

SENATE BILL 460

Introduced by Svrcek, et al.

3/08	Introduced
3/08	First Reading
3/08	Referred to Taxation
3/16	Fiscal Note Received
3/19	Fiscal Note Printed
3/21	Hearing
4/02	Committee Report--Bill Passed as Amended
4/03	2nd Reading Passed as Amended
4/04	3rd Reading Passed
	Transmitted to House
4/04	First Reading
4/04	Referred to Taxation
4/08	Revised Fiscal Note Received
4/09	Hearing
4/09	Revised Fiscal Note Printed
4/12	Tabled in Committee

1 Senate BILL NO. 460
 2 INTRODUCED BY Sarah HARR

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 5 TAXATION OF PROPERTY; REDUCING THE TAX RATE ON CLASS EIGHT
 6 PROPERTY TO 6 PERCENT; PROVIDING THAT CLASS EIGHT PROPERTY
 7 USED FOR VALUE-ADDED PROCESSES IS ELIGIBLE FOR A REDUCED TAX
 8 RATE; CREATING A NEW PROPERTY CLASS FOR COMMERCIAL LAND AND
 9 IMPROVEMENTS; INCREASING THE TAX RATE ON COMMERCIAL LAND AND
 10 IMPROVEMENTS TO 5.07 PERCENT; AMENDING SECTIONS 15-6-134,
 11 15-6-138, 15-7-103, AND 15-10-402, MCA; AND PROVIDING AN
 12 APPLICABILITY DATE."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 **Section 1.** Section 15-6-134, MCA, is amended to read:

16 "15-6-134. Class four property -- description --
 17 taxable percentage. (1) Class four property includes:

18 (a) all land that is not devoted to a commercial use
 19 except that or specifically included in another class;

20 (b) all improvements that are not devoted to a
 21 commercial use except--those or specifically included in
 22 another class;

23 (c) the first \$80,000 or less of the market value of
 24 any improvement included in subsection (1)(b) on real
 25 property and appurtenant land not exceeding 5 acres owned or

1 under contract for deed and actually occupied for at least
 2 10 months a year as the primary residential dwelling of any
 3 person whose total income from all sources including
 4 otherwise tax-exempt income of all types is not more than
 5 \$10,000 for a single person or \$12,000 for a married couple,
 6 as adjusted according to subsection (2)(b)(ii);

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

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

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

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

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$ 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%



1	6,001 - 7,000	7,201 - 8,400	60%
2	7,001 - 8,000	8,401 - 9,600	70%
3	8,001 - 9,000	9,601 - 10,800	80%
4	9,001 - 10,000	10,801 - 12,000	90%

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

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

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

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

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

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 2.** Section 15-6-138, MCA, is amended to read:

8 **"15-6-138. Class eight property -- description --**
9 **taxable percentage.** (1) Class eight property includes:

10 (a) all agricultural implements and equipment;

11 (b) all mining machinery, fixtures, equipment, tools
12 that are not exempt under 15-6-201(1)(r), and supplies
13 except those included in class five;

14 (c) all manufacturing machinery, fixtures, equipment,
15 tools that are not exempt under 15-6-201(1)(r), and supplies
16 except those included in class five;

17 (d) all trailers, including those prorated under
18 15-24-102, except those subject to taxation under
19 61-3-504(2);

20 (e) all goods and equipment intended for rent or lease,
21 except goods and equipment specifically included and taxed
22 in another class;

23 (f) buses and trucks having a rated capacity of more
24 than 1 ton, including those prorated under 15-24-102;

25 (g) truck toppers weighing more than 300 pounds;

1 (h) furniture, fixtures, and equipment, except that
2 specifically included in another class, used in commercial
3 establishments as defined in this section;

4 (i) x-ray and medical and dental equipment;

5 (j) citizens' band radios and mobile telephones;

6 (k) radio and television broadcasting and transmitting
7 equipment;

8 (l) cable television systems;

9 (m) coal and ore haulers;

10 (n) theater projectors and sound equipment; and

11 (o) value-added property; and

12 ~~(p)~~ all other property not included in any other
13 class in this part, except that property subject to a fee in
14 lieu of a property tax.

15 (2) As used in this section, "coal and ore haulers"
16 means nonhighway vehicles that exceed 18,000 pounds per axle
17 and that are primarily designed and used to transport coal,
18 ore, or other earthen material in a mining or quarrying
19 environment.

20 (3) "Commercial establishment" includes any hotel;
21 motel; office; petroleum marketing station; or service,
22 wholesale, retail, or food-handling business.

23 (4) The term "value-added property" means but is not
24 limited to property that is used for the mechanical or
25 chemical transformation of materials or substances into

1 products in the manner defined as manufacturing in the 1987
2 Standard Industrial Classification Manual prepared by the
3 United States office of management and budget. The property
4 must be used for the:

5 (a) processing of Montana raw materials, such as
6 minerals, ore, agricultural products, and forestry products;

7 or

8 (b) processing of semifinished products produced in
9 Montana that are used as a raw material in further
10 manufacturing.

11 ~~(4)~~(5) (a) Except as provided in subsection (5)(b),
12 ~~class~~ class eight property is taxed at 9% 6% of its market
13 value.

14 (b) Value-added property or property described in this
15 section that is used in a value-added process is taxed at 5%
16 of its market value."

