 15-1-101(1)(d)."

12 **Section 8.** Section 15-8-205, MCA, is amended to read:

13 "15-8-205. Initial assessment of class twelve four
14 trailer and mobile home property -- when. The county
15 assessor shall assess all class twelve four trailer and
16 mobile home property immediately upon arrival in the county
17 if the taxes have not been previously paid for that year in
18 another county in Montana."

19 **Section 9.** Section 15-10-402, MCA, is amended to read:

20 "15-10-402. Property tax limited to 1986 levels. (1)
21 Except as provided in subsections (2) and (3), the amount of
22 taxes levied on property described in 15-6-133, 15-6-134,
23 and 15-6-136, 15-6-142, and 15-6-144, AND 15-6-144 may not,
24 for any taxing jurisdiction, exceed the amount levied for
25 taxable year 1986.

1 (2) The limitation contained in subsection (1) does not
2 apply to levies for rural improvement districts, Title 7,
3 chapter 12, part 21; special improvement districts, Title 7,
4 chapter 12, part 41; elementary and high school districts,
5 Title 20; or bonded indebtedness.

6 (3) New construction or improvements to or deletions
7 from property described in subsection (1) are subject to
8 taxation at 1986 levels.

9 (4) As used in this section, the "amount of taxes
10 levied" and the "amount levied" mean the actual dollar
11 amount of taxes imposed on an individual piece of property,
12 notwithstanding an increase or decrease in value due to
13 inflation, reappraisal, adjustments in the percentage
14 multiplier used to convert appraised value to taxable value,
15 changes in the number of mills levied, or increase or
16 decrease in the value of a mill."

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

18 "15-10-412. Property tax limited to 1986 levels --
19 clarification -- extension to all property classes. Section
20 15-10-402 is interpreted and clarified as follows:

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

24 (2) The limitation on the amount of taxes levied is
25 interpreted to mean that, except as otherwise provided in

1 this section, the actual tax liability for an individual
 2 property is capped at the dollar amount due in each taxing
 3 unit for the 1986 tax year. In tax years thereafter, the
 4 property must be taxed in each taxing unit at the 1986 cap
 5 or the product of the taxable value and mills levied,
 6 whichever is less for each taxing unit, except in a taxing
 7 unit that levied a tax in tax years 1983 through 1985 but
 8 did not levy a tax in 1986, in which case the actual tax
 9 liability for an individual property is capped at the dollar
 10 amount due in that taxing unit for the 1985 tax year.

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

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

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

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

19 (d) subdivision of real property;

20 (e) reclassification of property;

21 (f) increases in the amount of production or the value
 22 of production for property described in 15-6-131 or
 23 15-6-132;

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

1 (h) revaluations caused by:

2 (i) cyclical reappraisal; or

3 (ii) expansion, addition, replacement, or remodeling of
 4 improvements; or

5 (i) increases in property valuation pursuant to
 6 15-7-111(4) through (8) in order to equalize property values
 7 annually.

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

12 (a) a revaluation caused by:

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

15 (ii) cyclical reappraisal;

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

17 (c) reclassification of property;

18 (d) increases in the amount of production or the value
 19 of production for property described in 15-6-131 or
 20 15-6-132;

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

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

25 (g) increases in property valuation pursuant to

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

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

9 (a) new construction;

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

12 (c) annexed property; or

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

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

20 (7) The limitation on the amount of taxes, as clarified
21 in this section, is intended to leave the property appraisal
22 and valuation methodology of the department of revenue
23 intact. Determinations of county classifications, salaries
24 of local government officers, and all other matters in which
25 total taxable valuation is an integral component are not

1 affected by 15-10-401 and 15-10-402 except for the use of
2 taxable valuation in fixing tax levies. In fixing tax
3 levies, the taxing units of local government may anticipate
4 the deficiency in revenues resulting from the tax
5 limitations in 15-10-401 and 15-10-402, while understanding
6 that regardless of the amount of mills levied, a taxpayer's
7 liability may not exceed the dollar amount due in each
8 taxing unit for the 1986 tax year unless:

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

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

23 (c) a levy authorized in 50-2-111 that was made in 1986
24 was for less than the number of mills levied in either 1984
25 or 1985, in which case the taxing unit may, after approval

1 by the voters in the taxing unit, levy each year thereafter
2 an additional number of mills but may not levy more than the
3 3-year average number of mills levied for that purpose
4 during 1984, 1985, and 1986.

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

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

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

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

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

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

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

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

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

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

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

20 (b) The limitation set forth in this chapter on the
21 amount of taxes levied does not apply to levies to support a
22 city-county board of health as provided in Title 50, chapter
23 2, if the governing bodies of the taxing units served by the
24 board of health determine, after a public hearing, that
25 public health programs require funds to ensure the public

1 health. A levy for the support of a local board of health
2 may not exceed the 5-mill limit established in 50-2-111.

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

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

11 **Section 11.** Section 15-16-611, MCA, is amended to read:

12 **"15-16-611. Reduction of property tax for property**
13 **destroyed by natural disaster.** (1) The department of revenue
14 shall, upon showing by a taxpayer that some or all of the
15 improvements on his real property or a trailer or mobile
16 home ~~as described in 15-6-142~~ have been destroyed to such an
17 extent that such improvements have been rendered unsuitable
18 for their previous use by natural disaster, adjust the
19 taxable value on the property, accounting for the
20 destruction.

21 (2) The county treasurer shall adjust the tax due and
22 payable for the current year on the property under 15-16-102
23 as provided in subsection (3) of this section.

24 (3) To determine the amount of tax due for destroyed
25 property, the county treasurer shall:

1 (a) multiply the amount of tax levied and assessed on
2 the original taxable value of the property for the year by
3 the ratio that the number of days in the year that the
4 property existed before destruction bears to 365; and

5 (b) multiply the amount of tax levied and assessed on
6 the adjusted taxable value of the property for the remainder
7 of the year by the ratio that the number of days remaining
8 in the year after the destruction of the property bears to
9 365.

10 (4) This section does not apply to delinquent taxes
11 owed on the destroyed property for a year prior to the year
12 in which the property was destroyed.

13 (5) For the purposes of this section, "natural
14 disaster" includes but is not limited to fire, flood,
15 earthquake, or wind."

16 **Section 12.** Section 67-3-204, MCA, is amended to read:

17 **"67-3-204. Fee in lieu of tax on registered aircraft --**
18 **decal.** (1) Except as provided in subsection (3), aircraft
19 required to be registered in Montana are subject to a fee.
20 The registration fee is in lieu of property tax.

21 (2) The department shall issue a decal to the owner of
22 the aircraft required to be registered at the time of
23 payment of the registration fee in lieu of tax, as provided
24 in 67-3-201. No aircraft subject to a fee in lieu of tax may
25 be operated in this state unless there is displayed on the

1 aircraft a decal as visual proof that the fee in lieu of tax
2 has been paid for the aircraft and that the aircraft is
3 registered for the current year.

4 (3) Aircraft that meet the description of property
5 described in ~~15-6-147~~ 15-6-145 are exempt from the fee
6 imposed by subsection (1). Aircraft subject to the fee in
7 lieu of tax are exempt from all other taxation."

8 NEW SECTION. Section 13. Repealer. Sections 15-6-142,
9 ~~15-6-144~~, 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153,
10 15-6-154, and 15-6-155, MCA, are repealed.

11 NEW SECTION. Section 14. Coordination instruction. (1)
12 If House Bill 340 is passed by the 52nd legislature and
13 approved by the governor, then the code commissioner is
14 instructed, at the time of codification of that enactment,
15 to change references in that enactment from class thirteen
16 property to class ten property.

17 (2) The code commissioner is instructed to change
18 references to classes of property in enactments of the 52nd
19 legislature to conform to the classifications established in
20 [this act].

21 NEW SECTION. Section 15. --applicability EFFECTIVE DATE
22 -- APPLICABILITY. [This act] IS EFFECTIVE ON PASSAGE AND
23 APPROVAL AND applies RETROACTIVELY, WITHIN THE MEANING OF
24 1-2-109, to tax years beginning on or after January 1, ~~1992~~
25 1991.

-End-

-23-

SB 436

1 SENATE BILL NO. 436

2 INTRODUCED BY B. BROWN

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4

5 A BILL FOR AN ACT ENTITLED: "AN ACT RESTRUCTURING THE
6 PROPERTY TAX CLASSIFICATION SYSTEM BY CONSOLIDATING CLASSES;
7 ELIMINATING CLASS TWELVE PROPERTY AND INCLUDING TRAILERS AND
8 MOBILE HOMES IN CLASS FOUR PROPERTY; ELIMINATING CLASS
9 EIGHTEEN (NONPRODUCTIVE MINING CLAIMS), CLASS NINETEEN
10 (NONPRODUCTIVE REAL ESTATE), AND CLASS TWENTY
11 (OUT-OF-PRODUCTION AGRICULTURAL LAND AND TIMBERLAND), ALL OF
12 WHICH BECOME TAXABLE AS CLASS FOUR PROPERTY; CONSOLIDATING
13 RAILROAD PROPERTY AND AIRLINE PROPERTY INTO ONE CLASS;
14 DELETING THE FORMULA FOR COMPUTING THE VALUE OF OTHER
15 COMMERCIAL PROPERTY NECESSARY FOR TAXATION OF RAILROAD
16 PROPERTY AND AIRLINE PROPERTY BY DELETING NET AND GROSS
17 PROCEEDS; DELETING IN CLASS SIX PROPERTY THE SEPARATE
18 PROVISION FOR MALTING BARLEY FACILITIES; AMENDING SECTIONS
19 7-13-2527, 15-1-111, 15-6-134, 15-6-136, 15-6-141, 15-6-144,
20 15-6-145, 15-8-205, 15-10-402, 15-10-412, 15-16-611, AND
21 67-3-204, MCA; REPEALING SECTIONS 15-6-142, ~~15-6-144~~
22 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153, 15-6-154,
23 AND 15-6-155, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
24 AND A RETROACTIVE APPLICABILITY DATE."

25

There are no changes in this bill,
and will not be reprinted. Please
refer to yellow copy for complete
text.

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 436
Representative Thomas

April 15, 1991 4:40 pm
Page 1 of 1

Mr. Chairman: I move to amend Senate Bill 436 (third reading copy -- blue).

Signed: Jud Thomas
Representative Thomas

And, that such amendments to Senate Bill 436 read as follows:

1. Amend House Taxation Committee Standing Committee Report, Dated April 15, 1991, (Corrected Version, Lavender Copy):

Amendment No. 13, in (e):

Strike: ", together with all improvements, including any trailer or mobile home used as a residence"

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 436
Representative Gilbert

April 16, 1991 7:58 am
Page 1 of 2

Mr. Chairman: I move to amend Senate Bill 436 (third reading copy -- blue).

Signed: Bob Gilbert
Representative Gilbert

And, that such amendments to Senate Bill 436 read as follows:

1. Amend House Taxation Committee Standing Committee Report Dated April 15, 1991, (Corrected Version, Lavender Copy):

Amendment No. 1:

Strike: "PROVIDING THAT RURAL RESIDENTIAL PROPERTY BETWEEN 20 AND 40 ACRES IN SIZE BE TAXED AT ONE-HALF THE RATE OF CLASS FOUR PROPERTY;"

Amendment No. 4:

Strike Amendment No. 4 in its entirety

Amendment No. 5:

Strike: "Following: "15-6-141,"
Insert: "15-6-143,""

Amendment No. 6, in last Insert:

Strike: "15-7-202,"

Amendment No. 13:

Strike: Amendment No. 13 in its entirety

Amendment No. 15:

Strike: Amendment No. 15 in its entirety

Amendment No. 17:

Strike: Amendment No. 17 in its entirety
Re-number: subsequent sections

Amendment No. 18, incorporating section 11:

Strike: Section 11 amending section 15-7-202 from the amendment.

