

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 28, 1985 A.M.

The fifty-third meeting of the Taxation Committee was called to order in room 312-1 of the state capitol at 7:36 a.m. by Chairman Gerry Devlin.

ROLL CALL: All members were present as were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

DISPOSITION OF SENATE BILL 48: Representative Williams moved that this bill BE CONCURRED IN. He offered Exhibit 1, which are proposed amendments to this bill. He explained what the amendments would do. There was considerable discussion on this amendment and a vote was taken and the motion carried with Representative Devlin voting no.

Representative Ream moved that the bill be amended as per Exhibit 2. He explained these amendments. There was considerable discussion on the amendment and a vote was taken and the motion carried unanimously.

Representative Williams moved that this bill DO PASS AS AMENDED. Representative Switzer made a substitute motion that this bill DO NOT PASS, AS AMENDED.

Representative Williams said that he would oppose this motion as this was a two-year study by the house revenue oversight committee, they put a lot of effort into it and considerable work was done to make a bill that would be acceptable. He contended that this bill would create fairness and equity in taxation and would have as little impact as possible for local government.

Chairman Devlin disagreed that it did not hurt anybody as it would raise the rate on agricultural tools, machinery, and equipment and if he agreed with this, he just better not go home. He said that it may not be much, but most of the people his way feel that it is too much already.

Taxation Committee
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Page Two

A vote was taken on the motion to DO NOT PASS AS AMENDED and it tied with a vote of 10 voting aye and 10 voting no. Chairman Devlin said this bill will go out WITHOUT RECOMMENDATION. See Roll Call Vote

DISPOSITION OF HOUSE BILL 250: Representative Ramirez said that he would like to participate in this committee as an ex officio member. He distributed Exhibit 3 to the committee, which is a copy of a grey bill, which included the amendments he would propose.

Representative Williams stated that with this grey bill, they would almost need a new hearing on this bill as it was so different.

Representative Ramirez indicated that there have been three meetings that have taken place between members of the senate taxation committee and some members of this committee and some others - Senator Crippen was one who was invited to the meetings. He informed the committee that they have discussed possible areas of compromise and this bill would provide a mixture of changes in classification as well as some administrative work that would make this bill comply with the 4-Rs act. He advised that there is a similar formula in SB 48, but it pulls commercial property out of the existing classification administratively.

There was considerable discussion and Representative Williams moved DO NOT PASS on the proposed amendments that would make up the grey bill. He stated that they think they have everything in SB 48 that is in HB 250, plus some revisions that have made it more equitable and they have not had a chance to tie the amendments in and see what they would do.

Representative Keenan asked Representative Ramirez if he had any estimates as to the cost of administering HB 250.

Representative Ramirez responded that from his view it is \$250,000.00 for fiscal year 1986, and that is in the adjustment made for commercial property in the fiscal note, but as far as the tax impact is concerned,

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there is going to be some consequences in all these bills and he asked the committee to put HB 250 in the form of the grey bill. He contended that if they say that people have not had input into HB 250, this is just not true - the department did some work on this bill and made a list of objections, which he tried to address and they have been discussed at these ad hoc committee meetings which they had.

Representative Asay made a substitute motion that these amendments DO PASS. He urged the committee to do this irregardless of how they felt about the bill as these amendments should be included and this would also include the statement of intent.

Representative Keenan said that she consistently sees a lowering of railroad taxes and she felt this was a very complicated issue made more complicated by the amendments and she thought that this had one motive and that was to confuse the other eighty people there. She felt that the basic difference of opinion stems from separating commercial from residential and she felt that this was throwing mud into already very muddy water.

Chairman Devlin commented that they accepted two amendments on another bill this morning in the spirit of cooperation and he felt that this was only fair.

Representative Switzer advised that the substance of Senate Bill 48 came from a volunteer subcommittee and their first meeting was October 13 and there was only one member present and another meeting on the 25th and there were three members and that was brought to the revenue oversight committee meeting and said that that was their recommendation, which was SB48. He indicated that the committee banged it around for several hours and it failed on a tie vote, which was broken by the chairman so this bill (SB 48) was not a consensus of a two-year study and even though the consultant was there, he said, among other things, that there are other ways to address this.

Taxation Committee
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Page Four

Representative Williams explained that Representative Switzer came in late in the interim period and he informed the committee of the details concerning how SB 48 came about.

There was much discussion on the bill and the amendments and a vote was taken and the adoption of the amendments failed on a 10 to 10 vote. See Roll Call Vote.

Representative Ramirez said that he did not want to bring the bill to the floor of the house without those amendments and recommended that they table the bill.

Chairman Devlin indicated that he was very disappointed and he felt that this was not fair and he entertained a motion to reconsider their action on this amendment.

Representative Asay moved that they reconsider their action on this vote. Representative Keenan, Representative Raney and Representative Ream offered statements, indicating why they voted as they did on these amendments.

A vote was taken on the motion to RECONSIDER THEIR ACTION on these amendments and it failed on a tie vote of 10 to 10. See Roll Call Vote.