17 NEW SECTION. Section 3. Application for classification
18 as value-added property. (1) Any person, firm, or other
19 group seeking to qualify its property for classification as
20 value-added property under class eight shall make
21 application to the department of revenue on a form provided
22 by the department.

23 (2) If the department makes an initial determination
24 that the property qualifies as value-added property under
25 class eight, it shall publish notice of and hold a public

1 hearing to determine whether the property should retain this
2 classification.

3 **Section 4.** Section 15-7-103, MCA, is amended to read:

4 *15-7-103. Classification and appraisal -- general and
5 uniform methods. (1) It is the duty of the department of
6 revenue to implement the provisions of 15-7-101 through
7 15-7-103 by providing:

8 (a) for a general and uniform method of classifying
9 lands in the state for the purpose of securing an equitable
10 and uniform basis of assessment of said lands for taxation
11 purposes;

12 (b) for a general and uniform method of appraising city
13 and town lots;

14 (c) for a general and uniform method of appraising
15 rural and urban improvements;

16 (d) for a general and uniform method of appraising
17 timberlands.

18 (2) All lands shall be classified according to their
19 use or uses and graded within each class according to soil
20 and productive capacity. In such classification work, use
21 shall be made of soil surveys and maps and all other
22 pertinent available information.

23 (3) All lands must be classified by parcels or
24 subdivisions not exceeding 1 section each, by the sections,
25 fractional sections, or lots of all tracts of land that have

1 been sectionized by the United States government, or by
2 metes and bounds, whichever yields a true description of the
3 land.

4 (4) All agricultural lands must be classified and
5 appraised as agricultural lands without regard to the best
6 and highest value use of adjacent or neighboring lands.

7 (5) In any periodic revaluation of taxable property
8 completed under the provisions of 15-7-111 after January 1,
9 1986, all property classified in 15-6-134 or [section 6]
10 must be appraised on its market value in the same year. The
11 department may use the same year for property classified in
12 15-6-134 or [section 6]. The department shall publish a rule
13 specifying the year used in the appraisal of property
14 classified in 15-6-134 and the year used in the appraisal of
15 property classified in [section 6].

16 (6) All sewage disposal systems and domestic use water
17 supply systems of all dwellings may not be appraised,
18 assessed, and taxed separately from the land, house, or
19 other improvements in which they are located. In no event
20 may the sewage disposal or domestic water supply systems be
21 included twice by including them in the valuation and
22 assessing them separately."

23 **Section 5.** Section 15-10-402, MCA, is amended to read:

24 *15-10-402. Property tax limited to 1986 levels. (1)
25 Except as provided in subsections (2) and (3), the amount of

1 taxes levied on property described in 15-6-133, 15-6-134,
2 15-6-136, 15-6-142, and 15-6-144, and [section 6] may not,
3 for any taxing jurisdiction, exceed the amount levied for
4 taxable year 1986.

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

10 (3) New construction or improvements to or deletions
11 from property described in subsection (1) are subject to
12 taxation at 1986 levels.

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

21 NEW SECTION. Section 6. Class twenty-one property --
22 description -- taxable percentage. (1) Class twenty-one
23 property includes:

24 (a) all land used for commercial purposes except that
25 specifically included in another class; and

1 (b) all improvements used for commercial purposes
2 except those specifically included in another class.

3 (2) Except as provided in 15-24-1402 or 15-24-1501,
4 property included in class twenty-one is taxed at 5.07% of
5 its market value.

6 NEW SECTION. Section 7. Codification instruction.
7 [Sections 3 and 6] are intended to be codified as an
8 integral part of Title 15, chapter 6, part 1, and the
9 provisions of Title 15, chapter 6, part 1, apply to
10 [sections 3 and 6].

11 NEW SECTION. Section 8. Applicability. [This act]
12 applies to taxable years beginning after December 31, 1991.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0460, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

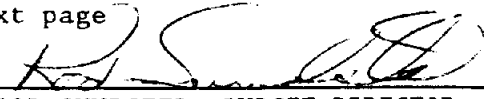
An act to generally revise the taxation of property; reducing the tax rate on class eight property to 6 percent; providing that class eight property used for value-added processes is eligible for a reduced tax rate; creating a new property class for commercial land and improvements; increasing the tax rate on commercial land and improvements to 5.07 percent; and providing an applicability date.

ASSUMPTIONS:

1. The taxable value for tax year 1990 of commercial land and improvements is \$184,600,000 of which \$130,000,000 is within a city or town.
2. The taxable value for tax year 1990 of manufacturing machinery and equipment is \$71,200,000 of which \$6,800,000 is within a city or town. For the purposes of this note it is assumed that all manufacturing machinery and equipment will qualify as "value-added property". This represents approximately 687 taxpayers that will apply for the reduced rate.
3. The taxable value for tax year 1990 of the remaining personal property in class 8 is \$147,600,000 of which \$34,000,000 is within a city or town.
4. The taxable value for tax year 1990 of class 15 (railroad) property is \$55,500,000 of which \$3,300,000 is within a city or town.
5. The taxable value for tax year 1990 of class 17 (airline) property is \$4,600,000 of which \$1,000,000 is within a city or town.
6. The taxable value for class 15 and class 17 will decrease by 2.59% due to the change in tax rates in the proposal.
7. Average levies for commercial land and improvements are 79.83 mills for counties (not including state assumption of welfare), 179.11 mills for schools (including county equalization), and 99.64 for cities/towns.
8. Average levies for class 8 property are 72.21 mills for counties (not including state assumption of welfare), 163.54 for schools (including county equalization), and 98.18 for cities/towns.
9. Average levies for class 15 property are 71.18 mills for counties (not including state assumption of welfare), 106.67 for schools (including county equalization), and 107.01 for cities/towns.
10. Average levies for class 17 property are 82.13 mills for counties (not including state assumption of welfare), 132.84 for schools (including county equalization), and 78.11 for cities/towns.
11. The proposal will result in an increase of \$22,000 in state assumption of welfare in FY93.
12. The proposal will require one hearings officer (grade 14, step 2) in FY92 and FY93.