Re-number: subsequent sections

Amendment No. 23:

Strike: "Section 19."
Insert: "Section 17."

ADOPT

REJECT

SB 436

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ADOPT

REJECT

HOUSE
SB 436

April 16, 199
Page 2 of

HOUSE COMMITTEE OF THE WHOLE AMENDMENT
Senate Bill 436
Representative Dowell

April 16, 1991 8:07 am
Page 1 of 3

Amendment No. 25:
Strike: "17(2)"
Insert: "15(2)"

Mr. Chairman: I move to amend Senate Bill 436 (third reading copy -- blue).

Signed: 
Representative Dowell

And, that such amendments to Senate Bill 436 read as follows:

1. Amend House Taxation Committee Standing Committee Report Dated April 15, 1991, (Corrected Version, Lavender Copy):

Amendment No. 23:
Following: "15-6-134" in the insert instruction
Insert: "and [section 17]"

And that Senate Bill No. 436 be further amended as follows:

1. Title, line 17.

Following: "PROCEEDS;"

Insert: "PROVIDING A \$50 REDUCTION IN PROPERTY TAXES FOR OWNER-OCCUPIED, SINGLE-FAMILY RESIDENCES; REQUIRING THE DEPARTMENT OF REVENUE TO PROVIDE NOTICE OF THE REDUCTION; PROVIDING AN APPROPRIATION FOR REIMBURSEMENT OF LOSS OF TAX REVENUE BY LOCAL GOVERNMENTS, SCHOOL DISTRICTS, AND OTHER TAXING JURISDICTIONS;"

2. Page 23.

Following: line 7

Insert: "NEW SECTION. Section 17. Reduction in residential property taxes -- notice to taxpayers -- appropriation. (1) The property taxes on qualifying owner-occupied, single-family residences are reduced by \$50. A taxpayer is entitled to the tax reduction if by August 15, 1991, for tax year 1991, or if by April 15 of the tax year in succeeding years, the taxpayer successfully applies for a reduction on a form provided by the department of revenue, stating:
(a) that the taxpayer maintains the property as his primary dwelling for at least 10 months a year; and
(b) other information determined by the department as relevant to the applicant's eligibility.
(2) (a) The department shall notify all owners of class four property that if they own a owner-occupied, single-

ADOPT

REJECT

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SB 436.3
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family residence, they may be entitled to a reduction in property taxes on the property. For the tax year 1991, the notice must be mailed not later than August 1, 1991, and may be included with any other mailing conducted by the department or its agents. The notice must contain:

- (i) a provision that states that the 52nd legislature enacted a provision that reduces the property taxes on owner-occupied, single-family residences;
- (ii) an explanation of the reduction and relevant information necessary for the taxpayer to determine whether his property may qualify;
- (iii) a copy of the form necessary to apply for the reduction; and
- (iv) a phone number that the person may call to receive further information.

(b) Beginning in tax year 1991 and for each succeeding year, the department shall cause the notice and forms to be included with the notice of property taxes due.

(3) The tax notice sent to qualifying taxpayers under 15-16-101 must include the property tax reduction.

(4) The department shall pay to the county treasurer the amount of money equal to the total tax reductions on property within the county. The county treasurer shall distribute the money to all entities and accounts in the county and state government that receive property tax revenue, including but not limited to statewide educational levies, cities, towns, counties, school districts, special districts, authorities, and special bonding districts. The treasurer shall distribute the money in the same manner as revenue from property tax levies was distributed.

(5) There is appropriated from the general fund to the department for the biennium ending June 30, 1993, the amount necessary to reimburse taxing jurisdictions for tax revenue lost by granting property tax reductions to taxpayers with owner-occupied, single-family residences.

NEW SECTION. Section 18. Codification instruction.
[Section 17] is intended to be codified as an integral part of Title 15, chapter 16, and the provisions of Title 15, chapter 16, apply to [section 17]."

Renumber: subsequent sections

3. Page 23.

Following: line 20

Insert: "(3) If Senate Bill No. 461 is not passed and approved, then the following provisions of [this act] are void:

- (a) the section amending 15-6-201;
- (b) all of the amendments in the section amending 15-1-111 except the deletion of the references to "and 15-6-147" in 15-1-111(1) (a) and (3); and

(c) [sections 17 and 18]."

HOUSE STANDING COMMITTEE REPORT

April 12, 1991
Page 2 of 6

April 12, 1991

Page 1 of 6

Mr. Speaker: We, the committee on Taxation report that Senate Bill 436 (third reading copy -- blue) be concurred in as amended .

Signed: 
Dan Harrington, Chairman
Carried by: Rep. Cohen

And, that such amendments read:

1. Title, line 8.
Following: "PROPERTY;"
Insert: "CLARIFYING THE COMPUTATION OF INCOME FOR PURPOSES OF THE LOW-INCOME PROPERTY TAX CREDIT; PROVIDING THAT AN ELIGIBLE HEAD OF HOUSEHOLD MAY QUALIFY FOR THE LOW-INCOME PROPERTY TAX CREDIT; PROVIDING THAT RURAL RESIDENTIAL PROPERTY BETWEEN 20 AND 40 ACRES IN SIZE BE TAXED AT ONE-HALF THE RATE OF CLASS FOUR PROPERTY;"
2. Title, lines 9 and 10.
Following: "CLAIMS)" on line 9
Strike: ", "
Insert: "BY COMBINING IT WITH CLASS THREE PROPERTY; ELIMINATING"
Following: "ESTATE)" on line 10
Strike: ", "
3. Title, line 11.
Strike: "ALL"
Insert: "BOTH"
4. Title, line 18.
Following: "FACILITIES;"
Insert: "CHANGING THE CRITERIA FOR CLASSIFYING AGRICULTURAL LAND BY REQUIRING \$25 PER ACRE ANNUAL GROSS INCOME FROM AGRICULTURAL PRODUCTION FOR ACRES IN EXCESS OF 20 ACRES BUT LESS THAN 40 ACRES; CHANGING THE CRITERIA FOR CLASSIFYING TIMBERLAND TO PROHIBIT TIMBERLAND CLASSIFICATION IF THE PARCEL IS SUBDIVIDED LAND WITH RESTRICTIONS THAT EFFECTIVELY PROHIBIT TIMBER HARVESTING;"
5. Title, line 19.
Following: "15-1-111,"
Insert: "15-6-133,"

6. Title, line 20.
Following: "15-6-145,"
Insert: "15-6-155,"

7. Title, line 22.
Following: "15-6-153,"
Insert: "AND"

8. Title, lines 23 and 24.
Strike: "AND 15-6-155," on line 23
Following: "PROVIDING" on line 23
Strike: "AN IMMEDIATE"

Strike: "DATE" on line 23
Insert: "DATES,"
Strike: "AND" on line 24
Following: "DATE"
Insert: ", AND A TERMINATION DATE"

9. Page 5.
Following: line 3.
Insert: "Section 3. Section 15-6-133, MCA, is amended to read:
"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:
(a) agricultural land as defined in 15-7-202;
(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:
(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes.
(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such improvements are located and that is reasonably required for the use of the improvements.
(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.
(2) Class three property is taxed at the taxable percentage rate "P" of its productive capacity.
(3) Until July 1, 1986, the taxable percentage rate "P" for class three property is 30%.
(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class

three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Three Taxable Percentage "P"
0	30.00
10	27.27
20	25.00
30	23.08
40	21.43
50	20.00

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111."

Renumber: subsequent sections

10. Page 5, line 18.

Following: "including"

Insert: "net business income or loss and"

11. Page 5, line 20.

Following: "couple"

Insert: "or a head of household"

12. Page 5, line 24.

Strike: "."

Insert: ";

13. Page 5.

Following: line 24

Insert: "(e) contiguous parcels of residential land not within the limits of an incorporated city or town that are larger than 20 acres but less than 40 acres, together with all

improvements, including any trailer or mobile home used as a residence;

(f) all real and personal property that:

(i) is integrally related in a single working unit;

(ii) is devoted exclusively to the processing of agricultural or timber products; and

(iii) (A) has not been in production for 12 consecutive months or has been acquired in an arm's-length transaction by an unrelated person, including an acquisition in a foreclosure sale or bankruptcy proceeding; or

(B) has been acquired in a foreclosure or bankruptcy proceeding by a person, as defined in 15-1-102, having no relationship to or interest in the property prior to the transaction."

14. Page 6.

Following: line 9

Under: "Married Couple" on line 9

Insert: "Head of Household"

15. Page 7, line 9.

Strike: "subsection"

Insert: "subsections"

Following: "(1)(d)"

Insert: "and (1)(e)"

16. Page 7.

Following: line 11

Insert: "(d)(i) In determining the market value of the property described in subsection (1)(e), the department shall reduce the assessed value by 25% a year for each year the plant continues to be out of production until the market value is reduced to salvage value.

(ii) Upon commencement of production or an acquisition described in subsection (1)(e)(iii)(B), property described in subsection (1)(e) must remain at the preceding year's valuation for the succeeding 12 months. Following the end of the 12-month period, the property may be considered new or expanding industry as provided in Title 15, chapter 24, part 14."

17. Page 13.

Following: line 11

Insert: "Section 9. Section 15-6-155, MCA, is amended to read:

"15-6-155. Application for classification as ~~class~~ twenty nonproductive property -- local government approval required. (1) A person applying for classification of property as ~~class~~ twenty nonproductive property under 15-6-134(1)(e) shall make an application to the department of

revenue on a form provided by the department without cost.

(2) The department may not grant an application for classification of property as ~~class twenty nonproductive~~ property unless the governing body of the affected county or incorporated city or town approves the application by resolution, following due notice as defined in 76-15-103 and a public hearing, for its respective jurisdiction.

(3) The resolution provided for in subsection (2) must specify the property that the taxing jurisdiction approves for classification as ~~class twenty nonproductive~~ property under 15-6-134(1) (e).

(4) ~~The property valuation reduction granted to class twenty property under 15-6-150~~ applies only to the number of mills levied and assessed for local high school district and elementary school district purposes and to the number of mills levied and assessed by an approving governing body over which it has sole discretion. In no case may the property valuation reduction ~~for class twenty property~~ apply to levies or assessments required under Title 15, chapter 10; 20-9-331; 20-9-333; or otherwise required under state law."

Renumber: subsequent sections

18. Page 23, line 8.
Following: "Repealer."
Insert: "(1)"

19. Page 23, line 9.
Following: "15-6-153,"
Insert: "and"

20. Page 23, line 10.
Strike: "and 15-6-155,"

21. Page 23.
Following: line 10
Insert: "(2) Section 15-6-155, MCA, is repealed."

22. Page 23.
Following: line 20
Insert: "NEW SECTION. Section 17. Termination. Subsections (1) (f) and (2) (d) of 15-6-134 terminate January 1, 1993."
Renumber: subsequent section

23. Page 23, lines 21 and 22.
Strike: "DATE" on line 21
Insert: "DATES"
Following: "APPLICABILITY." on line 22
Insert: "(1)"

Strike: "[This"
Insert: "Except as provided in subsection (2), {this"

24. Page 23.
Following: line 25
Insert: "(2) [Section 15(2)] is effective January 1, 1993."

HOUSE STANDING COMMITTEE REPORT

April 15, 1991
Page 2 of 8

Corrected Copy
April 15, 1991
Page 1 of 8

Mr. Speaker: We, the committee on Taxation report that Senate Bill 436 (third reading copy -- blue) be concurred in as amended.

Signed: 
Dan Harrington, Chairman

Carried by: Rep. Cohen

And, that such amendments read:

(This report corrects the Taxation standing committee report dated April 12, 1991.)