Representative Williams moved to TABLE this bill. The motion carried with Representatives Hanson, Asay, Sands, Ellison, Gilbert, Switzer and Patterson voting no.

DISPOSITION OF HOUSE BILL 240: Representative Williams moved to TABLE this bill. The motion carried with Representatives Asay, Gilbert, Switzer and Devlin voting no.

DISPOSITION OF HOUSE BILL 198: Representative Harp moved to amend this bill on page 2, line 10 by striking "0" and inserting "5" and to readjust the percentages of increase and the taxable percentages too. A vote was taken on the amendment and the motion carried with Representative Abrams, Representative Asay, Representative Sand, Representative Iverson, Representative Ellison, Representative Patterson, Representative Switzer and Representative Devlin voting no.

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Page Five

Mr. Bohyer advised the committee of some amendments that should be adopted on page 1, line 17, by striking "July" and inserting "January", and this should also be done on page 5, line 6; and after the introduction line on page 1, "by request of the revenue oversight committee" should be inserted.

Representative Williams moved that they so amend this bill and the motion carried unanimously.

Representative Hanson moved that this bill DO PASS AS AMENDED. The motion carried with Representative Gilbert, Representative Switzer, Representative Asay and Representative Devlin voting no.


DISPOSITION OF HOUSE BILL 410: Representative Harp moved DO PASS.


Mr. Bohyer explained that if SB 48 fails, this bill would be in effect.

Representative Harp moved to clean up the lines in section 3. The motion carried unanimously.

Representative Harp stated that in the event, SB 48 does not pass, they need to get this bill out of the house and over to the senate as they may need to piece-meal some things together. He moved that this bill DO PASS AS AMENDED. The motion carried unanimously.

ADJOURNMENT: As the session was to start in 20 minutes, the chairman adjourned the meeting at 9:40 a.m.


GERRY DEVLIN Chairman


Alice Omang, Secretary

DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 3/28/85

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	✓		
WILLIAMS, MEL, V. Chrm.	✓		
ABRAMS, HUGH	✓		
ASAY, TOM	✓		
COHEN, BEN	✓		
ELLISON, ORVAL	✓		
GILBERT, BOB	✓		
HANSON, MARIAN	✓		
HARRINGTON, DAN	✓		
HARP, JOHN	✓		
IVERSON, DENNIS	✓		
KEENAN, NANCY	✓		
KOEHNKE, FRANCIS	✓		
PATTERSON, JOHN	✓		
RANEY, BOB	✓		
REAM, BOB	✓		
SANDS, JACK	✓		
SCHYE, TED	✓		
SWITZER, DEAN	✓		
ZABROCKI, CARL	✓		

STANDING COMMITTEE REPORT

MARCH 28

19 33

Page 1 of 3

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 42

THIRD reading copy (BLUE)
color

GEN. REVISE PROPERTY TAX CLASSIFICATION TO COMPLY WITH

FED. LAW; 12 CLASSES

Respectfully report as follows: That SENATE Bill No. 42

be amended as follows:

1. Page 10, line 3.

Following: "SECTION"

Insert: "and class eight property as class eight is
described in [section 6]"

2. Page 10, line 7.

Following: "SECTION"

Insert: "and class eight property as class eight is
described in [section 6]"

DO PASS

(CONTINUED)

3. Page 10, line 10.

Following: "[5]"

Strike: the remainder of line 10 through line 12

Insert: "For taxable years beginning January 1, 1987, and for every taxable year thereafter, the department shall, before July 1 of each year, determine the taxable percentage rate "P" applicable to class four property. The determination shall be made as provided in subsection (6).

(6) $P = A/B$ where:

(a) P is the taxable percentage rate applicable to class four property for the calendar year beginning January 1 in the year in which P is calculated. The taxable percentage rate "P" must be rounded downward to the nearest 0.01%.

(b) A is the taxable percentage rate P applicable to class four property as established by the department for the immediately preceding year;

(c) B is the certified statewide percentage increase, to be determined by the department, using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state, excluding new construction, additions, or deletions of property during the preceding year, classified under class four as class four is described in this section and under class eight as class eight is described in [section 6]; and

(ii) Y is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state that, as of January 1 of the year for which P is being calculated, would be classified under class four as class four is described in this section and under class eight as class eight is described in [section 6]; and

(d) B must be rounded downward to the nearest 0.0001%."

4. Page 15, line 12.

Following: "'p'"

Insert: "applicable to class four property as provided in 15-6-134,"

5. Pages 15 through 17.

Following: line 12 on page 15

Strike: the remainder of page 15 through line 13 on page 17

(CONTINUED)

Chairman.

6. Page 24, line 22.

Following: "land"

Insert: "of not less than 5 contiguous acres"

Following: "ownership"

Insert: "that is capable of producing timber of commercial quality that can be economically harvested in commercial quantity."