FISCAL IMPACT:

see next page


ROD SUNDSTED, BUDGET DIRECTOR
Office of Budget and Program Planning

3-16-91
DATE


PAUL S. SVRCEK, PRIMARY SPONSOR

3/19/91
DATE

Fiscal Note for SB0460, as introduced

SB 460-1

FISCAL IMPACT:

<u>Expenditures:</u>	<u>FY '92</u>			<u>FY '93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	0	1.00	1.00	0	1.00	1.00
Personal Services	0	27,639	27,639	0	27,639	27,639
Operation Expenses	0	4,887	4,887	0	2,330	2,330
Equipment Costs	0	16,491	16,491	0	0	0
Net Program Requirement	0	49,017	49,017	0	29,969	29,969
<u>Funding:</u>						
General Fund			49,017			29,969

Revenues:

In FY93, and each subsequent fiscal year, the proposal will result in a decrease of \$24,534,267 in total statewide taxable valuation. This would result in the following impacts to property tax revenue to the university system, foundation program accounts, and state assumption of welfare accounts.

University System (6 mills):	\$ (147,000)
State Equalization Aid (40 mills):	(981,000)
County Equalization (55 mills):	(1,349,000)
State Assumption of Welfare	22,000
Total	(\$2,455,000)

General Fund Impact (49,017) (29,969)

IMPACT ON LOCAL REVENUES:

In FY93, and each subsequent fiscal year, the proposal will; decrease property tax revenue for counties by \$1,330,000, decrease property tax revenues for schools (not including county or state equalization) by \$1,762,170, and will increase property tax revenues for cities/towns by \$2,639,801.

SB460-1

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0460, third reading.

DESCRIPTION OF PROPOSED LEGISLATION:


An act to generally revise the taxation of property; creating a new class of property for stationary commercial property; establishing the tax rate on stationary commercial property; establishing the tax rate on stationary commercial personal property at 6 percent; providing that class eight property used for value-added processes is eligible for a reduced tax rate; creating a new property class for income-producing commercial land and improvements; establishing the tax rate on income-producing commercial land and improvements at 4.8 percent; providing that nonincome-producing commercial land and improvements are retained in class four property; and providing an applicability date.

ASSUMPTIONS:

1. It is assumed that the proposed tax-rate for income producing commercial land and improvements is 4.55% as stated in section 6 of the proposal and not 4.8% as stated in the title.
2. It is assumed that the proposed reduced tax-rate for property used for value-added processes applies to the proposed class twenty-two as stated in section 3 of the proposal and not to class eight as stated in the title.
3. The taxable value for Class 4 commercial property is estimated to be \$182,858,324. The proposal will increase this taxable value by approximately \$32,687,111 with 71.14% within a city/town.
4. Average levies applied to Class 4 commercial property impacted by the proposal are 6 mills for the universities, 95 for the school foundation program, 86.07 for counties, 124.06 for local schools and 98.36 for city/towns.
5. The taxable value for Class 8 personal property is estimated to be \$218,862,953. The proposal will decrease this taxable value by approximately \$38,303,489 with 30.76% within a city/town.
5. Average levies applied to Class 8 personal property impacted by the proposal are 6 mills for the universities, 95 for the school foundation program, 80.33 for counties, 116.91 for local schools and 98.36 for city/towns.
6. Due to the applicability date, unsecured personal property (30 percent of all personal property) will impact FY92.
7. The proposal will increase the tax rate for Class 15 (railroad) and Class 17 (airline) property from 7.49% to 7.576%.
8. The taxable value for Class 15 railroad property is estimated to be \$55,452,979. The proposal will increase this taxable value by approximately \$636,710 with 6.41% within a city/town.
9. Average levies applied to Class 15 railroad property impacted by the proposal are 6 mills for the universities, 95 for the school foundation program, 74.19 for counties, 106.67 for local schools and 98.36 for city/towns.
10. The taxable value for Class 17 airline property is estimated to be \$4,611,611. The proposal will increase this taxable value by approximately \$52,947 with 10.85% within a city/town.
11. Average levies applied to Class 17 airline property impacted by the proposal are 6 mills for the universities, 95 for the school foundation program, 89.21 for counties, 132.84 for local schools and 98.36 for city/towns.

FISCAL IMPACT:

see next page


ROD SUNDSTED, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE

4-9-91

PAUL S. SVRCEK, PRIMARY SPONSOR

DATE

4/9/91

Fiscal Note for SB0460, third reading

SB 460-2

FISCAL IMPACT:

Expenditures:

The proposal will require some expenditures for forms, computer modifications, and other miscellaneous expenses due to the changing of the tax classification structure.