1. Title, line 8.
Following: "PROPERTY;"
Insert: "CLARIFYING THE COMPUTATION OF INCOME FOR PURPOSES OF THE LOW-INCOME PROPERTY TAX CREDIT; PROVIDING THAT AN ELIGIBLE HEAD OF HOUSEHOLD MAY QUALIFY FOR THE LOW-INCOME PROPERTY TAX CREDIT; PROVIDING THAT RURAL RESIDENTIAL PROPERTY BETWEEN 20 AND 40 ACRES IN SIZE BE TAXED AT ONE-HALF THE RATE OF CLASS FOUR PROPERTY;"
2. Title, lines 9 and 10.
Following: "CLAIMS)" on line 9
Strike: ", "
Insert: "BY COMBINING IT WITH CLASS THREE PROPERTY; ELIMINATING"
Following: "ESTATE)" on line 10
Strike: ", "
3. Title, line 11.
Strike: "ALL"
Insert: "BOTH"
4. Title, line 18.
Following: "FACILITIES;"
Insert: "CHANGING THE CRITERIA FOR CLASSIFYING AGRICULTURAL LAND BY REQUIRING \$25 PER ACRE ANNUAL GROSS INCOME FROM AGRICULTURAL PRODUCTION FOR ACRES IN EXCESS OF 20 ACRES BUT LESS THAN 40 ACRES; CHANGING THE CRITERIA FOR CLASSIFYING TIMBERLAND TO PROHIBIT TIMBERLAND CLASSIFICATION IF THE PARCEL IS SUBDIVIDED LAND WITH RESTRICTIONS THAT EFFECTIVELY PROHIBIT TIMBER HARVESTING;"

5. Title, line 19.
Following: "15-1-141,"
Insert: "15-6-133,"
Following: "15-6-141,"
Insert: "15-6-143,"
6. Title, line 20.
Following: "15-6-145,"
Insert: "15-6-155, 15-7-202,"

7. Title, line 22.
Following: "15-6-153,"
Insert: "AND"

8. Title, lines 23 and 24.
Following: "PROVIDING" on line 23
Strike: "AN IMMEDIATE"

Strike: "DATE" on line 23
Insert: "DATES,"
Strike: "AND" on line 24
Following: "DATE"
Insert: ", AND A TERMINATION DATE"

9. Page 5.
Following: line 3.
Insert: "Section 3. Section 15-6-133, MCA, is amended to read:
"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:
(a) agricultural land as defined in 15-7-202;
(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:
(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes.
(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such improvements are located and that is reasonably required for the use of the improvements.
(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.
(2) Class three property is taxed at the taxable percentage

rate "P" of its productive capacity.

(3) Until July 1, 1986, the taxable percentage rate "P" for class three property is 30%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Three Taxable Percentage "P"
0	30.00
10	27.27
20	25.00
30	23.08
40	21.43
50	20.00

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111."

Renumber: subsequent sections

10. Page 5, line 18.

Following: "including"

Insert: "net business income or loss and"

11. Page 5, line 20.

Following: "couple"

Insert: "or a head of household"

12. Page 5, line 24.

Strike: "."

Insert: ";

13. Page 5.

Following: line 24

Insert: "(e) contiguous parcels of residential land not within the limits of an incorporated city or town that are larger than 20 acres but less than 40 acres, together with all improvements, including any trailer or mobile home used as a residence;

(f) all real and personal property that:

(i) is integrally related in a single working unit;

(ii) is devoted exclusively to the processing of agricultural or timber products; and

(iii) (A) has not been in production for 12 consecutive months or has been acquired in an arm's-length transaction by an unrelated person, including an acquisition in a foreclosure sale or bankruptcy proceeding; or

(B) has been acquired in a foreclosure or bankruptcy proceeding by a person, as defined in 15-1-102, having no relationship to or interest in the property prior to the transaction."

14. Page 6.

Following: line 9

Under: "Married Couple" on line 9

Insert: "Head of Household"

15. Page 7, line 9.

Strike: "subsection"

Insert: "subsections"

Following: "(1)(d)"

Insert: "and (1)(e)"

16. Page 7.

Following: line 11

Insert: "(d)(i) In determining the market value of the property described in subsection (1)(e), the department shall reduce the assessed value by 25% a year for each year the plant continues to be out of production until the market value is reduced to salvage value.

(ii) Upon commencement of production or an acquisition described in subsection (1)(e)(iii)(B), property described in subsection (1)(e) must remain at the preceding year's valuation for the succeeding 12 months. Following the end of the 12-month period, the property may be considered new or expanding industry as provided in Title 15, chapter 24, part 14."

17. Page 10.

Following: line 24

Insert: "Section 7. Section 15-6-143, MCA, is amended to read:

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

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

(b) Land may not be classified or valued as timberland if it is subdivided into parcels of land larger than 15 acres for commercial or residential purposes and has stated restrictions effectively prohibiting the harvesting of timber.

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

~~(4) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class thirteen property is $304/B$, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (5). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department before July 1, 1986.~~

~~(5) (a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class thirteen property using the formula $B = X/Y$, where:~~
~~(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding use changes occurring during the preceding year, classified under class thirteen as class thirteen is described in this section; and~~
~~(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class thirteen as class thirteen is described in this section.~~

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

~~(6) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a valuation has been made as provided in 15-7-111. (Terminates January 1, 1991 sec. 10, Ch. 681, L. 1985.)"~~

Renumber: subsequent sections

18. Page 13.

Following: line 11

Insert: "Section 10. Section 15-6-155, MCA, is amended to read:

"15-6-155. Application for classification as ~~class~~ twenty nonproductive property -- local government approval required. (1) A person applying for classification of property as ~~class~~ twenty nonproductive property under 15-6-

134(1)(e) shall make an application to the department of revenue on a form provided by the department without cost.

(2) The department may not grant an application for classification of property as ~~class~~ twenty nonproductive property unless the governing body of the affected county or incorporated city or town approves the application by resolution, following due notice as defined in 76-15-103 and a public hearing, for its respective jurisdiction.

(3) The resolution provided for in subsection (2) must specify the property that the taxing jurisdiction approves for classification as ~~class~~ twenty nonproductive property under 15-6-134(1)(e).

(4) The property valuation reduction ~~granted to class~~ twenty property under 15-6-150 applies only to the number of mills levied and assessed for local high school district and elementary school district purposes and to the number of mills levied and assessed by an approving governing body over which it has sole discretion. In no case may the property valuation reduction ~~for class~~ twenty property apply to levies or assessments required under Title 15, chapter 10; 20-9-331; 20-9-333; or otherwise required under state law."

Section 11. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous parcels of land totaling ~~20~~ 40 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

(2) Contiguous or noncontiguous parcels of land totaling less than ~~20~~ 40 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) if the parcels are less than 20 acres, they must produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber;

(b) if the parcels are 20 acres or larger and less than 40 acres, each parcel must produce the \$1,500 in annual gross income required in subsection (2)(a), plus an additional \$25 per acre or fraction of an acre that is in excess of 20 acres, in annual gross income from the sources specified in subsection (2)(a); or

~~(b)(c)~~ the parcels would have met the qualification set out in subsection (2)(a) or (2)(b) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic

advantage, in which case proof of qualification in a prior year will suffice.

(3) Parcels that do not meet the qualifications set out in subsections (1) and (2) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(6) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

(7) For the purposes of this part, growing timber is not an agricultural use. (Subsection (7) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)""

Renumber: subsequent sections

19. Page 23, line 8.
Following: "Repealer."
Insert: "(1)"

20. Page 23, line 9.
Following: "15-6-153,"
Insert: "and"

21. Page 23, line 10.
Strike: "and 15-6-155,"

22. Page 23.
Following: line 10
Insert: "(2) Section 15-6-155, MCA, is repealed."

23. Page 23.
Following: line 20
Insert: "NEW SECTION. Section 19. Termination. Subsections (1)(f) and (2)(d) of 15-6-134 terminate January 1, 1993."
Renumber: subsequent section

24. Page 23, lines 21 and 22.

Strike: "DATE" on line 21

Insert: "DATES"

Following: "APPLICABILITY." on line 22

Insert: "(1)"

Strike: "[This"

Insert: "Except as provided in subsection (2), [this"

25. Page 23.

Following: line 25

Insert: "(2) [Section 17(2)] is effective January 1, 1993."

1 SENATE BILL NO. 436

2 INTRODUCED BY B. BROWN

3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT RESTRUCTURING THE
6 PROPERTY TAX CLASSIFICATION SYSTEM BY CONSOLIDATING CLASSES;
7 ELIMINATING CLASS TWELVE PROPERTY AND INCLUDING TRAILERS AND
8 MOBILE HOMES IN CLASS FOUR PROPERTY; CLARIFYING THE
9 COMPUTATION OF INCOME FOR PURPOSES OF THE LOW-INCOME
10 PROPERTY TAX CREDIT; PROVIDING THAT AN ELIGIBLE HEAD OF
11 HOUSEHOLD MAY QUALIFY FOR THE LOW-INCOME PROPERTY TAX
12 CREDIT; PROVIDING THAT RURAL RESIDENTIAL PROPERTY BETWEEN 20
13 AND 40 ACRES IN SIZE BE TAXED AT ONE HALF THE RATE OF CLASS
14 FOUR PROPERTY; ELIMINATING CLASS EIGHTEEN (NONPRODUCTIVE
15 MINING CLAIMS); BY COMBINING IT WITH CLASS THREE PROPERTY;
16 ELIMINATING CLASS NINETEEN (NONPRODUCTIVE REAL ESTATE); AND
17 CLASS TWENTY (OUT-OF-PRODUCTION AGRICULTURAL LAND AND
18 TIMBERLAND), ALL BOTH OF WHICH BECOME TAXABLE AS CLASS FOUR
19 PROPERTY; CONSOLIDATING RAILROAD PROPERTY AND AIRLINE
20 PROPERTY INTO ONE CLASS; DELETING THE FORMULA FOR COMPUTING
21 THE VALUE OF OTHER COMMERCIAL PROPERTY NECESSARY FOR
22 TAXATION OF RAILROAD PROPERTY AND AIRLINE PROPERTY BY
23 DELETING NET AND GROSS PROCEEDS; PROVIDING A \$50 REDUCTION
24 IN PROPERTY TAXES FOR OWNER-OCCUPIED, SINGLE-FAMILY
25 RESIDENCES; REQUIRING THE DEPARTMENT OF REVENUE TO PROVIDE

1 NOTICE OF THE REDUCTION; PROVIDING AN APPROPRIATION FOR
2 REIMBURSEMENT OF LOSS OF TAX REVENUE BY LOCAL GOVERNMENTS,
3 SCHOOL DISTRICTS, AND OTHER TAXING JURISDICTIONS; DELETING
4 IN CLASS SIX PROPERTY THE SEPARATE PROVISION FOR MALTING
5 BARLEY FACILITIES; CHANGING--THE--CRITERIA--FOR--CLASSIFYING
6 AGRICULTURAL--LAND--BY--REQUIRING--\$25--PER--ACRE--ANNUAL--GROSS
7 INCOME--FROM--AGRICULTURAL--PRODUCTION--FOR--ACRES--IN--EXCESS--OF
8 20--ACRES--BUT--LESS--THAN--40--ACRES; CHANGING THE CRITERIA FOR
9 CLASSIFYING TIMBERLAND TO PROHIBIT TIMBERLAND CLASSIFICATION
10 IF THE PARCEL IS SUBDIVIDED LAND WITH RESTRICTIONS THAT
11 EFFECTIVELY PROHIBIT TIMBER HARVESTING; AMENDING SECTIONS
12 7-13-2527, 15-1-111, 15-6-133, 15-6-134, 15-6-136, 15-6-141,
13 15-6-143, 15-6-144, 15-6-145, 15-6-155, 15-7-202, 15-8-205,
14 15-10-402, 15-10-412, 15-16-611, AND 67-3-204, MCA;
15 REPEALING SECTIONS 15-6-142, 15-6-144, 15-6-147, 15-6-148,
16 15-6-149, 15-6-150, 15-6-153, 15-6-154, AND 15-6-155, MCA;
17 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE DATES, AND A
18 RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

19
20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21 **Section 1.** Section 7-13-2527, MCA, is amended to read:

22 "7-13-2527. List of property owners. (1) A copy of the
23 order creating the district shall be delivered to the county
24 assessor of each county within the district.

