

1 H BILL NO. 507
 2 INTRODUCED BY Dassinger Broad Mular Buda
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PLACE RAILROAD
 5 PROPERTY IN CLASS FOUR SO AS TO BRING MONTANA PROPERTY TAX
 6 LAWS INTO COMPLIANCE WITH SECTION 306 OF PUBLIC LAW 94-210
 7 OF THE 94TH CONGRESS; AMENDING SECTION 84-301, R.C.M. 1947."
 8

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

10 Section 1. Section 84-301, R.C.M. 1947, is amended to
 11 read as follows:

12 "84-301. Classification of property for taxation. For
 13 the purpose of taxation the taxable property in the state
 14 shall be classified as follows:

15 Class One. The annual net proceeds of all mines and
 16 mining claims, except coal mines, after deducting only the
 17 expenses specified and allowed by section 84-5403; also
 18 where the right to enter upon land, to explore or prospect,
 19 or dig for oil, gas, coal or mineral is reserved in land or
 20 received by mesne conveyance (exclusive of leasehold
 21 interests), devise or succession by any person or
 22 corporation, the surface title to which has passed to or
 23 remains in another, the state department of revenue shall
 24 determine the value of the right to enter upon said tract of
 25 land for the purpose of digging, exploring, or prospecting

1 for gas, oil, coal or minerals, and the same shall be placed
 2 in this classification for the purpose of taxation.

3 Class Two. All agricultural and other tools, implements
 4 and machinery, gas and other engines and boilers, threshing
 5 machines and outfits used therewith, automobiles, motor
 6 trucks and other power-driven cars, vehicles of all kinds
 7 except mobile homes, boats and all watercraft, harness,
 8 saddlery and robes and except as provided in Class Five (a)
 9 of this section, all poles, lines, transformers, transformer
 10 stations, meters, tools, improvements, machinery and other
 11 property used and owned by all persons, firms, corporations,
 12 and other organizations which are engaged in the business of
 13 furnishing telephone communications, exclusively to rural
 14 areas, or to rural areas and cities and towns provided that
 15 any such city or town has a population of eight hundred
 16 (800) persons or less; and provided further, that the
 17 average circuit miles for each station on the system is more
 18 than one and one-quarter (1 1/4) miles.

19 Class Three. Livestock, poultry, and unprocessed
 20 products of both; furniture and fixtures used in commercial
 21 activities; the annual gross proceeds of underground coal
 22 mines; and all office or hotel furniture and fixtures,
 23 except improvements included in Class Nine.

24 Class Four. (a) All land, town and city lots, with
 25 improvements, except improvements included in Class Nine,

INTRODUCED BILL

1 ~~railroad property as set forth in 84-428,~~ and all trailers
 2 affixed to land owned, leased, or under contract or purchase
 3 by the trailer owner, manufacturing and mining machinery,
 4 fixtures and supplies, except as otherwise provided by the
 5 constitution of Montana, and except as such property may be
 6 included in Class Five, Class Seven or Class Eight.

7 (b) Mobile homes without regard to the ownership of
 8 the land upon which they are situated, except those held by
 9 a distributor or dealer of mobile homes as part of his stock
 10 in trade, and except as such property may be included in
 11 Class Eight.

12 Class Five. (a) All poles, lines, transformers,
 13 transformer stations, meters, tools, improvements, machinery
 14 and other property used and owned by co-operative rural
 15 electrical and co-operative rural telephone associations
 16 organized under the laws of Montana except those within the
 17 incorporated limits of a city or town in which less than
 18 ninety-five per cent (95%) of the electric consumers and/or
 19 telephone users are served by a co-operative organization,
 20 and as to the property enumerated in this sub-section (a)
 21 within incorporated limits of a city or town in which less
 22 than ninety-five per cent (95%) of the electric consumers or
 23 users will be served by a co-operative organization, such
 24 property shall be put in Class Two.

25 (b) All unprocessed agricultural products either on

1 the farm or in storage, irrespective of whether said
 2 products are owned by the elevator, warehouse or flour mill
 3 owner or company storing the same, or any other person
 4 whomsoever, except all perishable fruits and vegetables in
 5 farm storage and owned by the producer, and excepting
 6 livestock and poultry and the unprocessed products of both.