Revenues:

The proposal will result in a total net increase in property tax revenues of \$75,986 in FY93. Due to the applicability date and the reduction of taxable value of class 8 personal property, the proposal results in a property tax revenue decrease of \$3,774,727 in FY92. The results are summarized in the following tables;:

	<u>FY92</u>	<u>FY93</u>
Universities	\$ (68,946)	\$ (29,560)
Foundation Program	<u>(1,091,649)</u>	<u>(468,039)</u>
Total	\$(1,160,596)	\$ (497,599)

EFFECT ON COUNTY OR OTHER LOCAL GOVERNMENT REVENUES OR EXPENDITURES:

	<u>FY92</u>	<u>FY93</u>
Counties	\$ (923,121)	\$ (211,666)
Local Schools	(1,343,372)	(347,758)
City/Towns	<u>(347,639)</u>	<u>1,133,099</u>
Total	\$(2,614,132)	\$ 573,585

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

1. The title and main text of the proposal conflict. The proposed tax-rate for income producing commercial land and improvements is stated to be 4.55% in section 6 yet the title states this rate to be 4.8%. The proposed reduced tax-rate for property used for value-added processes is stated to apply to the proposed class twenty-two in section 3 yet the title states that this reduced tax rate applies to class eight property.

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 460

INTRODUCED BY SVRCEK, HARP

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE TAXATION OF PROPERTY; ~~REDUCING THE TAX RATE ON CLASS EIGHT PROPERTY TO 6 PERCENT~~ CREATING A NEW CLASS OF PROPERTY FOR STATIONARY COMMERCIAL PROPERTY; ESTABLISHING THE TAX RATE ON STATIONARY COMMERCIAL PERSONAL PROPERTY AT 6 PERCENT; PROVIDING THAT CLASS EIGHT PROPERTY USED FOR VALUE-ADDED PROCESSES IS ELIGIBLE FOR A REDUCED TAX RATE; CREATING A NEW PROPERTY CLASS FOR INCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS; INCREASING ESTABLISHING THE TAX RATE ON INCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS TO 5.07 AT 4.8 PERCENT; PROVIDING THAT NONINCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS ARE RETAINED IN CLASS FOUR PROPERTY; AMENDING SECTIONS 15-6-134, 15-6-138, 15-7-103, AND 15-10-402, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. 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 that is not devoted to a AN INCOME-PRODUCING commercial use except-that or specifically included in another class;

(b) all improvements that are not devoted to a AN INCOME-PRODUCING commercial use except-those or specifically included in another class;

(c) the first \$80,000 or less of the market value of any improvement included in subsection (1)(b) on real property 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 otherwise tax-exempt income of all types is not more than \$10,000 for a single person or \$12,000 for a married couple, as adjusted according to subsection (2)(b)(ii); AND

~~(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 linear yards~~

(D) COMMERCIAL LAND AND IMPROVEMENTS THAT:

(I) ARE INTEGRALLY RELATED IN A SINGLE WORKING UNIT;

(II) ARE NOT IN PRODUCTION AND ARE NOT PRODUCING ON THE ASSESSMENT DATE OF THE CURRENT TAXABLE YEAR;

(III) HAVE NOT BEEN IN PRODUCTION AND HAVE NOT BEEN PRODUCING INCOME FOR 6 CONSECUTIVE MONTHS PRECEDING THE CURRENT TAXABLE YEAR; AND

(IV) ARE NOT INCLUDED IN CLASS TWENTY PROPERTY AS DESCRIBED IN 15-6-150.

(2) Class four property is taxed as follows:

1 (a) ~~Except as provided in 15-24-1402 or 15-24-15017~~
 2 ~~property~~ Property described in subsections (1)(a) and
 3 (1)(b), AND (1)(D) is taxed 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 (2)(d) is taxed at~~
 10 ~~one-half the taxable percentage rate established in~~
 11 ~~subsection (2)(c).~~

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 2.** Section 15-6-138, MCA, is amended to read:

23 "15-6-138. Class eight property -- description --
 24 taxable percentage. (1) Class eight property includes:

25 (a) all agricultural implements and equipment;

1 (b) all SELF-PROPELLED mining machinery, fixtures,
2 equipment, tools that are not exempt under 15-6-201(i)(r),
3 and supplies except those included in class five;

4 (c) all SELF-PROPELLED manufacturing machinery,
5 fixtures, equipment, tools that are not exempt under
6 15-6-201(i)(r), and supplies except those included in class
7 five;

8 (d) all trailers, including those prorated under
9 15-24-102, except those subject to taxation under
10 61-3-504(2);

11 ~~(e) all goods and equipment intended for rent or lease,~~
12 ~~except goods and equipment specifically included and taxed~~
13 ~~in another class;~~

14 ~~(f)(E) buses and trucks having a rated capacity of more~~
15 ~~than 1 ton, including those prorated under 15-24-102;~~

16 ~~(g)(F) truck toppers weighing more than 300 pounds;~~

17 ~~(h) furniture, fixtures, and equipment, except that~~
18 ~~specifically included in another class, used in commercial~~
19 ~~establishments as defined in this section;~~

20 ~~(i) x-ray and medical and dental equipment;~~

21 ~~(j) citizens' band radios and mobile telephones;~~

22 ~~(k) radio and television broadcasting and transmitting~~
23 ~~equipment;~~

24 ~~(l) cable television systems;~~

25 ~~(m)(G) coal and ore haulers;~~

1 ~~(n) theater projectors and sound equipment; and~~

2 ~~(o) value-added property; and~~

3 ~~(p)(H) all other property not included in any other~~
4 ~~class in this part, except that property subject to a fee in~~
5 ~~lieu of a property tax.~~

6 (2) As used in this section, "coal and ore haulers"
7 means nonhighway vehicles that exceed 18,000 pounds per axle
8 and that are primarily designed and used to transport coal,
9 ore, or other earthen material in a mining or quarrying
10 environment.