25 (2) The assessor shall, on or before August 1 of any

1 given year, prepare and certify a list of all persons owning
 2 class ~~four~~, ~~class twelve~~, or class fourteen eleven property
 3 within such district and deliver a copy of such list to the
 4 board of trustees of said district."

5 **Section 2.** Section 15-1-111, MCA, is amended to read:

6 "15-1-111. Reimbursement to local governments and
 7 schools -- duties of department and county treasurer --
 8 statutory appropriation. (1) (a) On or before May 1, 1990,
 9 the department of revenue shall remit to the county
 10 treasurer of each county 30% of the reimbursement amount
 11 specified in subsection (1)(b), as computed by the
 12 department. The department shall base the reimbursement on
 13 the reduction in personal property tax revenues due to the
 14 reduction in personal property tax rates for class eight
 15 property, as provided for in 15-6-138, and any reduction in
 16 taxes based upon recalculation of the effective tax rate for
 17 property in 15-6-145 and ~~15-6-147~~. The reimbursement basis
 18 must also include loss of personal property tax revenue due
 19 to the reclassification of new industrial property from
 20 class five to class eight with the reduced tax rate. The
 21 determination of the reimbursement basis must be made in the
 22 year in which the reclassification is made.

23 (b) The reimbursement revenue must be based on the
 24 county's taxable value and mill levies for tax year 1989.

25 (2) Prior to September 1, 1990, the department's agent

1 in the county shall supply the following information to the
 2 department for each taxing jurisdiction within the county:

3 (a) the number of mills levied in the jurisdiction for
 4 taxable year 1989;

5 (b) the number of mills levied in the jurisdiction for
 6 taxable year 1990;

7 (c) the total taxable valuation for taxable years 1989
 8 and 1990, reported separately for each year, of all personal
 9 property not secured by real property; and

10 (d) the total taxable valuation for taxable years 1989
 11 and 1990, reported separately for each year, of all personal
 12 property secured by real property.

13 (3) After receipt of the information from its agent,
 14 the department shall calculate the amount of revenue lost to
 15 each taxing jurisdiction, using current year mill levies,
 16 due to the annual reduction in personal property tax rates
 17 set forth in 15-6-138, and any reduction in taxes based upon
 18 recalculation of the effective tax rate for property in
 19 15-6-145 and ~~15-6-147~~. The department shall total the
 20 amounts for all taxing jurisdictions within the county.

21 (4) For taxable year 1990 and for each year thereafter,
 22 the department shall remit to the county treasurer the base
 23 amount of revenue reimbursable, determined pursuant to
 24 subsection (3), as follows:

25 (a) on or before November 30, 1990, and on or before

1 each November 30 thereafter, the department shall remit 50%
2 of the base amount of the revenue reimbursable to the
3 county; and

4 (b) on or before May 31, 1991, and on or before each
5 May 31 thereafter, the department shall remit 50% of the
6 base amount of the revenue reimbursable to the county.

7 (5) Upon receipt of the reimbursement from the
8 department, the county treasurer shall distribute the
9 reimbursement to each taxing jurisdiction in the relative
10 proportions required by the levies for state, county, school
11 district, and municipal purposes in the same manner as
12 current year mill levies on personal property taxes are
13 distributed.

14 (6) For the purposes of this section, "taxing
15 jurisdiction" means local governments and includes school
16 districts, each municipality with tax increment financing,
17 and the state of Montana.

18 (7) The amounts necessary for the administration of
19 this section are statutorily appropriated, as provided in
20 17-7-502, from the general fund to reimburse school
21 districts and local governments for reductions in tax rates
22 on personal property."

23 **SECTION 3. SECTION 15-6-133, MCA, IS AMENDED TO READ:**

24 "15-6-133. Class three property -- description --
25 taxable percentage. (1) Class three property includes:

1 (a) agricultural land as defined in 15-7-202;
2 (b) nonproductive patented mining claims outside the
3 limits of an incorporated city or town held by an owner for
4 the ultimate purpose of developing the mineral interests on
5 the property. For the purposes of this subsection (1)(b),
6 the following provisions apply:

7 (i) The claim may not include any property that is used
8 for residential purposes, recreational purposes as described
9 in 70-16-301, or commercial purposes as defined in 15-1-101
10 or any property the surface of which is being used for other
11 than mining purposes or has a separate and independent value
12 for such other purposes.

13 (ii) Improvements to the property that would not
14 disqualify the parcel are taxed as otherwise provided in
15 this title, including that portion of the land upon which
16 such improvements are located and that is reasonably
17 required for the use of the improvements.

18 (iii) Nonproductive patented mining claim property must
19 be valued as if the land were devoted to agricultural
20 grazing use.

21 (2) Class three property is taxed at the taxable
22 percentage rate "P" of its productive capacity.

23 (3) Until July 1, 1986, the taxable percentage rate "P"
24 for class three property is 30%.

25 (4) Prior to July 1, 1986, the department of revenue

1 shall determine the taxable percentage rate "P" applicable
2 to class three property for the revaluation cycle beginning
3 January 1, 1986, as follows:

4 (a) The director of the department of revenue shall
5 certify to the governor before July 1, 1986, the percentage
6 by which the appraised value of all property in the state
7 classified under class three as of January 1, 1986, has
8 increased due to the revaluation conducted under 15-7-111.
9 This figure is the "certified statewide percentage
10 increase".

11 (b) The taxable value of property in class three is
12 determined as a function of the certified statewide
13 percentage increase in accordance with the table shown
14 below.

15 (c) This table limits the statewide increase in taxable
16 valuation resulting from reappraisal to 0%. In calculating
17 the percentage increase, the department may not consider
18 agricultural use changes during calendar year 1985.

19 (d) The taxable percentage must be calculated by
20 interpolation to coincide with the nearest whole number
21 certified statewide percentage increase from the following
22 table:

Certified Statewide Percentage Increase	Class Three Taxable Percentage "P"
0	30.00

1	10	27.27
2	20	25.00
3	30	23.08
4	40	21.43
5	50	20.00

6 (5) After July 1, 1986, no adjustment may be made by
7 the department to the taxable percentage rate "P" until a
8 revaluation has been made as provided in 15-7-111."

9 **Section 4.** Section 15-6-134, MCA, is amended to read:

10 "15-6-134. Class four property -- description --
11 taxable percentage. (1) Class four property includes:

12 (a) all land except that specifically included in
13 another class;

14 (b) all improvements, including trailers or mobile
15 homes used as a residence, except those specifically
16 included in another class;

17 (c) the first \$80,000 or less of the market value of
18 any improvement on real property, including trailers or
19 mobile homes, and appurtenant land not exceeding 5 acres
20 owned or under contract for deed and actually occupied for
21 at least 10 months a year as the primary residential
22 dwelling of any person whose total income from all sources
23 including NET BUSINESS INCOME OR LOSS AND otherwise
24 tax-exempt income of all types is not more than \$10,000 for
25 a single person or \$12,000 for a married couple OR A HEAD OF

1 HOUSEHOLD, as adjusted according to subsection (2)(b)(ii);

2 (d) all golf courses, including land and improvements

3 actually and necessarily used for that purpose, that consist

4 of at least 9 holes and not less than 3,000 lineal yards;

5 ~~(E) CONFIGUOUS PARCELS OF RESIDENTIAL LAND NOT WITHIN~~

6 ~~THE LIMITS OF AN INCORPORATED CITY OR TOWN THAT ARE LARGER~~

7 ~~THAN 20 ACRES BUT LESS THAN 40 ACRES, TOGETHER WITH ALL~~

8 ~~IMPROVEMENTS, INCLUDING ANY TRAILER OR MOBILE HOME USED AS A~~

9 ~~RESIDENCE;~~

10 ~~(F) (E) ALL REAL AND PERSONAL PROPERTY THAT:~~

11 ~~(I) IS INTEGRALLY RELATED IN A SINGLE WORKING UNIT;~~

12 ~~(II) IS DEVOTED EXCLUSIVELY TO THE PROCESSING OF~~

13 ~~AGRICULTURAL OR TIMBER PRODUCTS; AND~~

14 ~~(III) (A) HAS NOT BEEN IN PRODUCTION FOR 12 CONSECUTIVE~~

15 ~~MONTHS OR HAS BEEN ACQUIRED IN AN ARM'S-LENGTH TRANSACTION~~

16 ~~BY AN UNRELATED PERSON, INCLUDING AN ACQUISITION IN A~~

17 ~~FORECLOSURE SALE OR BANKRUPTCY PROCEEDING; OR~~

18 ~~(B) HAS BEEN ACQUIRED IN A FORECLOSURE OR BANKRUPTCY~~

19 ~~PROCEEDING BY A PERSON, AS DEFINED IN 15-1-102, HAVING NO~~

20 ~~RELATIONSHIP TO OR INTEREST IN THE PROPERTY PRIOR TO THE~~

21 ~~TRANSACTION.~~

22 (2) Class four property is taxed as follows:

23 (a) Except as provided in 15-24-1402 or 15-24-1501,

24 property described in subsections (1)(a) and (1)(b) is taxed

25 at 3.86% of its market value.

1 (b) (i) Property described in subsection (1)(c) is

2 taxed at 3.86% of its market value multiplied by a

3 percentage figure based on income and determined from the

4 following table:

Income	Income		Percentage Multiplier
	Single Person	Married Couple	
	<u>HEAD OF HOUSEHOLD</u>		
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200		0%
1,001 - 2,000	1,201 - 2,400		10%
2,001 - 3,000	2,401 - 3,600		20%
3,001 - 4,000	3,601 - 4,800		30%
4,001 - 5,000	4,801 - 6,000		40%
5,001 - 6,000	6,001 - 7,200		50%
6,001 - 7,000	7,201 - 8,400		60%
7,001 - 8,000	8,401 - 9,600		70%
8,001 - 9,000	9,601 - 10,800		80%
9,001 - 10,000	10,801 - 12,000		90%

18 (ii) The income levels contained in the table in

19 subsection (2)(b)(i) must be adjusted for inflation annually

20 by the department of revenue. The adjustment to the income

21 levels is determined by:

22 (A) multiplying the appropriate dollar amount from the

23 table in subsection (2)(b)(i) by the ratio of the PCE for

24 the second quarter of the year prior to the year of

25 application to the PCE for the second quarter of 1986; and

1 (B) rounding the product thus obtained to the nearest
2 whole dollar amount.

3 (iii) "PCE" means the implicit price deflator for
4 personal consumption expenditures as published quarterly in
5 the Survey of Current Business by the bureau of economic
6 analysis of the U.S. department of commerce.

7 (c) Property described in subsection SUBSECTIONS
8 SUBSECTION (1)(d) AND--(1)(B) is taxed at one-half the
9 taxable percentage rate established in subsection (2)(a).

10 (D) (I) IN DETERMINING THE MARKET VALUE OF THE PROPERTY
11 DESCRIBED IN SUBSECTION (1)(E), THE DEPARTMENT SHALL REDUCE
12 THE ASSESSED VALUE BY 25% A YEAR FOR EACH YEAR THE PLANT
13 CONTINUES TO BE OUT OF PRODUCTION UNTIL THE MARKET VALUE IS
14 REDUCED TO SALVAGE VALUE.