7. Pages 24 and 25.

Strike: "INCLUDING:" on line 24 of page 24 through line 11 on page 25

8. Page 32, line 5.

Following: "15-6-133"

Insert: "and 15-6-142"

9. Page 32, line 17.

Following: "(d)"

Strike: "Properties"

Insert: "(i) For the period beginning [the effective date of this act] and ending December 31, 1990, properties"

10. Page 32, line 18.

Following: "~~value of the~~"

Insert: ": (A)"

11. Page 32, line 19.

Following: "timber"

Insert: ", to be determined by the department under sections 42.20.113 through 42.20.116, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985;"

Following: "and"

Insert: "(B)"

Following: "productivity"

Insert: "to be determined by the department under sections 42.20.141 and 42.20.142, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985."

(ii) The department may adopt rules for the revaluation of class twelve properties or properties considered grazing land for the purposes of sections 42.20.141 and 42.20.142, A.R.M., or revise sections 42.20.113 through 42.20.116, 42.20.141, or 42.20.142, A.R.M., prior to December 31, 1990, but no rules so adopted or amended may be made effective before January 1, 1991"

AND AS AMENDED,
WITHOUT RECOMMENDATION

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE March 28, 1985 BILL NO. SB 48 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH		✓
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN	✓	
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS		✓
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK	✓	
SCHYE, TED		✓
SWITZER, DEAN	✓	
ZABROCKI, CARL	✓	✓
	10	10

Alice Omang
Secretary Alice Omang

Chairman Gerry Devlin

Motion: Do not pass

STANDING COMMITTEE REPORT

Page 1 of 5.

March 28, 1985

MR. SPEAKER:

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 198

first reading copy (white color)

AN ACT TO ALLOW ZERO PERCENT INCREASE IN THE STATEWIDE TAXABLE
VALUE OF PROPERTY IN CLASS THREE, CLASS FOUR, AND CLASS TWELVER
DUE TO THE EFFECTS OF REAPPRAISAL;

Respectfully report as follows: That HOUSE Bill No. 198

be amended as follows:

1. Page 1.
Following: line 2
Insert: "BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE"

2. Title, line 4.
Following: "ALLOW"
Strike: "ZERO"
Insert: "A FIVE"

3. Page 2, line 10.
Following: "50"
Strike: "00"
Insert: "50"

DO:PASS:

(continued)

4. Page 2, line 19.
Strike: "30.00"
Insert: "31.50"

5. Page 2, line 20.
Strike: "37.27"
Insert: "38.63"

6. Page 2, line 21.
Strike: "25.00"
Insert: "26.25"

7. Page 2, line 22.
Strike: "23.08"
Insert: "24.23"

8. Page 2, line 23.
Strike: "21.43"
Insert: "22.50"

9. Page 2, line 24.
Strike: "20.00"
Insert: "21.00"

10. Page 6, line 6.
Following: "Until"
Strike: "July"
Insert: "January"

11. Page 6, line 8.
Strike: "8.55"
Insert: "8.97"

12. Page 6, line 9.
Strike: "7.77"
Insert: "8.15"

13. Page 6, line 10.
Strike: "7.12"
Insert: "7.49"

14. Page 6, line 11.
Strike: "6.57"
Insert: "6.89"

(continued)

Chairman.

15. Page 6, line 12.

Strike: "5.10"

Insert: "5.40"

16. Page 6, line 13.

Strike: "5.70"

Insert: "5.98"

17. Page 6, line 14.

Strike: "5.34"

Insert: "5.60"

18. Page 6, line 15.

Strike: "5.02"

Insert: "5.27"

19. Page 6, line 16.

Strike: "4.75"

Insert: "4.98"

20. Page 6, line 17.

Strike: "4.50"

Insert: "4.72"

21. Page 6, line 18.

Strike: "4.27"

Insert: "4.48"

22. Page 6, line 19.

Strike: "4.07"

Insert: "4.27"

23. Page 6, line 20.

Strike: "3.83"

Insert: "4.07"

22. Page 6, line 21.

Strike: "3.71"

Insert: "3.89"

23. Page 6, line 22.

Strike: "3.56"

Insert: "3.74"

24. Page 6, line 23.

Strike: "3.42"

Insert: "3.55"

(continued)

25. Page 6, line 24.
Strike: "3.28"
Insert: "3.44"

26. Page 6, line 25.
Strike: "3.16"
Insert: "3.31"

27. Page 7, line 1.
Strike: "3.05"
Insert: "3.20"

28. Page 7, line 2.
Strike: "2.94"
Insert: "3.08"

29. Page 7, line 3.
Strike: "2.85"
Insert: "2.99"

30. Page 7, line 4.
Strike: "2.73"
Insert: "2.88"

31. Page 7, line 5.
Strike: "2.67"
Insert: "2.80"

32. Page 7, line 6.
Strike: "2.59"
Insert: "2.71"

33. Page 7, line 7.
Strike: "2.51"
Insert: "2.63"

34. Page 7, line 8.
Strike: "2.44"
Insert: "2.56"

35. Page 7, line 9.
Strike: "2.37"
Insert: "2.48"

(continued)