11 ~~(3) "Commercial establishment" includes any hotel,~~
12 ~~motel, office, petroleum marketing station, or service,~~
13 ~~wholesale, retail, or food-handling business.~~

14 ~~(4) The term "value-added property" means but is not~~
15 ~~limited to property that is used for the mechanical or~~
16 ~~chemical transformation of materials or substances into~~
17 ~~products in the manner defined as manufacturing in the 1987~~
18 ~~Standard Industrial Classification Manual prepared by the~~
19 ~~United States office of management and budget. The property~~
20 ~~must be used for the:~~

21 ~~(a) processing of Montana raw materials, such as~~
22 ~~minerals, ore, agricultural products, and forestry products,~~
23 ~~or~~

24 ~~(b) processing of semifinished products produced in~~
25 ~~Montana that are used as a raw material in further~~

1 manufacturing:

2 ~~(4)(5)(3)--(a) Except as provided in subsection (5)(b),~~
3 ~~class class CLASS~~ eight property is taxed at 9% ~~6% 9%~~ of its
4 market value.

5 ~~(b) Value-added property or property described in this~~
6 ~~section that is used in a value-added process is taxed at 5%~~
7 ~~of its market value."~~

8 **NEW SECTION. Section 3.** Application for classification
9 as value-added property. (1) Any person, firm, or other
10 group seeking to qualify its property for classification as
11 value-added property under class eight TWENTY-TWO shall make
12 application to the department of revenue on a form provided
13 by the department.

14 (2) If the department makes an initial determination
15 that the property qualifies as value-added property under
16 class eight TWENTY-TWO, it shall publish notice of and hold
17 a public hearing to determine whether the property should
18 retain this classification.

19 **Section 4.** Section 15-7-103, MCA, is amended to read:

20 "**15-7-103. Classification and appraisal -- general and**
21 **uniform methods.** (1) It is the duty of the department of
22 revenue to implement the provisions of 15-7-101 through
23 15-7-103 by providing:

24 (a) for a general and uniform method of classifying
25 lands in the state for the purpose of securing an equitable

1 and uniform basis of assessment of said lands for taxation
2 purposes;

3 (b) for a general and uniform method of appraising city
4 and town lots;

5 (c) for a general and uniform method of appraising
6 rural and urban improvements;

7 (d) for a general and uniform method of appraising
8 timberlands.

9 (2) All lands shall be classified according to their
10 use or uses and graded within each class according to soil
11 and productive capacity. In such classification work, use
12 shall be made of soil surveys and maps and all other
13 pertinent available information.

14 (3) All lands must be classified by parcels or
15 subdivisions not exceeding 1 section each, by the sections,
16 fractional sections, or lots of all tracts of land that have
17 been sectionized by the United States government, or by
18 metes and bounds, whichever yields a true description of the
19 land.

20 (4) All agricultural lands must be classified and
21 appraised as agricultural lands without regard to the best
22 and highest value use of adjacent or neighboring lands.

23 (5) In any periodic revaluation of taxable property
24 completed under the provisions of 15-7-111 after January 1,
25 1986, all property classified in 15-6-134 or [section 6]

1 must be appraised on its market value in the same year. The
 2 department may use the same year for property classified in
 3 15-6-134 or [section 6]. The department shall publish a rule
 4 specifying the year used in the appraisal of property
 5 classified in 15-6-134 and the year used in the appraisal of
 6 property classified in [section 6].

7 (6) All sewage disposal systems and domestic use water
 8 supply systems of all dwellings may not be appraised,
 9 assessed, and taxed separately from the land, house, or
 10 other improvements in which they are located. In no event
 11 may the sewage disposal or domestic water supply systems be
 12 included twice by including them in the valuation and
 13 assessing them separately."

14 **Section 5.** Section 15-10-402, MCA, is amended to read:

15 "15-10-402. Property tax limited to 1986 levels. (1)
 16 Except as provided in subsections (2) and (3), the amount of
 17 taxes levied on property described in 15-6-133, 15-6-134,
 18 15-6-136, 15-6-142, and 15-6-144, and [section 6], AND
 19 [SECTION 7] may not, for any taxing jurisdiction, exceed the
 20 amount levied for taxable year 1986.

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

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

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

12 **NEW SECTION. Section 6.** Class twenty-one property --
 13 description -- taxable percentage. (1) Class twenty-one
 14 property includes:

15 (a) all land used for INCOME-PRODUCING commercial
 16 purposes except that specifically included in another class;
 17 and

18 (b) all improvements used for INCOME-PRODUCING
 19 commercial purposes except those specifically included in
 20 another class; AND

21 (C) 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) (A) Except as provided in 15-24-1402 or,
 25 15-24-1501, OR SUBSECTION (2)(B) OF THIS SECTION, property

1 included in class twenty-one is taxed at ~~5.07%~~ 4.8% of its
2 market value.