15 (II) UPON COMMENCEMENT OF PRODUCTION OR AN ACQUISITION
16 DESCRIBED IN SUBSECTION (1)(E)(III)(B), PROPERTY DESCRIBED
17 IN SUBSECTION (1)(E) MUST REMAIN AT THE PRECEDING YEAR'S
18 VALUATION FOR THE SUCCEEDING 12 MONTHS. FOLLOWING THE END OF
19 THE 12-MONTH PERIOD, THE PROPERTY MAY BE CONSIDERED NEW OR
20 EXPANDING INDUSTRY AS PROVIDED IN TITLE 15, CHAPTER 24, PART
21 14.

22 (3) After July 1, 1986, no adjustment may be made by
23 the department to the taxable percentage rate for class four
24 property until a revaluation has been made as provided in
25 15-7-111.

1 (4) Within the meaning of comparable property as
2 defined in 15-1-101, property assessed as commercial
3 property is comparable only to other property assessed as
4 commercial property, and property assessed as other than
5 commercial property is comparable only to other property
6 assessed as other than commercial property."

7 **Section 5.** Section 15-6-136, MCA, is amended to read:

8 "15-6-136. Class six property -- description -- taxable
9 percentage. (1) Class six property includes:

10 (a) livestock and other species of domestic animals and
11 wildlife raised in domestication or a captive environment,
12 except for cats, dogs, and other household pets not raised
13 for profit;

14 (b) items of personal property intended for rent or
15 lease in the ordinary course of business, provided each item
16 of personal property satisfies all of the following:

17 (i) the full and true value of the personal property is
18 less than \$5,000;

19 (ii) the personal property is owned by a business whose
20 primary business income is from rental or lease of personal
21 property to individuals wherein no one customer of the
22 business accounts for more than 10% of the total rentals or
23 leases during a calendar year; and

24 (iii) the lease of the personal property is generally on
25 an hourly, daily, or weekly basis; and

1 ~~{c} machinery and equipment used in a malting barley~~
 2 ~~facility; and~~

3 ~~{d}{c} machinery and equipment used in canola seed oil~~
 4 ~~processing facilities if:~~

5 ~~(i) the operators of such facilities employ a minimum~~
 6 ~~of 15 full-time employees; and~~

7 ~~(ii) a canola seed oil processing facility locates in~~
 8 ~~the state of Montana after July 25, 1989.~~

9 ~~{2} "Malting barley facility" means a facility the~~
 10 ~~principal purpose of which is to malt malting barley. The~~
 11 ~~term does not apply to a facility the principal purpose of~~
 12 ~~which is to store, mix, blend, transport, transfer, or~~
 13 ~~otherwise do anything with malting barley, except malt~~
 14 ~~malting barley. However, any machinery or equipment the~~
 15 ~~principal purpose of which is to store, mix, blend,~~
 16 ~~transport, transfer, or otherwise handle malting barley or~~
 17 ~~other machinery or equipment that is used in or is otherwise~~
 18 ~~an integral part of a facility that malts malting barley is~~
 19 ~~machinery or equipment of a malting barley facility for the~~
 20 ~~purposes of this section.~~

21 ~~{3}{2} "Canola seed oil processing facility" means a~~
 22 ~~facility that:~~

23 ~~(a) extracts oil from canola seeds, refines the crude~~
 24 ~~oil to produce edible oil, formulates and packages the~~
 25 ~~edible oil into food products, or engages in any one or more~~

1 of those processes; and

2 (b) employs at least 15 employees in a full-time
 3 capacity.

4 ~~{4}{3} Class six property is taxed at 4% of its market~~
 5 ~~value."~~

6 **Section 6.** Section 15-6-141, MCA, is amended to read:

7 "15-6-141. Class eleven nine property -- description --
 8 taxable percentage. (1) Class eleven nine property includes:

9 (a) centrally assessed electric power companies'
 10 allocations, including, if congress passes legislation that
 11 allows the state to tax property owned by an agency created
 12 by congress to transmit or distribute electrical energy,
 13 allocations of properties constructed, owned, or operated by
 14 a public agency created by the congress to transmit or
 15 distribute electric energy produced at privately owned
 16 generating facilities (not including rural electric
 17 cooperatives);

18 (b) allocations for centrally assessed natural gas
 19 companies having a major distribution system in this state;
 20 and

21 (c) centrally assessed companies' allocations except:
 22 (i) electric power and natural gas companies' property;
 23 (ii) property owned by cooperative rural electric and
 24 cooperative rural telephone associations and classified in
 25 class five;

1 (iii) property owned by organizations providing
2 telephone communications to rural areas and classified in
3 class seven;

4 (iv) railroad transportation property included in class
5 fifteen twelve; and

6 (v) airline transportation property included in class
7 seventeen twelve.

8 (2) Class eleven nine property is taxed at 12% of
9 market value."

10 SECTION 7. SECTION 15-6-143, MCA, IS AMENDED TO READ:

11 "15-6-143. (Temporary) Class thirteen property
12 description taxabie percentage (1) Class thirteen
13 property includes all timberland:

14 (2) (a) Timberland is contiguous land exceeding 15
15 acres in one ownership that is capable of producing timber
16 that can be harvested in commercial quantity:

17 (b) band may not be classified or valued as timberland
18 if it is subdivided into parcels of land larger than 15
19 acres for commercial or residential purposes and has stated
20 restrictions effectively prohibiting the harvesting of
21 timber;

22 (3) Class thirteen property is taxed at the percentage
23 rate "P" 4% of the combined appraised value of the standing
24 timber and grazing productivity of the property:

25 (4) For taxable years beginning January 1, 1986, and

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

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

11 (i) X is the appraised value, as of January 1, 1986, of
12 all property in the state, excluding use changes occurring
13 during the preceding year, classified under class thirteen
14 as class thirteen is described in this section, and

15 (ii) Y is the appraised value, as of January 1, 1985, of
16 all property in the state that, as of January 1, 1986, would
17 be classified under class thirteen as class thirteen is
18 described in this section.

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

20 (6) After July 1, 1986, no adjustment may be made by
21 the department to the taxable percentage rate "P" until a
22 valuation has been made as provided in 15-7-111. (Terminates
23 January 1, 1991 - sec. 107-6017-B-1985.)"

24 **Section 7.** Section 15-6-144, MCA, is amended to read:

25 "15-6-144. Class fourteen eleven property --

1 description -- taxable percentage. (1) Class fourteen eleven
 2 property includes all improvements on land that is eligible
 3 for valuation, assessment, and taxation as agricultural land
 4 under 15-7-202(2). Class fourteen eleven property includes 1
 5 acre of real property beneath the agricultural improvements.
 6 The 1 acre shall be valued at market value.

7 (2) Class fourteen eleven property is taxed at 80% of
 8 the taxable percentage applicable to class four property."

9 **Section 8.** Section 15-6-145, MCA, is amended to read:

10 "15-6-145. Class fifteen twelve property -- description
 11 -- taxable percentage. (1) Class fifteen twelve property
 12 includes all railroad transportation property as described
 13 in the Railroad Revitalization and Regulatory Reform Act of
 14 1976 as it read on January 1, 1986, and all airline
 15 transportation property as described in the Tax Equity and
 16 Fiscal Responsibility Act of 1982 as it read on January 1,
 17 1986.

18 (2) For the taxable tax year beginning January 1, 1986
 19 1992 1991, and for each taxable tax year thereafter, class
 20 fifteen twelve property is taxed at the percentage rate "R",
 21 to be determined by the department as provided in subsection
 22 (3), or 12%, whichever is less.

23 (3) R = A/B where:

24 (a) A is the total statewide taxable value of all
 25 commercial property, except class fifteen twelve property,

1 as commercial property is described in 15-1-101(1)(d),
 2 ~~including class 1 and class 2 property~~; and

3 (b) B is the total statewide market value of all
 4 commercial property, except class fifteen twelve property,
 5 as commercial property is described in 15-1-101(1)(d),
 6 ~~including class 1 and class 2 property~~.

7 (4) (a) For the taxable year beginning January 1, 1986,
 8 and for every taxable year thereafter, the department shall
 9 conduct a sales assessment ratio study of all commercial and
 10 industrial real property and improvements. The study must be
 11 based on:

12 (i) assessments of such property as of January 1 of the
 13 year for which the study is being conducted; and

14 (ii) a statistically valid sample of sales using data
 15 from realty transfer certificates filed during the same
 16 taxable year or from the immediately preceding taxable year,
 17 but only if a sufficient number of certificates is
 18 unavailable from the current taxable year to provide a
 19 statistically valid sample.

20 (b) The department shall determine the value-weighted
 21 mean sales assessment ratio "M" for all such property and
 22 reduce the taxable value of property described in subsection
 23 (4) only, by multiplying the total statewide taxable value
 24 of property described in subsection (4)(a) by "M" prior to
 25 calculating "A" in subsection (3)(a).

1 (c) The adjustment referred to in subsection (4)(b)
 2 will be made beginning January 1, 1986, and in each
 3 subsequent tax year to equalize the railroad taxable values.

4 (5) For the purpose of complying with the 'Railroad
 5 Revitalization and Regulatory Reform Act of 1976, as it read
 6 on January 1, 1986, the rate "R" referred to in this section
 7 is the equalized average tax rate generally applicable to
 8 commercial and industrial property, except class ~~fifteen~~
 9 twelve property, as commercial property is defined in
 10 15-1-101(1)(d)."

11 **SECTION 9. SECTION 15-6-155, MCA, IS AMENDED TO READ:**

12 "15-6-155. Application for classification as class
 13 twenty nonproductive property -- local government approval
 14 required. (1) A person applying for classification of
 15 property as ~~class--twenty~~ nonproductive property under
 16 15-6-134(1)(e) shall make an application to the department
 17 of revenue on a form provided by the department without
 18 cost.

19 (2) The department may not grant an application for
 20 classification of property as ~~class--twenty~~ nonproductive
 21 property unless the governing body of the affected county or
 22 incorporated city or town approves the application by
 23 resolution, following due notice as defined in 76-15-103 and
 24 a public hearing, for its respective jurisdiction.

25 (3) The resolution provided for in subsection (2) must

1 specify the property that the taxing jurisdiction approves
 2 for classification as ~~class--twenty~~ nonproductive property
 3 under 15-6-134(1)(e).

4 (4) The property valuation reduction ~~granted-to-class~~
 5 ~~twenty-property-under-15-6-150~~ applies only to the number of
 6 mills levied and assessed for local high school district and
 7 elementary school district purposes and to the number of
 8 mills levied and assessed by an approving governing body
 9 over which it has sole discretion. In no case may the
 10 property valuation reduction ~~for-class--twenty-property~~ apply
 11 to levies or assessments required under Title 15, chapter
 12 10; 20-9-331; 20-9-333; or otherwise required under state
 13 law."