March 28, 1985

36. Page 7, line 10.
Strike: "2.31"
Insert: "2.42"

37. Page 7, line 11.
Strike: "2.35"
Insert: "2.36"

38. Page 7, line 12.
Strike: "2.19"
Insert: "2.29"

39. Page 7, line 13.
Strike: "2.13"
Insert: "2.25"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

MARCH 29 1935

MR. SPEAKER

We, your committee on TAXATION

having had under consideration HOUSE Bill No. 410

FIRST reading copy (WHITE color)

TO REDUCE THE TAXABLE RATE APPLICABLE TO CERTAIN CLASS
ELEVEN PROPERTY

Respectfully report as follows: That HOUSE Bill No. 410

DO PASS

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE March 28, 1965 BILL NO. HB 250 TIME _____

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH		✓
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN	✓	
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS		✓
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK	✓	
SCHYE, TED		✓
SWITZER, DEAN	✓	
ZABROCKI, CARL		✓
	10	10

Alice Omang
Secretary Alice Omang

Chairman Gerry Devlin

Motion: Roll call amendment +

Statement of Intent

ROLL CALL VOTE

HOUSE COMMITTEE TAXATION

DATE March 28, 1985 BILL NO. HB 250 TIME

NAME	AYE	NAY
DEVLIN, GERRY, Chrm.	✓	
WILLIAMS, MEL, V.Chrm.		✓
ABRAMS, HUGH		✓
ASAY, TOM	✓	
COHEN, BEN		✓
ELLISON, ORVAL	✓	
GILBERT, BOB	✓	
HANSON, MARIAN	✓	
HARRINGTON, DAN		✓
HARP, JOHN	✓	
IVERSON, DENNIS	✓	
KEENAN, NANCY		✓
KOEHNKE, FRANCIS		✓
PATTERSON, JOHN	✓	
RANEY, BOB		✓
REAM, BOB		✓
SANDS, JACK	✓	
SCHYE, TED		✓
SWITZER, DEAN	✓	
ZABROCKI, CARL		✓

Alice Omang
Secretary Alice Omang

Chairman Gerry Devlin

Motion: To reconsider action
on amendments

Exhibits 1
SB 48
3/28/85
Rep Williams

PROPOSED AMENDMENTS
Senate Bill No. 48
Third Reading (Blue) Copy

1. Page 10, line 3.

Following: "SECTION"

Insert: "and class eight property as class eight is described in [section 6 of this act]"

2. Page 10, line 7.

Following: "SECTION"

Insert: "and class eight property as class eight is described in [section 6 of this act]"

3. Page 10, line 10.

Following: "(5)"

Strike: the remainder of line 10 through line 12

Insert: "For taxable years beginning January 1, 1987, and for every taxable year thereafter, the department shall, before July 1 of each year, determine the taxable percentage rate "P" applicable to class four property. The determination shall be made as provided in subsection (6).

(6) $P = A/B$ where:

(a) P is the taxable percentage rate applicable to class four property for the calendar year beginning January 1 in the year in which P is calculated. The taxable percentage rate "P" must be rounded downward to the nearest 0.01%.

(b) A is the taxable percentage rate P applicable to class four property as established by the department for the immediately preceding year; and

(c) B is the certified statewide percentage increase to be determined by the department using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state, excluding new construction, additions, or deletions of property during the preceding year, classified under class four as class four is described in this section and under class eight as class eight is described in [section 6 of this act]; and

(ii) Y is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state that, as of January 1 of the year for which P is being calculated, would be classified under class four as class four is described in this section and classified under class eight as class eight is described in [section 6 of this act].

(d) B must be rounded downward to the nearest 0.0001%."

Adopted ①

4. Page 15, line 12.

Following: "p"

Insert: "applicable to class four property, as provided in
15-6-134,"

5. Pages 15 through 17.

Following: line 12 on page 15

Strike: the remainder of page 15 through line 13 on page 17

Exhibit 2
SB 48
3/28/85
Rep Williams
Reams

PROPOSED AMENDMENTS
Senate Bill No. 48 Third Reading (Blue) Copy

1. Page 24, line 22.
Following: "land"
Insert: "of not less than 5 contiguous acres"
Following: "ownership"
Insert: "that is capable of producing timber of commercial quality that can be economically harvested in commercial quantity."
2. Pages 24 and 25.
Strike: "INCLUDING:" on line 24 of page 24 through line 11 on page 25
3. Page 32, line 6.
Following: "15-6-133"
Insert: "and 15-6-142"
4. Page 32, line 17.
Following: "(d)"
Strike: "Properties"
Insert: "(i) For the period beginning [the effective date of this act] and ending December 31, 1990, properties"
5. Page 32, line 18.
Following: "the"
Insert: "": (A)"
6. Page 32, line 19.
Following: "timber"
Insert: ", to be determined by the department under sections 42.20.113 through 42.20.116, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985,"
Following: "and"
Insert: "": (B)"
Following: "productivity"
Insert: "to be determined by the department under sections 42.20.141 and 42.20.142, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985."
(ii) The department may adopt rules for the revaluation of class twelve properties or properties considered grazing land for the purposes of sections 42.20.141 and 42.20.142, A.R.M., or revise sections 42.20.113 through 42.20.116, 42.20.141, or 42.20.142, A.R.M., prior to December 31, 1990, but no rules so adopted or amended may be made effective before January 1, 1991"

Accepted
Ream (2)

*Exhibit 3**HB 250**3/28/85**Rep. Ramirez*

1 STATEMENT OF INTENT

2 HOUSE BILL 250

3

4 A statement of intent is required for this bill because
5 section 7 of the bill requires the department of revenue to
6 adopt rules describing which types of property within a
7 property class are "like property" for the purpose of
8 appeals before a county or the state tax appeal board. The
9 legislature intends that the term "like property" will be
10 limited to comparisons of residential property with
11 residential property, commercial property with commercial
12 property, and so forth.