3 (B) PROPERTY DESCRIBED IN SUBSECTION (1)(C) IS TAXED AT
4 ONE-HALF THE TAXABLE PERCENTAGE RATE ESTABLISHED IN
5 SUBSECTION (2)(A).

6 NEW SECTION. SECTION 7. CLASS TWENTY-TWO PROPERTY --
7 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS TWENTY-TWO
8 PROPERTY INCLUDES:

9 (A) ALL MINING MACHINERY EXCEPT THAT SPECIFICALLY
10 INCLUDED AND TAXED IN ANOTHER CLASS, FIXTURES, EQUIPMENT,
11 TOOLS THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R), AND SUPPLIES
12 EXCEPT THOSE INCLUDED IN CLASS FIVE;

13 (B) ALL MANUFACTURING MACHINERY EXCEPT THAT
14 SPECIFICALLY INCLUDED AND TAXED IN ANOTHER CLASS, FIXTURES,
15 EQUIPMENT, TOOLS THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R),
16 AND SUPPLIES EXCEPT THOSE INCLUDED IN CLASS FIVE;

17 (C) ALL GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE,
18 EXCEPT GOODS AND EQUIPMENT SPECIFICALLY INCLUDED AND TAXED
19 IN ANOTHER CLASS;

20 (D) FURNITURE, FIXTURES, AND EQUIPMENT, EXCEPT THAT
21 SPECIFICALLY INCLUDED AND TAXED IN ANOTHER CLASS, USED IN
22 COMMERCIAL ESTABLISHMENTS AS DEFINED IN THIS SECTION;

23 (E) X-RAY AND MEDICAL AND DENTAL EQUIPMENT;

24 (F) CITIZENS' BAND RADIOS AND MOBILE TELEPHONES;

25 (G) RADIO AND TELEVISION BROADCASTING AND TRANSMITTING

1 EQUIPMENT;

2 (H) CABLE TELEVISION SYSTEMS;

3 (I) THEATER PROJECTORS AND SOUND EQUIPMENT; AND

4 (J) VALUE-ADDED PROPERTY AS DEFINED IN THIS SECTION.

5 (2) "COMMERCIAL ESTABLISHMENT" INCLUDES ANY HOTEL;
6 MOTEL; OFFICE; PETROLEUM MARKETING STATION; OR SERVICE,
7 WHOLESALE, RETAIL, OR FOOD-HANDLING BUSINESS.

8 (3) THE TERM "VALUE-ADDED PROPERTY" MEANS BUT IS NOT
9 LIMITED TO PROPERTY THAT IS USED FOR THE MECHANICAL OR
10 CHEMICAL TRANSFORMATION OF MATERIALS OR SUBSTANCES INTO
11 PRODUCTS IN THE MANNER DEFINED AS MANUFACTURING IN THE 1987
12 STANDARD INDUSTRIAL CLASSIFICATION MANUAL PREPARED BY THE
13 UNITED STATES OFFICE OF MANAGEMENT AND BUDGET. THE PROPERTY
14 MUST BE USED FOR THE:

15 (A) PROCESSING OF MONTANA RAW MATERIALS; OR

16 (B) PROCESSING SEMIFINISHED PRODUCTS PRODUCED IN
17 MONTANA THAT ARE USED AS RAW MATERIALS IN FURTHER
18 MANUFACTURING.

19 (4) (A) EXCEPT AS PROVIDED IN SUBSECTION (4)(B), CLASS
20 TWENTY-TWO IS TAXED AT 6% OF ITS MARKET VALUE.

21 (B) VALUE-ADDED PROPERTY THAT IS ACQUIRED BY AN
22 INDUSTRY AFTER JULY 1, 1991, AND IS USED IN A VALUE-ADDED
23 PROCESS IS TAXED AT 5% OF ITS MARKET VALUE.

24 NEW SECTION. Section 8. Codification instruction.
25 [Sections 3 and 6, AND 7] are intended to be codified as an

1 integral part of Title 15, chapter 6, part 1, and the
2 provisions of Title 15, chapter 6, part 1, apply to
3 [sections 3 and 6, AND 7].

4 NEW SECTION. **Section 9. Applicability.** [This act]
5 applies to taxable years beginning after December 31, 1991.

-End-

SENATE BILL NO. 460

INTRODUCED BY SVRCEK, HARP

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE TAXATION OF PROPERTY; ~~REDUCING THE TAX RATE ON CLASS EIGHT PROPERTY TO 6 PERCENT~~ CREATING A NEW CLASS OF PROPERTY FOR STATIONARY COMMERCIAL PROPERTY; ESTABLISHING THE TAX RATE ON STATIONARY COMMERCIAL PERSONAL PROPERTY AT 6 PERCENT; PROVIDING THAT CLASS EIGHT PROPERTY USED FOR VALUE-ADDED PROCESSES IS ELIGIBLE FOR A REDUCED TAX RATE; CREATING A NEW PROPERTY CLASS FOR INCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS; ~~INCREASING~~ ESTABLISHING THE TAX RATE ON INCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS TO 5.87 AT 4.8 PERCENT; PROVIDING THAT NONINCOME-PRODUCING COMMERCIAL LAND AND IMPROVEMENTS ARE RETAINED IN CLASS FOUR PROPERTY; AMENDING SECTIONS 15-1-101, 15-6-134, 15-6-138, 15-7-103, AND 15-10-402, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. 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 that is not devoted to a AN INCOME-PRODUCING commercial use except that or specifically included in another class;