7 (c) The dwelling house, and the lot on which it is
 8 erected, owned and occupied by any resident of the state,
 9 who has been honorably discharged from active service in any
 10 branch of the armed forces, who is rated one hundred per
 11 cent (100%) disabled due to a service-connected disability
 12 by the United States veterans administration or its
 13 successors.

14 In the event of the veteran's death, the dwelling
 15 house, and the lot on which it is erected, so long as the
 16 surviving spouse remains unmarried and the owner and
 17 occupant of the property, shall remain within this
 18 classification.

19 Class Six. Property formerly included in this class is
 20 now classified by section 84-308, R.C.M. 1947.

21 Class Seven. (a) All new industrial property. New
 22 industrial property shall mean any new industrial plant,
 23 including land, buildings, machinery and fixtures which, in
 24 the determination of the state department of revenue, is
 25 used by a new industry during the first three (3) years of

1 operation not having been assessed prior to July 1, 1961,
 2 within the state of Montana. New industry shall mean any
 3 person, corporation, firm, partnership, association, or
 4 other group which establishes a new plant or plants in this
 5 state for the operation of a new industrial endeavor, as
 6 distinguished from a mere expansion, reorganization, or
 7 merger of an existing industry or industries. Provided,
 8 however, that new industrial property shall be limited to
 9 industries that manufacture, mill, mine, produce, process or
 10 fabricate materials, or do similar work in which capital and
 11 labor are employed and in which materials unserviceable in
 12 their natural state are extracted, processed or made fit for
 13 use or are substantially altered or treated so as to create
 14 commercial products or materials; industries that engage in
 15 the mechanical or chemical transformation of materials or
 16 substances into new products in the manner defined as
 17 manufacturing in the 1972 Standard Industrial Classification
 18 Manual, prepared by the United States office of management
 19 and budget; and in no event shall the term new industrial
 20 property be included to mean property used by retail or
 21 wholesale merchants, commercial services of any type,
 22 agriculture, trades or professions. New industrial property
 23 does not include a plant which will create an adverse impact
 24 on existing state, county, or municipal services. The
 25 department shall promulgate regulations for the

1 determination of what constitutes an adverse impact taking
 2 into consideration the number of people to be employed and
 3 the size of the community in which the location is
 4 contemplated. Once the department has made an initial
 5 determination that the industrial facility qualifies as new
 6 industrial property, the department shall then upon proper
 7 notice hold a hearing to determine if the new industrial
 8 classification should be retained by the property. The
 9 local taxing authority may appear at the hearing, and it
 10 also may waive its objection to retention of this
 11 classification if the industry agrees to the prepayment of
 12 taxes sufficient to satisfy tax requirements created by the
 13 location and construction of the facility during
 14 construction period.

15 In the event of a prepayment of taxes, the maximum
 16 amount or prepayment shall be the amount without the
 17 application of the Class 7 (a) to such property.

18 If a major new industrial facility qualifies under
 19 Class 7 (a) the reduction of its yearly payment of property
 20 taxes for reimbursement of its prepaid taxes as provided for
 21 in section 84-41-105, R.C.M. 1947, shall not begin until the
 22 Class 7 qualification expires. And provided further, that
 23 new industrial property shall not be included to mean
 24 property which is used or employed in any industrial plant
 25 which has been in operation in this state for three (3)

1 years or longer. Any person, corporation, firm, partnership,
2 association or other group seeking to qualify its property
3 for inclusion in this class shall make application to the
4 state department of revenue in such manner and form as may
5 be required by said department.

6 (b) Business inventories. Business inventories shall
7 include goods intended for sale or lease in the ordinary
8 course of business, and shall include raw materials and work
9 in progress with respect to such goods, but shall not
10 include goods actually leased or rented on the lien date, or
11 mobile homes held by a dealer or distributor as a part of
12 his stock in trade.

13 (c) Air pollution control equipment as defined in
14 section 69-3923.

15 (d) A capital investment in a recognized nonfossil
16 form of energy generation, to the extent provided under
17 section 84-7403.