13 It is further the intent of the legislature, with
14 respect to the administration of the provisions of House
15 Bill No. 250, that the department of revenue conduct the
16 sales assessment ratio studies required in the bill in a
17 statistically valid manner and only to the extent that the
18 minimum requirements of federal legislation are met. The
19 requirements to be met by the department, both under the
20 provisions of this bill and under federal legislation, shall
21 be met by using realty transfer certificates and other
22 available data to the greatest extent possible.

23 With regard to the audit program required under
24 15-8-104 as amended in the bill, the legislature intends
25 that as few audits be conducted as necessary to comply with

1 the provisions of the bill. If the limitation on the number
2 of audits allowed under 15-8-104 conflicts with the
3 department's ability to meet the minimum requirements
4 imposed by federal legislation, it is the legislature's
5 intent that the department meet the minimum federal
6 requirements.

1 HOUSE BILL NO. 250

2 INTRODUCED BY RAMIREZ, CRIPPEN, MAZUREK

3 GOODOVER, B. BROWN, ABRAMS, MARKS,

4 DEVLIN, KEYSER, ZABROCKI

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE METHOD
7 FOR DETERMINING THE TAX RATE APPLICABLE TO CERTAIN TYPES OF
8 CENTRALLY ASSESSED PROPERTY; DEFINING THE TERM "COMMERCIAL"
9 FOR PROPERTY TAX PURPOSES; REQUIRING THE DEPARTMENT OF
10 REVENUE TO CONDUCT AUDITS OF COMMERCIAL PROPERTY
11 ASSESSMENTS; AMENDING SECTIONS 15-1-101, 15-6-141, AND
12 15-8-104, MCA; AND PROVIDING EFFECTIVE DATES."

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

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

16 "15-1-101. Definitions. (1) When terms mentioned in
17 this section are used in connection with taxation, they are
18 defined in the following manner:

19 (a) The term "agricultural" refers to the raising of
20 livestock, swine, poultry, field crops, fruit, and other
21 animal and vegetable matter for food or fiber.

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

24 (c) The term "average wholesale value" means the value
25 to a dealer prior to reconditioning and profit margin shown

1 in national appraisal guides and manuals or the valuation
2 schedules of the department of revenue.

3 (d) (I) The term "commercial", when used to describe
4 property, means any property, EXCEPT THAT PROPERTY DESCRIBED
5 IN SUBSECTION (II), used or owned by a business, a trade, or
6 a nonprofit corporation as defined in 35-2-102, or used for
7 the production of income.

8 (II) THE FOLLOWING TYPES OF PROPERTY ARE NOT
9 COMMERCIAL:

10 (A) AGRICULTURAL LANDS;

11 (B) TIMBERLANDS;

12 (C) SINGLE-FAMILY RESIDENCES AND ANCILLARY
13 IMPROVEMENTS AND IMPROVEMENTS NECESSARY TO THE FUNCTION OF A
14 BONA FIDE FARM, RANCH, OR STOCK OPERATION;

15 (D) MOBILE HOMES USED EXCLUSIVELY AS A RESIDENCE
16 EXCEPT WHEN HELD BY A DISTRIBUTOR OR DEALER OF TRAILERS OR
17 MOBILE HOMES AS HIS STOCK IN TRADE;

18 (E) ALL PROPERTY DESCRIBED IN 15-6-136; AND

19 (F) ALL NEW INDUSTRIAL PROPERTY DESCRIBED IN
20 15-6-135(3).

21 ~~(d)~~(e) The term "credit" means solvent debts, secured
22 or unsecured, owing to a person.

23 ~~(e)~~(f) The term "improvements" includes all buildings,
24 structures, fixtures, fences, and improvements situated
25 upon, erected upon, or affixed to land. When the department

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

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

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

22 ~~(h)~~(i) The term "personal property" includes
23 everything that is the subject of ownership but that is not
24 included within the meaning of the terms "real estate" and
25 "improvements".

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

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

11 ~~(k)~~(l) The term "real estate" includes:

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

14 (ii) all mines, minerals, and quarries in and under the
 15 land subject to the provisions of 15-23-501 and 15-23-801;
 16 all timber belonging to individuals or corporations growing
 17 or being on the lands of the United States; and all rights
 18 and privileges appertaining thereto.