14 ~~SECTION 11:--SECTION 15-7-202, MCA, IS AMENDED TO READ:~~

15 ~~"15-7-202.--Eligibility--of--land--for--valuation--as~~
 16 ~~agricultural--(1)--Contiguous-parcels-of-land--totaling--20 40~~
 17 ~~acres--or--more--under--one--ownership--shall--be--eligible--for~~
 18 ~~valuation,--assessment,--and--taxation--as--agricultural--land~~
 19 ~~each--year--that--none--of--the--parcels--is--devoted--to--a~~
 20 ~~commercial--or--industrial--use.~~

21 ~~(2)--Contiguous--or--noncontiguous--parcels--of--land~~
 22 ~~totaling--less--than--20 40--acres--under--one--ownership--that--are~~
 23 ~~actively--devoted--to--agricultural--use--shall--be--eligible--for~~
 24 ~~valuation,--assessment,--and--taxation--as--herein--provided--each~~
 25 ~~year--the--parcels--meet--any--of--the--following--qualifications:~~

1 ~~{a}--if--the--parcels--are--less--than--20--acres,--they--must~~
 2 ~~produce--and--the--owner--or--the--owner's--agent,--employee,--or~~
 3 ~~lessee--markets--not--less--than--\$1,500--in--annual--gross--income~~
 4 ~~from--the--raising--of--livestock,--poultry,--field--crops,--fruit,~~
 5 ~~and--other--animal--and--vegetable--matter--for--food--or--fiber;~~

6 ~~{b}--if--the--parcels--are--20--acres--or--larger--and--less--than~~
 7 ~~40--acres,--each--parcel--must--produce--the--\$1,500--in--annual~~
 8 ~~gross--income--required--in--subsection--(2)(a),--plus--an~~
 9 ~~additional--\$25--per--acre--or--fraction--of--an--acre--that--is--in~~
 10 ~~excess--of--20--acres,--in--annual--gross--income--from--the--sources~~
 11 ~~specified--in--subsection--(2)(a);--or~~

12 ~~{b}{c}--the--parcels--would--have--met--the--qualification--set~~
 13 ~~out--in--subsection--(2)(a)--or--(2)(b)--were--it--not--for~~
 14 ~~independent--intervening--causes--of--production--failure--beyond~~
 15 ~~the--control--of--the--producer--or--marketing--delay--for--economic~~
 16 ~~advantage,--in--which--case--proof--of--qualification--in--a--prior~~
 17 ~~year--will--suffice;~~

18 ~~{3}--Parcels--that--do--not--meet--the--qualifications--set--out~~
 19 ~~in--subsections--(1)--and--(2)--shall--not--be--classified--or--valued~~
 20 ~~as--agricultural--if--they--are--part--of--a--platted--subdivision~~
 21 ~~that--is--filed--with--the--county--clerk--and--recorder--in~~
 22 ~~compliance--with--the--Montana--Subdivision--and--Platting--Act;~~

23 ~~{4}--Land--shall--not--be--classified--or--valued--as~~
 24 ~~agricultural--if--it--is--subdivided--with--stated--restrictions~~
 25 ~~prohibiting--its--use--for--agricultural--purposes;~~

1 ~~{5}--The--grazing--on--land--by--a--horse--or--other--animals~~
 2 ~~kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide~~
 3 ~~agricultural--enterprise--shall--not--be--considered--a--bona--fide~~
 4 ~~agricultural--operation;~~

5 ~~{6}--If--land--has--been--valued,--assessed,--and--taxed--as~~
 6 ~~agricultural--land--in--any--year,--it--shall--continue--to--be--so~~
 7 ~~valued,--assessed,--and--taxed--until--the--department~~
 8 ~~reclassifies--the--property--A--reclassification--does--not--mean~~
 9 ~~revaluation--pursuant--to--15-7-111;~~

10 ~~{7}--For--the--purposes--of--this--part,--growing--timber--is~~
 11 ~~not--an--agricultural--use--{Subsection--(7)--terminates--January~~
 12 ~~17--1991--sec--107--Ch--6817--B--1905;}"~~

13 **Section 10.** Section 15-8-205, MCA, is amended to read:

14 "15-8-205. Initial assessment of class twelve four
 15 trailer and mobile home property -- when. The county
 16 assessor shall assess all class twelve four trailer and
 17 mobile home property immediately upon arrival in the county
 18 if the taxes have not been previously paid for that year in
 19 another county in Montana."

20 **Section 11.** Section 15-10-402, MCA, is amended to read:

21 "15-10-402. Property tax limited to 1986 levels. (1)
 22 Except as provided in subsections (2) and (3), the amount of
 23 taxes levied on property described in 15-6-133, 15-6-134,
 24 and 15-6-136, 15-6-142, and 15-6-144, AND 15-6-144 may not,
 25 for any taxing jurisdiction, exceed the amount levied for

1 taxable year 1986.

2 (2) The limitation contained in subsection (1) does not
3 apply to levies for rural improvement districts, Title 7,
4 chapter 12, part 21; special improvement districts, Title 7,
5 chapter 12, part 41; elementary and high school districts,
6 Title 20; or bonded indebtedness.

7 (3) New construction or improvements to or deletions
8 from property described in subsection (1) are subject to
9 taxation at 1986 levels.

10 (4) As used in this section, the "amount of taxes
11 levied" and the "amount levied" mean the actual dollar
12 amount of taxes imposed on an individual piece of property,
13 notwithstanding an increase or decrease in value due to
14 inflation, reappraisal, adjustments in the percentage
15 multiplier used to convert appraised value to taxable value,
16 changes in the number of mills levied, or increase or
17 decrease in the value of a mill."

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

19 "15-10-412. Property tax limited to 1986 levels --
20 clarification -- extension to all property classes. Section
21 15-10-402 is interpreted and clarified as follows:

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

25 (2) The limitation on the amount of taxes levied is

1 interpreted to mean that, except as otherwise provided in
2 this section, the actual tax liability for an individual
3 property is capped at the dollar amount due in each taxing
4 unit for the 1986 tax year. In tax years thereafter, the
5 property must be taxed in each taxing unit at the 1986 cap
6 or the product of the taxable value and mills levied,
7 whichever is less for each taxing unit, except in a taxing
8 unit that levied a tax in tax years 1983 through 1985 but
9 did not levy a tax in 1986, in which case the actual tax
10 liability for an individual property is capped at the dollar
11 amount due in that taxing unit for the 1985 tax year.

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

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

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

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

20 (d) subdivision of real property;

21 (e) reclassification of property;

22 (f) 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 (g) transfer of property from tax-exempt to taxable

1 status;

2 (h) revaluations caused by:

3 (i) cyclical reappraisal; or

4 (ii) expansion, addition, replacement, or remodeling of

5 improvements; or

6 (i) increases in property valuation pursuant to

7 15-7-111(4) through (8) in order to equalize property values

8 annually.

9 (4) The limitation on the amount of taxes levied does

10 not mean that no further increase may be made in the taxable

11 valuation or in the actual tax liability on individual

12 property in each class as a result of:

13 (a) a revaluation caused by:

14 (i) construction, expansion, replacement, or remodeling

15 of improvements that adds value to the property; or

16 (ii) cyclical reappraisal;

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

18 (c) reclassification of property;

19 (d) increases in the amount of production or the value

20 of production for property described in 15-6-131 or

21 15-6-132;

22 (e) annexation of the individual property into a new

23 taxing unit;

24 (f) conversion of the individual property from

25 tax-exempt to taxable status; or

1 (g) increases in property valuation pursuant to

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

3 annually.

4 (5) Property in classes ~~four--twelve~~, and ~~fourteen~~

5 eleven is valued according to the procedures used in 1986,

6 including the designation of 1982 as the base year, until

7 the reappraisal cycle beginning January 1, 1986, is

8 completed and new valuations are placed on the tax rolls and

9 a new base year designated, if the property is:

10 (a) new construction;

11 (b) expanded, deleted, replaced, or remodeled

12 improvements;

13 (c) annexed property; or

14 (d) property converted from tax-exempt to taxable

15 status.

16 (6) Property described in subsections (5)(a) through

17 (5)(d) that is not class ~~four--class--twelve~~, or class

18 ~~fourteen~~ eleven property is valued according to the

19 procedures used in 1986 but is also subject to the dollar

20 cap in each taxing unit based on 1986 mills levied.

21 (7) The limitation on the amount of taxes, as clarified

22 in this section, is intended to leave the property appraisal

23 and valuation methodology of the department of revenue

24 intact. Determinations of county classifications, salaries

25 of local government officers, and all other matters in which

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

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

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

24 (c) a levy authorized in 50-2-111 that was made in 1986
 25 was for less than the number of mills levied in either 1984

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

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

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

23 (9) The limitation on the amount of taxes levied does
 24 not apply in a taxing unit if the voters in the taxing unit
 25 approve an increase in tax liability following a resolution

1 of the governing body of the taxing unit containing:

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

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

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

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

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

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

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

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

21 (b) The limitation set forth in this chapter on the
22 amount of taxes levied does not apply to levies to support a
23 city-county board of health as provided in Title 50, chapter
24 2, if the governing bodies of the taxing units served by the
25 board of health determine, after a public hearing, that

1 public health programs require funds to ensure the public
2 health. A levy for the support of a local board of health
3 may not exceed the 5-mill limit established in 50-2-111.

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

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

12 **Section 13.** Section 15-16-611, MCA, is amended to read:

13 **"15-16-611. Reduction of property tax for property**
14 **destroyed by natural disaster.** (1) The department of revenue
15 shall, upon showing by a taxpayer that some or all of the
16 improvements on his real property or a trailer or mobile
17 home ~~as-described-in-15-6-142~~ have been destroyed to such an
18 extent that such improvements have been rendered unsuitable
19 for their previous use by natural disaster, adjust the
20 taxable value on the property, accounting for the
21 destruction.

22 (2) The county treasurer shall adjust the tax due and
23 payable for the current year on the property under 15-16-102
24 as provided in subsection (3) of this section.

25 (3) To determine the amount of tax due for destroyed

1 property, the county treasurer shall:

2 (a) multiply the amount of tax levied and assessed on
3 the original taxable value of the property for the year by
4 the ratio that the number of days in the year that the
5 property existed before destruction bears to 365; and

6 (b) multiply the amount of tax levied and assessed on
7 the adjusted taxable value of the property for the remainder
8 of the year by the ratio that the number of days remaining
9 in the year after the destruction of the property bears to
10 365.

11 (4) This section does not apply to delinquent taxes
12 owed on the destroyed property for a year prior to the year
13 in which the property was destroyed.

14 (5) For the purposes of this section, "natural
15 disaster" includes but is not limited to fire, flood,
16 earthquake, or wind."

17 **Section 14.** Section 67-3-204, MCA, is amended to read:

18 **"67-3-204. Fee in lieu of tax on registered aircraft --**
19 **decal.** (1) Except as provided in subsection (3), aircraft
20 required to be registered in Montana are subject to a fee.
21 The registration fee is in lieu of property tax.

22 (2) The department shall issue a decal to the owner of
23 the aircraft required to be registered at the time of
24 payment of the registration fee in lieu of tax, as provided
25 in 67-3-201. No aircraft subject to a fee in lieu of tax may

1 be operated in this state unless there is displayed on the
2 aircraft a decal as visual proof that the fee in lieu of tax
3 has been paid for the aircraft and that the aircraft is
4 registered for the current year.

5 (3) Aircraft that meet the description of property
6 described in ~~15-6-147~~ 15-6-145 are exempt from the fee
7 imposed by subsection (1). Aircraft subject to the fee in
8 lieu of tax are exempt from all other taxation."

9 NEW SECTION. SECTION 15. REDUCTION IN RESIDENTIAL
10 PROPERTY TAXES -- NOTICE TO TAXPAYERS -- APPROPRIATION. (1)
11 THE PROPERTY TAXES ON QUALIFYING OWNER-OCCUPIED,
12 SINGLE-FAMILY RESIDENCES ARE REDUCED BY \$50. A TAXPAYER IS
13 ENTITLED TO THE TAX REDUCTION IF BY AUGUST 15, 1991, FOR TAX
14 YEAR 1991, OR IF BY APRIL 15 OF THE TAX YEAR IN SUCCEEDING
15 YEARS, THE TAXPAYER SUCCESSFULLY APPLIES FOR A REDUCTION ON
16 A FORM PROVIDED BY THE DEPARTMENT OF REVENUE, STATING:

17 (A) THAT THE TAXPAYER MAINTAINS THE PROPERTY AS HIS
18 PRIMARY DWELLING FOR AT LEAST 10 MONTHS A YEAR; AND

19 (B) OTHER INFORMATION DETERMINED BY THE DEPARTMENT AS
20 RELEVANT TO THE APPLICANT'S ELIGIBILITY.