18 Class Eight. (a) Any improvement on real property,
19 trailers affixed to land or mobile home belonging to any
20 person who qualifies under any one or more of the
21 hereinafter set forth categories, with appurtenant land not
22 exceeding five (5) acres, which together have a market value
23 of not more than twenty-seven thousand five hundred dollars
24 (\$27,500), which dwelling is owned or under a contract for
25 deed, and which is actually occupied for at least ten (10)

1 months per year as the primary residential dwelling of:

2 (1) a widow sixty-two (62) years of age or older,
3 whether with or without minor dependent children, who
4 qualifies under the income limitations of (4), or

5 (2) a widower sixty-two (62) years of age or older,
6 whether with or without minor dependent children, who
7 qualifies under the income limitations of (4), or

8 (3) a widow or widower with minor or dependent
9 children regardless of age, who qualifies under the income
10 limitations of (4), or

11 (4) a recipient or recipients of retirement or
12 disability benefits whose income from all sources is not
13 more than six thousand dollars (\$6,000) for a single person
14 and six thousand eight hundred dollars (\$6,800) for a
15 married couple total per annum whether said dwelling is
16 occupied by a single person or a married couple. Provided,
17 further, that one who applies for classification of property
18 under this class must make an affidavit to the state
19 department of revenue on a form as may be provided by the
20 state department of revenue supplied without cost to the
21 applicant, as to his income, if applicable, as to his
22 retirement benefits, if applicable, or, as to his marital
23 status, if applicable, and to the fact that he or she
24 actually occupies or maintains as his or her primary
25 residential dwelling, such land and improvements with right

1 of the county welfare board to investigate the applicant, on
 2 the completion of the form, as to answers given on the form.
 3 Provided, further, the assessed value of said property shall
 4 not be increased during the life of the recipient of
 5 retirement benefits or widow or widower covered under this
 6 class, unless the owner-resident makes a substantial
 7 improvement in the dwelling. For the purposes of the
 8 affidavit required for classification of property under this
 9 class, it shall be sufficient if the applicant signs a
 10 statement swearing to or affirming the correctness of the
 11 information supplied, whether or not the statement is signed
 12 before a person authorized to administer oaths, and mails
 13 the application and statement to the department of revenue.
 14 This signed statement shall be treated as a statement under
 15 oath or equivalent affirmation for purposes of section
 16 94-7-203, R.C.M. 1947, relating to the criminal offense of
 17 false swearing.

18 (b) A capital investment in a building for an energy
 19 conservation purpose, to the extent provided under section
 20 84-7403.

21 Class Nine. The incremental increase in the value of
 22 real estate attributable to repairing, maintaining or
 23 improving existing improvements.

24 Class Ten. The annual gross proceeds of coal mines
 25 using the strip mining method.

1 Class Eleven. Centrally assessed utility allocations
 2 after deductions of locally assessed properties, and except
 3 as provided in Class Two for rural telephones, and Class
 4 Five (a) for cooperatives and railroad property included in
 5 Class Four, and all other property not included in the ten
 6 (10) preceding classes."

-End-

STATE OF MONTANA

REQUEST NO. 265-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, 19 77, there is hereby submitted a Fiscal Note for House Bill 507 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill is an act to place railroad property in class four so as to bring Montana property tax laws into compliance with Section 306 of Public Law 94-210 of the 94th Congress.

ASSUMPTIONS

1. FY 78 will be unaffected because of the date of implementation.
2. The taxable value of centrally assessed railroad property will decrease from 40% to 30% of assessed value.
3. Based on historical data, the assessed value of centrally assessed railroad property will increase 2%-3% per year. This assumption implies the assessed value of centrally assessed railroad property will be between \$86.923M and \$88.636M for FY 79 taxation purposes.
4. The state mill levy will be 6 mills.
5. Administrative costs will remain unchanged.

FISCAL IMPACT

There will be no fiscal impact in FY 78 due to the date of implementation. In FY 79 this bill will reduce state property tax collections from centrally assessed railroads approximately \$53,000.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE

Local governments could lose between \$1.678M and \$1.711M in property tax revenues each fiscal year this act is in effect.

LONG-RANGE EFFECTS

The state will lose more than \$53,000 each fiscal year this act is in effect.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Dancy
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-2-77