19 ~~(l)~~(m) The term "taxable value" means the percentage
 20 of market or assessed value as provided for in 15-6-131
 21 through 15-6-140.

22 (2) The phrase "municipal corporation" or
 23 "municipality" or "taxing unit" shall be deemed to include a
 24 county, city, incorporated town, township, school district,
 25 irrigation district, drainage district, or any person,

1 persons, or organized body authorized by law to establish
2 tax levies for the purpose of raising public revenue.

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

6 Section 2. Section 15-6-141, MCA, is amended to read:

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

9 (a) centrally assessed electric power companies'
10 allocations;

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

14 (c) centrally assessed companies' allocations except:

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

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

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

23 (d) (IV) all railroad transportation property described
24 in the federal Railroad Revitalization and Regulatory Reform
25 Act of 1976, as it reads on [the effective date of this

act];

(e)(V) all motor carrier transportation property described in the federal Motor Carrier Act of 1980, as it reads on [the effective date of this act]; and

(f)(VI) all airline transportation property described in the federal Tax Equity and Fiscal Responsibility Act of 1982, as it reads on [the effective date of this act].

(2) Class eleven property is taxed as follows:

(a)--Property described in subsection (1)(a) and (b) is taxed at 12% of market value.

(b)--Except as provided in 15-23-202, property described in subsection (1)(c), other than property included in subsections (1)(d) through (1)(f), is taxed at 15% 12.8% of market value.

(c)--Property described in subsections (1)(d) through (1)(f) is taxed at the percentage rate "R" to be determined annually by the department of revenue as provided in subsection (3):

(3)-- $R = \frac{\sum_{i=1}^n (A_i)(B_i)(C_i)}{D}$ where:

(a)--R is the taxable percentage applicable to property included in subsections (1)(d) through (1)(f);

(b)--in each tax category of commercial property:

(i)-- A_i is the total statewide market value of the property;

(ii)-- B_i is the level of assessment as described in

1 subsection-(4);-and

2 (iii)-Ci-is-the-level-of-taxation-as-described-in
 3 subsection-(5);-and

4 (c)--D--is--the--statewide--total--market--value-of-all
 5 commercial-property-

6 (4)--The-level-of-assessment-for-each-tax-category--of
 7 commercial--property--is--the--ratio-of-the-property's-total
 8 appraised-value-to-its-total-true-market-value-

9 (5)--The-level-of-taxation-for--each--tax--category--of
 10 commercial--property--is--the--ratio-of-the-property's-total
 11 taxable-value-to-its-total-true-market-value--The-property's
 12 taxable-value-is-determined-by-multiplying-the-total--market
 13 value--of--the--property--in-the-tax-category-by-the-taxable
 14 percentage-applicable-to-it-

15 (6)--For-the-purpose--of--complying--with--the--federal
 16 Railroad--Revitalization--and-Regulatory-Reform-Act-of-1976,
 17 the-federal-Motor-Carrier-Act-of-1980,-and-the--federal--Tax
 18 Equity--and--Fiscal-Responsibility-Act-of-1982,-as-they-read
 19 on-{the-effective-date-of-this-act}:-

20 (a)--the-rate-"R"-referred-to-in-subsection-(2)-is--the
 21 average--tax--rate--generally--applicable--to-commercial-and
 22 industrial-property-in-Montana;

23 (b)--the-term-"commercial",-as-defined-in--15-1-101,
 24 includes-any-industrial-property-used-or-owned-by-a-business
 25 or--trade--or--used--for--the--production--of--income-and-is

synonymous--with--the--term---"commercial---and---industrial
property"--as--used--in--each-of-such-federal-acts--The-term
does-not-include-property-in-class-one,--two,--or--three--or
property-exempt-from-taxation--

{7}--The--term--"tax-category"--means--all--property--within
a-property-tax-class-that-is-taxed-at-the-same-percentage-of
market-value--"

NEW SECTION. SECTION 3. CLASS THIRTEEN PROPERTY --
DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS THIRTEEN
PROPERTY INCLUDES:

(A) ALL RAILROAD TRANSPORTATION PROPERTY AS DESCRIBED
IN THE RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF
1976 AS IT READ ON [THE EFFECTIVE DATE OF THIS ACT];

(B) ALL AIRLINE TRANSPORTATION PROPERTY AS DESCRIBED
IN THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 AS
IT READ ON [THE EFFECTIVE DATE OF THIS ACT]; AND

(C) ALL MOTOR CARRIER TRANSPORTATION PROPERTY AS
DESCRIBED IN THE MOTOR CARRIER ACT OF 1980 AS IT READ ON
[THE EFFECTIVE DATE OF THIS ACT].

(2) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1986,
CLASS THIRTEEN PROPERTY IS TAXED AT THE PERCENTAGE RATE "R",
TO BE DETERMINED BY THE DEPARTMENT AS PROVIDED IN SUBSECTION
(3).