21 (2) (A) THE DEPARTMENT SHALL NOTIFY ALL OWNERS OF CLASS
22 FOUR PROPERTY THAT IF THEY OWN A OWNER-OCCUPIED,
23 SINGLE-FAMILY RESIDENCE, THEY MAY BE ENTITLED TO A REDUCTION
24 IN PROPERTY TAXES ON THE PROPERTY. FOR THE TAX YEAR 1991,
25 THE NOTICE MUST BE MAILED NOT LATER THAN AUGUST 1, 1991, AND

1 MAY BE INCLUDED WITH ANY OTHER MAILING CONDUCTED BY THE
2 DEPARTMENT OR ITS AGENTS. THE NOTICE MUST CONTAIN:

3 (I) A PROVISION THAT STATES THAT THE 52ND LEGISLATURE
4 ENACTED A PROVISION THAT REDUCES THE PROPERTY TAXES ON
5 OWNER-OCCUPIED, SINGLE-FAMILY RESIDENCES;

6 (II) AN EXPLANATION OF THE REDUCTION AND RELEVANT
7 INFORMATION NECESSARY FOR THE TAXPAYER TO DETERMINE WHETHER
8 HIS PROPERTY MAY QUALIFY;

9 (III) A COPY OF THE FORM NECESSARY TO APPLY FOR THE
10 REDUCTION; AND

11 (IV) A PHONE NUMBER THAT THE PERSON MAY CALL TO RECEIVE
12 FURTHER INFORMATION.

13 (B) BEGINNING IN TAX YEAR 1991 AND FOR EACH SUCCEEDING
14 YEAR, THE DEPARTMENT SHALL CAUSE THE NOTICE AND FORMS TO BE
15 INCLUDED WITH THE NOTICE OF PROPERTY TAXES DUE.

16 (3) THE TAX NOTICE SENT TO QUALIFYING TAXPAYERS UNDER
17 15-16-101 MUST INCLUDE THE PROPERTY TAX REDUCTION.

18 (4) THE DEPARTMENT SHALL PAY TO THE COUNTY TREASURER
19 THE AMOUNT OF MONEY EQUAL TO THE TOTAL TAX REDUCTIONS ON
20 PROPERTY WITHIN THE COUNTY. THE COUNTY TREASURER SHALL
21 DISTRIBUTE THE MONEY TO ALL ENTITIES AND ACCOUNTS IN THE
22 COUNTY AND STATE GOVERNMENT THAT RECEIVE PROPERTY TAX
23 REVENUE, INCLUDING BUT NOT LIMITED TO STATEWIDE EDUCATIONAL
24 LEVIES, CITIES, TOWNS, COUNTIES, SCHOOL DISTRICTS, SPECIAL
25 DISTRICTS, AUTHORITIES, AND SPECIAL BONDING DISTRICTS. THE

1 TREASURER SHALL DISTRIBUTE THE MONEY IN THE SAME MANNER AS
2 REVENUE FROM PROPERTY TAX LEVIES WAS DISTRIBUTED.

3 (5) THERE IS APPROPRIATED FROM THE GENERAL FUND TO THE
4 DEPARTMENT FOR THE BIENNIUM ENDING JUNE 30, 1993, THE AMOUNT
5 NECESSARY TO REIMBURSE TAXING JURISDICTIONS FOR TAX REVENUE
6 LOST BY GRANTING PROPERTY TAX REDUCTIONS TO TAXPAYERS WITH
7 OWNER-OCCUPIED, SINGLE-FAMILY RESIDENCES.

8 NEW SECTION. SECTION 16. CODIFICATION INSTRUCTION.
9 [SECTION 17] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART
10 OF TITLE 15, CHAPTER 16, AND THE PROVISIONS OF TITLE 15,
11 CHAPTER 16, APPLY TO [SECTION 15].

12 NEW SECTION. Section 17. Repealer. (1) Sections
13 15-6-142, ~~15-6-144~~, 15-6-147, 15-6-148, 15-6-149, 15-6-150,
14 15-6-153, AND 15-6-154, and ~~15-6-155~~ MCA, are repealed.

15 (2) SECTION 15-6-155, MCA, IS REPEALED.

16 NEW SECTION. Section 18. Coordination instruction. (1)
17 If House Bill 340 is passed by the 52nd legislature and
18 approved by the governor, then the code commissioner is
19 instructed, at the time of codification of that enactment,
20 to change references in that enactment from class thirteen
21 property to class ten property.

22 (2) The code commissioner is instructed to change
23 references to classes of property in enactments of the 52nd
24 legislature to conform to the classifications established in
25 [this act].

1 (3) IF SENATE BILL NO. 461 IS NOT PASSED AND APPROVED,
2 THEN THE FOLLOWING PROVISIONS OF [THIS ACT] ARE VOID:

3 (A) THE SECTION AMENDING 15-6-201;

4 (B) ALL OF THE AMENDMENTS IN THE SECTION AMENDING
5 15-1-111 EXCEPT THE DELETION OF THE REFERENCES TO "AND
6 15-6-147" IN 15-1-111(1)(A) AND (3); AND

7 (C) [SECTIONS 15 AND 16].

8 NEW SECTION. SECTION 19. TERMINATION. SUBSECTIONS

9 (1)(E) AND (2)(D) OF 15-6-134 AND [SECTION 15] TERMINATE
10 JANUARY 1, 1993.

11 NEW SECTION. Section 20. -applicability EFFECTIVE -DATE
12 DATES -- APPLICABILITY. (1) ~~this~~ EXCEPT AS PROVIDED IN
13 SUBSECTION (2), [THIS act] IS EFFECTIVE ON PASSAGE AND
14 APPROVAL AND applies RETROACTIVELY, WITHIN THE MEANING OF
15 1-2-109, to tax years beginning on or after January 1, 1992
16 1991.

17 (2) [SECTION ~~17(2)~~ 15(2)] IS EFFECTIVE JANUARY 1, 1993.

-End-

Page 1 of 2

Mr. President and Mr. Speaker:

We, your Conference Committee on Senate Bill No. 436, met and considered the amendments in the:

- (1) House Taxation Committee Standing Committee Report dated April 15, 1991;
- (2) House Committee of the Whole Amendment by Rep. Thomas dated April, 15, 1991;
- (3) House Committee of the Whole Amendment by Rep. Gilbert dated April 16, 1991; and
- (4) House Committee of the Whole Amendment by Rep. Dowell dated April 16, 1991.

We recommend that Senate Bill No. 436 (reference copy - salmon) be amended as follows:

1. Title, page 1, line 23 through page 2, line 3.
Following: "PROCEEDS;" on page 1, line 23
Strike: remainder of line 23 through "JURISDICTIONS:" on page 2, line 3
2. Title, page 2, lines 17 and 18.
Following: "AND" on line 17
Strike: "A RETROACTIVE"
Following: "APPLICABILITY" on line 18
Strike: "DATE"
Insert: "DATES"
3. Page 32, line 9 through page 34, line 11.
Strike: sections 15 and 16 in their entirety
Renumber: subsequent sections
4. Page 34, line 13.
Strike: "15-6-147,"
5. Page 34.
Following: line 15
Insert: "(3) Section 15-6-147, HCA, is repealed."
6. Page 35, lines 1 through 7.
Strike: subsection (3) in its entirety

ADOPT

REJECT

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7. Page 35, line 9.

Strike: "AND [SECTION 15]"

8. Page 35, lines 14 and 15.

Following: "applies" on line 14

Strike: remainder of line 14 through "1-2-109," on line 15

9. Page 35, line 16.

Strike: "1991"

Insert: "1992"

10. Page 35.

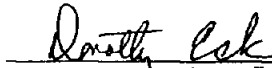
Following: line 17

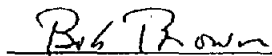
Insert: "(3) The amendments to class fifteen property contained in 15-6-145, as amended by [section 8], except those amendments that change the number of the class, and the repeal of 15-6-147 in [section 15] are effective on passage and approval and apply retroactively, within the meaning of 1-2-109, to tax years beginning on or after January 1, 1991."

And that this Conference Committee report be adopted.

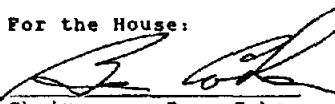
For the Senate:


Chair, Sen. Koehnke


Sen. Eck

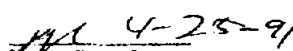

Sen. Brown

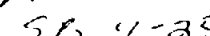
For the House:


Chair, Rep. Cohen

Rep. Schye


Rep. Gilbert


M. Coord.


Sec. of Senate

CCR 81
SB 436
861040CC.Sji



AN ACT RESTRUCTURING THE PROPERTY TAX CLASSIFICATION SYSTEM BY CONSOLIDATING CLASSES; ELIMINATING CLASS TWELVE PROPERTY AND INCLUDING TRAILERS AND MOBILE HOMES IN CLASS FOUR PROPERTY; CLARIFYING THE COMPUTATION OF INCOME FOR PURPOSES OF THE LOW-INCOME PROPERTY TAX CREDIT; PROVIDING THAT AN ELIGIBLE HEAD OF HOUSEHOLD MAY QUALIFY FOR THE LOW-INCOME PROPERTY TAX CREDIT; ELIMINATING CLASS EIGHTEEN (NONPRODUCTIVE MINING CLAIMS) BY COMBINING IT WITH CLASS THREE PROPERTY; ELIMINATING CLASS NINETEEN (NONPRODUCTIVE REAL ESTATE) AND CLASS TWENTY (OUT-OF-PRODUCTION AGRICULTURAL LAND AND TIMBERLAND), BOTH OF WHICH BECOME TAXABLE AS CLASS FOUR PROPERTY; CONSOLIDATING RAILROAD PROPERTY AND AIRLINE PROPERTY INTO ONE CLASS; DELETING THE FORMULA FOR COMPUTING THE VALUE OF OTHER COMMERCIAL PROPERTY NECESSARY FOR TAXATION OF RAILROAD PROPERTY AND AIRLINE PROPERTY BY DELETING NET AND GROSS PROCEEDS; DELETING IN CLASS SIX PROPERTY THE SEPARATE PROVISION FOR MALTING BARLEY FACILITIES; AMENDING SECTIONS 7-13-2527, 15-1-111, 15-6-133, 15-6-134, 15-6-136, 15-6-141, 15-6-144, 15-6-145, 15-6-155, 15-8-205, 15-10-402, 15-10-412, 15-16-611, AND 67-3-204, MCA; REPEALING SECTIONS 15-6-142, 15-6-147, 15-6-148, 15-6-149, 15-6-150, 15-6-153, 15-6-154, AND 15-6-155, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE.

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

Section 1. Section 7-13-2527, MCA, is amended to read:

"7-13-2527. List of property owners. (1) A copy of the order creating the district shall be delivered to the county assessor of each county within the district.

(2) The assessor shall, on or before August 1 of any given year, prepare and certify a list of all persons owning class four, ~~class-twelve,~~ or class fourteen ~~eleven~~ property within such district and deliver a copy of such list to the board of trustees of said district."

Section 2. Section 15-1-111, MCA, is amended to read:

"15-1-111. Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation. (1) (a) On or before May 1, 1990, the department of revenue shall remit to the county treasurer of each county 30% of the reimbursement amount specified in subsection (1)(b), as computed by the department. The department shall base the reimbursement on the reduction in personal property tax revenues due to the reduction in personal property tax rates for class eight property, as provided for in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145 and ~~15-6-147~~. The reimbursement basis must also include loss of personal property tax revenue due to the reclassification of new industrial property from class five to class eight with the reduced tax rate. The determination of the reimbursement basis must be made in the year in which the reclassification is made.

(b) The reimbursement revenue must be based on the county's taxable value and mill levies for tax year 1989.

(2) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for taxable year 1989;

(b) the number of mills levied in the jurisdiction for taxable year 1990;

(c) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(3) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual reduction in personal property tax rates set forth in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145 and 15-6-147. The department shall total the amounts for all taxing jurisdictions within the county.

(4) For taxable year 1990 and for each year thereafter, the department shall remit to the county treasurer the base amount of

revenue reimbursable, determined pursuant to subsection (3), as follows:

(a) on or before November 30, 1990, and on or before each November 30 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county; and

(b) on or before May 31, 1991, and on or before each May 31 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county.