(b) all improvements that are not devoted to a AN INCOME-PRODUCING commercial use except those or specifically included in another class;

(c) the first \$80,000 or less of the market value of any improvement included in subsection (1)(b) on real property 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 otherwise tax-exempt income of all types is not more than \$10,000 for a single person or \$12,000 for a married couple, as adjusted according to subsection (2)(b)(ii); AND

~~(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~~

(D) COMMERCIAL LAND AND IMPROVEMENTS THAT:

(I) ARE INTEGRALLY RELATED IN A SINGLE WORKING UNIT;

(II) ARE NOT IN PRODUCTION AND ARE NOT PRODUCING ON THE

ASSESSMENT DATE OF THE CURRENT TAXABLE YEAR;

(III) HAVE NOT BEEN IN PRODUCTION AND HAVE NOT BEEN PRODUCING INCOME FOR 6 CONSECUTIVE MONTHS PRECEDING THE CURRENT TAXABLE YEAR; AND

(IV) ARE NOT INCLUDED IN CLASS TWENTY PROPERTY AS DESCRIBED IN 15-6-150.

(2) Class four property is taxed as follows:

(a) ~~Except as provided in 15-24-1402 or 15-24-1501,~~ property Property described in subsections (1)(a) and (1)(b), AND (1)(D) 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 Single Person	Income Married Couple	Percentage Multiplier
\$ 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);~~

(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 2. Section 15-6-138, MCA, is amended to read:

***15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all SELF-PROPELLED mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(r) and supplies except those included in class five;

(c) all SELF-PROPELLED manufacturing machinery, fixtures, equipment, tools that are not exempt under 15-6-201(r) and supplies except those included in class five;

(d) all trailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f)(E) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g)(F) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m)(G) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) value-added property; and

(p)(H) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service, wholesale, retail, or food-handling business.

(4) The term "value-added property" means but is not limited to property that is used for the mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget. The property must be used for the:

(a) processing of Montana raw materials, such as minerals, ore, agricultural products, and forestry products; or

(b) processing of semifinished products produced in Montana that are used as a raw material in further

manufacturingr

~~(4)(5)(3)--(a) Except--as provided in subsection (5)(b)7~~
 class class CLASS eight property is taxed at 9% ~~6% 9%~~ of its market value.

~~(b)--Value-added-property-or-property-described-in--this section-that-is-used-in-a-value-added-process-is-taxed-at-5% of-its-market-value."~~

NEW SECTION. Section 3. Application for classification as value-added property. (1) Any person, firm, or other group seeking to qualify its property for classification as value-added property under class eight TWENTY-TWO shall make application to the department of revenue on a form provided by the department.

(2) If the department makes an initial determination that the property qualifies as value-added property under class eight TWENTY-TWO, it shall publish notice of and hold a public hearing to determine whether the property should retain this classification.

Section 4. Section 15-7-103, MCA, is amended to read:

"15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing:

(a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable

and uniform basis of assessment of said lands for taxation purposes;

(b) for a general and uniform method of appraising city and town lots;

(c) for a general and uniform method of appraising rural and urban improvements;

(d) for a general and uniform method of appraising timberlands.

(2) All lands shall be classified according to their use or uses and graded within each class according to soil and productive capacity. In such classification work, use shall be made of soil surveys and maps and all other pertinent available information.

(3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by metes and bounds, whichever yields a true description of the land.

(4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best and highest value use of adjacent or neighboring lands.

(5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111 after January 1, 1986, all property classified in 15-6-134 or [section 6]

1 must be appraised on its market value in the same year. The
 2 department may use the same year for property classified in
 3 15-6-134 or [section 6]. The department shall publish a rule
 4 specifying the year used in the appraisal of property
 5 classified in 15-6-134 and the year used in the appraisal of
 6 property classified in [section 6].

7 (6) All sewage disposal systems and domestic use water
 8 supply systems of all dwellings may not be appraised,
 9 assessed, and taxed separately from the land, house, or
 10 other improvements in which they are located. In no event
 11 may the sewage disposal or domestic water supply systems be
 12 included twice by including them in the valuation and
 13 assessing them separately."

14 **Section 5.** Section 15-10-402, MCA, is amended to read:

15 "15-10-402. Property tax limited to 1986 levels. (1)
 16 Except as provided in subsections (2) and (3), the amount of
 17 taxes levied on property described in 15-6-133, 15-6-134,
 18 15-6-136, 15-6-142, and 15-6-144, and [section 6], AND
 19 [SECTION 7] may not, for any taxing jurisdiction, exceed the
 20 amount levied for taxable year 1986.

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

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

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

12 **NEW SECTION. Section 6.** Class twenty-one property --
 13 description -- taxable percentage. (1) Class twenty-one
 14 property includes:

15 (a) all land used for INCOME-PRODUCING commercial
 16 purposes except that specifically included in another class;
 17 and

18 (b) all improvements used for INCOME-PRODUCING
 19 commercial purposes except those specifically included in
 20 another class; AND

21 (C) 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) (A) Except as provided in 15-24-1402 or,
 25 15-24-1501, OR SUBSECTION (2)(B) OF THIS SECTION, property

1 included in class twenty-one is taxed at ~~5-07%~~ ~~4-0%~~ 4.55% of
2 its market value.