(3) R = (A + B + C + D + E + F + G)/H WHERE:

(A) R IS THE TAXABLE PERCENTAGE APPLICABLE TO CLASS

1 THIRTEEN PROPERTY;

2 (B) A IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
3 COMMERCIAL PROPERTY INCLUDED IN CLASS FOUR AND IS DETERMINED
4 BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS
5 FOUR PROPERTY BY THE TAXABLE PERCENTAGE RATE "P" PROVIDED IN
6 15-6-134;

7 (C) B IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
8 PROPERTY INCLUDED IN CLASS FIVE AND IS DETERMINED BY
9 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS FIVE
10 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN
11 15-6-135;

12 (D) C IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
13 PROPERTY INCLUDED IN CLASS SEVEN AND IS DETERMINED BY
14 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS SEVEN
15 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN
16 15-6-137;

17 (E) D IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
18 PROPERTY INCLUDED IN CLASS EIGHT AND IS DETERMINED BY
19 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS EIGHT
20 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN
21 15-6-138;

22 (F) E IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
23 PROPERTY INCLUDED IN CLASS NINE AND IS DETERMINED BY
24 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS NINE
25 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN

1 15-6-139;

2 (G) F IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
3 PROPERTY INCLUDED IN CLASS TEN AND IS DETERMINED BY
4 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS TEN
5 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN
6 15-6-140;

7 (H) G IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL
8 PROPERTY INCLUDED IN CLASS ELEVEN AND IS DETERMINED BY
9 MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS ELEVEN
10 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN
11 15-6-141; AND

12 (I) H IS THE TOTAL STATEWIDE MARKET VALUE OF ALL
13 PROPERTY INCLUDED IN CLASSES FOUR, FIVE, SEVEN, EIGHT, NINE,
14 TEN, AND ELEVEN.

15 (4) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1987,
16 CLASS THIRTEEN PROPERTY IS TAXED AT THE PERCENTAGE RATE "R"
17 APPLICABLE TO CLASS THIRTEEN PROPERTY FOR THE TAXABLE YEAR
18 BEGINNING JANUARY 1, 1986, MULTIPLIED BY THE VALUE WEIGHTED
19 MEAN SALES ASSESSMENT RATIO FOR ALL COMMERCIAL AND
20 INDUSTRIAL PROPERTY AS DETERMINED BY THE DEPARTMENT OF
21 REVENUE UNDER 15-7-111(3).

22 (5) FOR THE PURPOSE OF COMPLYING WITH THE RAILROAD
23 REVITALIZATION AND REGULATORY REFORM ACT OF 1976, THE TAX
24 EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982, AND THE MOTOR
25 CARRIER ACT OF 1980, AS THEY READ ON [THE EFFECTIVE DATE OF

1 THIS ACT]:

2 (A) THE RATE "R" REFERRED TO IN SUBSECTION (2) IS THE
3 AVERAGE TAX RATE GENERALLY APPLICABLE TO COMMERCIAL AND
4 INDUSTRIAL PROPERTY IN MONTANA; AND

5 (B) "COMMERCIAL AND INDUSTRIAL PROPERTY" IS ALL
6 PROPERTY INCLUDED IN CLASSES FOUR, FIVE, SEVEN, EIGHT, NINE,
7 TEN, AND ELEVEN.

8 SECTION 4. SECTION 15-7-111, MCA, IS AMENDED TO READ:

9 "15-7-111. Periodic revaluation of taxable property.
10 The (1) Except as provided in subsections (2) and (3), the
11 department of revenue shall administer and supervise a
12 program for the revaluation of all taxable property within
13 the state at least every 5 years. A comprehensive written
14 plan of rotation shall be promulgated by the department
15 fixing the order of revaluation of property in each county
16 on the basis of the last revaluation of taxable property in
17 each county prior to July 1, 1974, in order to adjust the
18 disparities therein between the counties. The plan of
19 rotation so adopted shall provide that all property in each
20 county shall be revalued at least every 5 years or that no
21 less than 20% of the property in each county shall be
22 revalued in each year. The department shall furnish a copy
23 of the plan and all amendments thereto to each county
24 assessor and the board of county commissioners in each
25 county.

1 (2) For the taxable year beginning January 1, 1986,
2 the department shall revalue all commercial real property
3 and improvements using the national appraisal manual
4 Marshall Valuation Service, published by Marshall and Swift
5 publication company for 1985, or such other national
6 appraisal manual determined to be appropriate by the
7 department.

8 (3) (a) For the taxable year beginning January 1,
9 1987, the department shall conduct a sales assessment ratio
10 study of all commercial and industrial real property and
11 improvements. The study must be based on:

12 (i) taxable year 1986 assessments; and

13 (ii) a statistically valid sample of sales using data
14 from realty transfer certificates from taxable year 1986.

15 (b) The department shall determine the value weighted
16 mean sales assessment ratio for all such property."

17 Section 5. Section 15-8-104, MCA, is amended to read:

18 "15-8-104. Department audit of taxable value -- costs
19 of audit paid by department. (1) When in the judgment of the
20 director of revenue it is necessary, audits may be made for
21 the purpose of determining the taxable value of net proceeds
22 of mines and oil and gas wells and all other types of
23 property subject to ad valorem taxation.