(5) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as current year mill levies on personal property taxes are distributed.

(6) For the purposes of this section, "taxing jurisdiction" means local governments and includes school districts, each municipality with tax increment financing, and the state of Montana.

(7) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse school districts and local governments for reductions in tax rates on personal property."

Section 3. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:

(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes.

(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.

(2) Class three property is taxed at the taxable percentage rate "P" of its productive capacity.

(3) Until July 1, 1986, the taxable percentage rate "P" for class three property is 30%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class

three property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class three as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the "certified statewide percentage increase".

(b) The taxable value of property in class three is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider agricultural use changes during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide Percentage Increase	Class Three Taxable Percentage "P"
0	30.00
10	27.27
20	25.00
30	23.08
40	21.43

50

20.00

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111."

Section 4. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including net business income or loss and otherwise tax-exempt income of all types is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards;

(e) all real and personal property that:

(i) is integrally related in a single working unit;

(ii) is devoted exclusively to the processing of agricultural or timber products; and

(iii) (A) has not been in production for 12 consecutive months or has been acquired in an arm's-length transaction by an unrelated person, including an acquisition in a foreclosure sale or bankruptcy proceeding; or

(B) has been acquired in a foreclosure or bankruptcy proceeding by a person, as defined in 15-1-102, having no relationship to or interest in the property prior to the transaction.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%

4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(d) (i) In determining the market value of the property described in subsection (1)(e), the department shall reduce the

assessed value by 25% a year for each year the plant continues to be out of production until the market value is reduced to salvage value.

(ii) Upon commencement of production or an acquisition described in subsection (1)(e)(iii)(B), property described in subsection (1)(e) must remain at the preceding year's valuation for the succeeding 12 months. Following the end of the 12-month period, the property may be considered new or expanding industry as provided in Title 15, chapter 24, part 14.

(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.

(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 5. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) livestock and other species of domestic animals and wildlife raised in domestication or a captive environment, except for cats, dogs, and other household pets not raised for profit;

(b) items of personal property intended for rent or lease in

the ordinary course of business, provided each item of personal property satisfies all of the following:

(i) the full and true value of the personal property is less than \$5,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis; and

~~(c) machinery and equipment used in a malting barley facility; and~~

~~(d) (c) machinery and equipment used in canola seed oil processing facilities if:~~

~~(i) the operators of such facilities employ a minimum of 15 full-time employees; and~~

~~(ii) a canola seed oil processing facility locates in the state of Montana after July 25, 1989.~~

~~(2) "Malting barley facility" means a facility the principal purpose of which is to malt malting barley. The term does not apply to a facility the principal purpose of which is to store, mix, blend, transport, transfer, or otherwise do anything with malting barley, except malt malting barley. However, any machinery or equipment the principal purpose of which is to store, mix,~~

~~blend, transport, transfer, or otherwise handle malting barley or other machinery or equipment that is used in or is otherwise an integral part of a facility that malts malting barley is machinery or equipment of a malting barley facility for the purposes of this section.~~

~~(3)(2) "Canola seed oil processing facility" means a facility that:~~

~~(a) extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes; and~~

~~(b) employs at least 15 employees in a full-time capacity.~~

~~(4)(3) Class six property is taxed at 4% of its market value."~~

~~Section 6. Section 15-6-141, MCA, is amended to read:~~

~~"15-6-141. Class eleven nine property -- description -- taxable percentage. (1) Class eleven nine property includes:~~

~~(a) centrally assessed electric power companies' allocations, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);~~

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electric power and natural gas companies' property;

(ii) property owned by cooperative rural electric and cooperative rural telephone associations and classified in class five;

(iii) property owned by organizations providing telephone communications to rural areas and classified in class seven;

(iv) railroad transportation property included in class fifteen twelve; and

(v) airline transportation property included in class seventeen twelve.

(2) Class eleven nine property is taxed at 12% of market value."

Section 7. Section 15-6-144, MCA, is amended to read:

"15-6-144. Class fourteen eleven property -- description -- taxable percentage. (1) Class fourteen eleven property includes all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2). Class fourteen eleven property includes 1 acre of real property beneath the agricultural improvements. The 1 acre shall be valued at market value.

(2) Class fourteen eleven property is taxed at 80% of the taxable percentage applicable to class four property."

Section 8. Section 15-6-145, MCA, is amended to read:

"15-6-145. Class fifteen twelve property -- description -- taxable percentage. (1) Class fifteen twelve property includes all railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act of 1976 as it read on January 1, 1986, and all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

(2) For the taxable tax year beginning January 1, 1986 1991, and for each taxable tax year thereafter, class fifteen twelve property is taxed at the percentage rate "R", to be determined by the department as provided in subsection (3), or 12%, whichever is less.

(3) $R = A/B$ where:

(a) A is the total statewide taxable value of all commercial property, except class fifteen twelve property, as commercial property is described in 15-1-101(1)(d)~~7--including--class--1--and class--2--property~~; and

(b) B is the total statewide market value of all commercial property, except class fifteen twelve property, as commercial property is described in 15-1-101(1)(d)~~7--including--class--1--and class--2--property~~.

(4) (a) For the taxable year beginning January 1, 1986, and for every taxable year thereafter, the department shall conduct a sales assessment ratio study of all commercial and industrial real

property and improvements. The study must be based on:

(i) assessments of such property as of January 1 of the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data from realty transfer certificates filed during the same taxable year or from the immediately preceding taxable year, but only if a sufficient number of certificates is unavailable from the current taxable year to provide a statistically valid sample.

(b) The department shall determine the value-weighted mean sales assessment ratio "M" for all such property and reduce the taxable value of property described in subsection (4) only, by multiplying the total statewide taxable value of property described in subsection (4)(a) by "M" prior to calculating "A" in subsection (3)(a).

(c) The adjustment referred to in subsection (4)(b) will be made beginning January 1, 1986, and in each subsequent tax year to equalize the railroad taxable values.

(5) For the purpose of complying with the Railroad Revitalization and Regulatory Reform Act of 1976, as it read on January 1, 1986, the rate "R" referred to in this section is the equalized average tax rate generally applicable to commercial and industrial property, except class fifteen twelve property, as commercial property is defined in 15-1-101(1)(d)."

Section 9. Section 15-6-155, MCA, is amended to read:

"15-6-155. Application for classification as ~~class-twenty~~

nonproductive property -- local government approval required. (1) A person applying for classification of property as ~~class-twenty nonproductive property under 15-6-134(1)(e)~~ shall make an application to the department of revenue on a form provided by the department without cost.

(2) The department may not grant an application for classification of property as ~~class-twenty nonproductive~~ property unless the governing body of the affected county or incorporated city or town approves the application by resolution, following due notice as defined in 76-15-103 and a public hearing, for its respective jurisdiction.

(3) The resolution provided for in subsection (2) must specify the property that the taxing jurisdiction approves for classification as ~~class--twenty nonproductive property under 15-6-134(1)(e)~~.

(4) The property valuation reduction ~~granted-to-class-twenty property-under-15-6-155~~ applies only to the number of mills levied and assessed for local high school district and elementary school district purposes and to the number of mills levied and assessed by an approving governing body over which it has sole discretion. In no case may the property valuation reduction ~~for-class-twenty property~~ apply to levies or assessments required under Title 15, chapter 10; 20-9-331; 20-9-333; or otherwise required under state law."

Section 10. Section 15-8-205, MCA, is amended to read:

"15-8-205. Initial assessment of class twelve four trailer and mobile home property -- when. The county assessor shall assess all class twelve four trailer and mobile home property immediately upon arrival in the county if the taxes have not been previously paid for that year in another county in Montana."

Section 11. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, 15-6-136, ~~15-6-142~~, and 15-6-144 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.

(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase

or decrease in the value of a mill."

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

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

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

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

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

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;

- (d) subdivision of real property;
 - (e) reclassification of property;
 - (f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
 - (g) transfer of property from tax-exempt to taxable status;
 - (h) revaluations caused by:
 - (i) cyclical reappraisal; or
 - (ii) expansion, addition, replacement, or remodeling of improvements; or
 - (i) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize property values annually.
- (4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:
- (a) a revaluation caused by:
 - (i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or
 - (ii) cyclical reappraisal;
 - (b) transfer of property into a taxing unit;
 - (c) reclassification of property;
 - (d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
 - (e) annexation of the individual property into a new taxing unit;

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

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

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

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

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

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401

and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

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

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

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

mills levied for that purpose during 1984, 1985, and 1986.

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

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

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

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

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

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

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

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

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

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

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

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

beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

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

Section 13. Section 15-16-611, MCA, is amended to read:

"15-16-611. Reduction of property tax for property destroyed by natural disaster. (1) The department of revenue shall, upon showing by a taxpayer that some or all of the improvements on his real property or a trailer or mobile home ~~as described in 15-6-142~~ have been destroyed to such an extent that such improvements have been rendered unsuitable for their previous use by natural disaster, adjust the taxable value on the property, accounting for the destruction.

(2) The county treasurer shall adjust the tax due and payable for the current year on the property under 15-16-102 as provided in subsection (3) of this section.

(3) To determine the amount of tax due for destroyed property, the county treasurer shall:

(a) multiply the amount of tax levied and assessed on the original taxable value of the property for the year by the ratio that the number of days in the year that the property existed before destruction bears to 365; and

(b) multiply the amount of tax levied and assessed on the adjusted taxable value of the property for the remainder of the

year by the ratio that the number of days remaining in the year after the destruction of the property bears to 365.

(4) This section does not apply to delinquent taxes owed on the destroyed property for a year prior to the year in which the property was destroyed.

(5) For the purposes of this section, "natural disaster" includes but is not limited to fire, flood, earthquake, or wind."

Section 14. Section 67-3-204, MCA, is amended to read:

"67-3-204. Fee in lieu of tax on registered aircraft -- decal. (1) Except as provided in subsection (3), aircraft required to be registered in Montana are subject to a fee. The registration fee is in lieu of property tax.

(2) The department shall issue a decal to the owner of the aircraft required to be registered at the time of payment of the registration fee in lieu of tax, as provided in 67-3-201. No aircraft subject to a fee in lieu of tax may be operated in this state unless there is displayed on the aircraft a decal as visual proof that the fee in lieu of tax has been paid for the aircraft and that the aircraft is registered for the current year.

(3) Aircraft that meet the description of property described in ~~15-6-147~~ 15-6-145 are exempt from the fee imposed by subsection (1). Aircraft subject to the fee in lieu of tax are exempt from all other taxation."

Section 15. Repealer. (1) Sections 15-6-142, 15-6-148, 15-6-149, 15-6-150, 15-6-153, and 15-6-154, MCA, are repealed.

(2) Section 15-6-155, MCA, is repealed.

(3) Section 15-6-147, MCA, is repealed.

Section 16. Coordination instruction. (1) If House Bill No. 340 is passed by the 52nd legislature and approved by the governor, then the code commissioner is instructed, at the time of codification of that enactment, to change references in that enactment from class thirteen property to class ten property.

(2) The code commissioner is instructed to change references to classes of property in enactments of the 52nd legislature to conform to the classifications established in [this act].

Section 17. Termination. Subsections (1)(e) and (2)(d) of 15-6-134 terminate January 1, 1993.

Section 18. Effective dates -- applicability. (1) Except as provided in subsection (2), [this act] is effective on passage and approval and applies to tax years beginning on or after January 1, 1992.

(2) [Section 15(2)] is effective January 1, 1993.

(3) The amendments to class fifteen property contained in 15-6-145, as amended by [section 8], except those amendments that change the number of the class, and the repeal of 15-6-147 in [section 15] are effective on passage and approval and apply retroactively, within the meaning of 1-2-109, to tax years beginning on or after January 1, 1991.