3 (B) PROPERTY DESCRIBED IN SUBSECTION (1)(C) IS TAXED AT
4 ONE-HALF THE TAXABLE PERCENTAGE RATE ESTABLISHED IN
5 SUBSECTION (2)(A).

6 NEW SECTION. **SECTION 7.** CLASS TWENTY-TWO PROPERTY --
7 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS TWENTY-TWO
8 PROPERTY INCLUDES:

9 (A) ALL MINING MACHINERY EXCEPT THAT SPECIFICALLY
10 INCLUDED AND TAXED IN ANOTHER CLASS, FIXTURES, EQUIPMENT,
11 TOOLS THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R), AND SUPPLIES
12 EXCEPT THOSE INCLUDED IN CLASS FIVE;

13 (B) ALL MANUFACTURING MACHINERY EXCEPT THAT
14 SPECIFICALLY INCLUDED AND TAXED IN ANOTHER CLASS, FIXTURES,
15 EQUIPMENT, TOOLS THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R),
16 AND SUPPLIES EXCEPT THOSE INCLUDED IN CLASS FIVE;

17 (C) ALL GOODS AND EQUIPMENT INTENDED FOR RENT OR LEASE,
18 EXCEPT GOODS AND EQUIPMENT SPECIFICALLY INCLUDED AND TAXED
19 IN ANOTHER CLASS;

20 (D) FURNITURE, FIXTURES, AND EQUIPMENT, EXCEPT THAT
21 SPECIFICALLY INCLUDED AND TAXED IN ANOTHER CLASS, USED IN
22 COMMERCIAL ESTABLISHMENTS AS DEFINED IN THIS SECTION;

23 (E) X-RAY AND MEDICAL AND DENTAL EQUIPMENT;

24 (F) CITIZENS' BAND RADIOS AND MOBILE TELEPHONES;

25 (G) RADIO AND TELEVISION BROADCASTING AND TRANSMITTING

1 EQUIPMENT;

2 (H) CABLE TELEVISION SYSTEMS;

3 (I) THEATER PROJECTORS AND SOUND EQUIPMENT; AND

4 (J) VALUE-ADDED PROPERTY AS DEFINED IN THIS SECTION.

5 (2) "COMMERCIAL ESTABLISHMENT" INCLUDES ANY HOTEL;
6 MOTEL; OFFICE; PETROLEUM MARKETING STATION; OR SERVICE,
7 WHOLESALE, RETAIL, OR FOOD-HANDLING BUSINESS.

8 (3) THE TERM "VALUE-ADDED PROPERTY" MEANS BUT IS NOT
9 LIMITED TO PROPERTY THAT IS USED FOR THE MECHANICAL OR
10 CHEMICAL TRANSFORMATION OF MATERIALS OR SUBSTANCES INTO
11 PRODUCTS IN THE MANNER DEFINED AS MANUFACTURING IN THE 1987
12 STANDARD INDUSTRIAL CLASSIFICATION MANUAL PREPARED BY THE
13 UNITED STATES OFFICE OF MANAGEMENT AND BUDGET. THE PROPERTY
14 MUST BE USED FOR THE:

15 (A) PROCESSING OF MONTANA RAW MATERIALS; OR

16 (B) PROCESSING SEMIFINISHED PRODUCTS PRODUCED IN
17 MONTANA THAT ARE USED AS RAW MATERIALS IN FURTHER
18 MANUFACTURING.

19 (4) (A) EXCEPT AS PROVIDED IN SUBSECTION (4)(B), CLASS
20 TWENTY-TWO IS TAXED AT 6% OF ITS MARKET VALUE.

21 (B) VALUE-ADDED PROPERTY THAT IS ACQUIRED BY AN
22 INDUSTRY AFTER JULY 1, 1991, AND IS USED IN A VALUE-ADDED
23 PROCESS IS TAXED AT 5% OF ITS MARKET VALUE.

24 **SECTION 8.** SECTION 15-1-101, MCA, IS AMENDED TO READ:

25 "15-1-101. Definitions. (1) Except as otherwise

1 specifically provided, when terms mentioned in this section
2 are used in connection with taxation, they are defined in
3 the following manner:

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

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

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

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

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

21 (A) agricultural lands;

22 (B) timberlands;

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

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

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

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

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

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

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

23 (h) The term "leasehold improvements" means
24 improvements to mobile homes and mobile homes located on
25 land owned by another person. This property is assessed

1 under the appropriate classification and the taxes are due
2 and payable in two payments as provided in 15-24-202.
3 Delinquent taxes on such leasehold improvements are a lien
4 only on such leasehold improvements.

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

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

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

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

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

1 the property of such company or corporation represented by
2 the stocks is within the state and has been taxed.

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

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

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

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

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

24 (q) The term "weighted mean assessment ratio" means the
25 total of the assessed values divided by the total of the

1 selling prices of all area sales in the stratum.

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

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

10 NEW SECTION. Section 9. Codification instruction.
11 [Sections 3 and 6, AND 7] are intended to be codified as an
12 integral part of Title 15, chapter 6, part 1, and the
13 provisions of Title 15, chapter 6, part 1, apply to
14 [sections 3 and 6, AND 7].

15 NEW SECTION. Section 10. Applicability. [This act]
16 applies to taxable years beginning after December 31, 1991.

-End-