24 (2) The department of revenue shall conduct audits of
25 the assessment of all commercial PERSONAL property to assure

1 that the value of such property reasonably reflects market
2 value. BECAUSE THE ASSESSED VALUE OF COMMERCIAL PERSONAL
3 PROPERTY IS DEFINED AS MARKET VALUE UNDER 15-8-111(2), THE
4 AUDITS CONDUCTED BY THE DEPARTMENT SHALL BE PRIMARILY
5 DIRECTED TOWARD ENSURING THAT ALL TAXABLE PERSONAL PROPERTY
6 IS REPORTED TO THE DEPARTMENT.

7 (3) THE DEPARTMENT MAY NOT CONDUCT A GREATER NUMBER OF
8 AUDITS ON PERSONAL PROPERTY IN CALENDAR YEAR 1986 THAN IT
9 CONDUCTED IN CALENDAR YEAR 1984.

10 ~~(2)~~(3)(4) The cost of the any audit performed under
11 subsection (1) or (2) shall be paid by the department."

12 SECTION 6. SECTION 15-15-101, MCA, IS AMENDED TO READ:

13 "15-15-101. County tax appeal board -- meetings and
14 compensation. (1) The board of county commissioners of each
15 county shall appoint a three-member county tax appeal board,
16 with the members to serve staggered terms of 3 years each.
17 The members of each county tax appeal board shall be
18 residents of the county in which they serve. They shall
19 receive compensation of \$45 a day and travel expenses as
20 provided for in 2-18-501 through 2-18-503, as amended, only
21 when the county tax appeal board is in session to hear
22 taxpayers' appeals from property tax assessments or when
23 they are attending meetings called by the state tax appeal
24 board. Travel expenses and compensation shall be paid from
25 the appropriation to the state tax appeal board. Office

1 space and equipment for the county tax appeal boards shall
2 be furnished by the county. All other incidental expenses
3 shall be paid from the appropriation of the state tax appeal
4 board.

5 (2) The county tax appeal board must meet on the third
6 Monday of April in each year to hear protests concerning
7 assessments made by the department of revenue. It must
8 continue in session for that purpose from time to time until
9 the business of hearing protests is disposed of, but, except
10 as provided in 15-2-201, not later than 60 days after the
11 department of revenue or its agent:

12 (a) has mailed notice of classification and appraisal
13 to all property owners and purchasers under contracts for
14 deed as required in 15-7-102; and

15 (b) has notified the county tax appeal board that
16 classification and appraisal notices have been mailed to all
17 property owners and purchasers under contracts for deed.

18 (3) In connection with any such appeal, the county tax
19 appeal board may, within the limitations of subsection (5),
20 change any assessment or fix the assessment at some other
21 level. The county clerk shall publish a notice to taxpayers,
22 giving the time the county tax appeal board will meet to
23 hear protests concerning assessments and the latest date the
24 county tax appeal board may take applications for such
25 hearings. The notice shall be published in a newspaper if

1 any is printed in the county or, if none, then in such
 2 manner as the board may direct. The notice shall be
 3 published at least 7 days prior to the first meeting of the
 4 county tax appeal board.

5 (4) Challenges to a department of revenue rule
 6 governing the assessment of property or to an assessment
 7 procedure shall apply within the limitations of subsection
 8 (5) and only to the taxpayer bringing the challenge and may
 9 not apply to all similarly situated taxpayers unless an
 10 action is brought in the district court as provided in
 11 15-2-307 through 15-2-310.

12 (5) An appeal on an assessment or a challenge to a
 13 department of revenue rule or assessment procedure is valid
 14 only to the extent that the appellant can demonstrate that
 15 other owners of like property within the same property class
 16 or like properties within the same property class are
 17 treated in a manner that substantially harms the appellant."

18 NEW SECTION. Section 7. Extension RULEMAKING
 19 AUTHORITY -- EXTENSION of EXISTING authority. (1) THE
 20 DEPARTMENT SHALL ADOPT RULES SPECIFYING WHICH TYPES OF
 21 PROPERTY WITHIN THE SEVERAL CLASSES ARE CONSIDERED "LIKE
 22 PROPERTY" FOR THE PURPOSES OF PROPERTY TAX APPEALS PURSUANT
 23 TO 15-15-101.

24 (2) Any existing authority of the department of
 25 revenue to make rules on the subject of the provisions of

1 this act is extended to the provisions of this act.

2 ~~(2)~~(3) The department may initiate rulemaking
3 proceedings under this section on or after this act is
4 passed and approved, but no rule adopted under this section
5 may be made effective before January 1, 1986.

6 NEW SECTION. Section 8. Severability. If a part of
7 this act is invalid, all valid parts that are severable from
8 the invalid part remain in effect. If a part of this act is
9 invalid in one or more of its applications, the part remains
10 in effect in all valid applications that are severable from
11 the invalid applications.

12 NEW SECTION. Section 9. Effective dates. (1) This
13 act, except section 4 7 and this section, is effective
14 January 1, 1986.

15 (2) Section 4 7 and this section are effective on
16 passage and approval.

-End-