

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
HOUSE OF REPRESENTATIVES  
50TH LEGISLATIVE SESSION

April 6, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on April 6, 1987, at 9 a.m., in Room 312B of the State Capitol.

ROLL CALL: All members were present, except Reps. Ellison and Schye, who were excused. Also present was Greg Petesch, Director of Legal Services, Legislative Council. Rep. Ellison paired his votes with Rep. Gilbert. Rep. Schye paired his votes with Rep. Williams.

DISPOSITION OF SENATE BILL NO. 1: Chairman Ramirez advised he was concerned about language on page 7, concerning 8 percent of revenue for coal mined in other states, because no one has any idea what that amount will be and the fiscal note states no applications will be filed for five years.

Rep. Keenan made a motion that SB 1 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 902: Rep. Raney made a motion that HB 902 be TABLED. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 44: Rep. Hoffman made a motion that SB 44 be TABLED.

Chairman Ramirez advised the fiscal impact of the bill is \$6 million. The motion FAILED, with all members voting aye, except Reps. Ramirez, Williams, Hanson, Gilbert, Ellison, Koehnke, Schye, and Asay, who voted no.

Rep. Gilbert made a motion that SB 44 BE CONCURRED IN.

Chairman Ramirez advised the Committee that the bill's sponsor requested the effective date be amended to July 1, 1987.

Rep. Gilbert made a motion that the effective date of SB 44 be changed to July 1, 1987. The motion CARRIED unanimously.

Rep. Gilbert made a motion that SB 44 BE CONCURRED IN AS AMENDED. The motion CARRIED 11-5 on a roll call vote (attached).

DISPOSITION OF SENATE BILL NO. 64: Rep. Ream made a motion that SB 64 BE CONCURRED IN. Chairman Ramirez commented that it does not appear any amendments are necessary.

The motion made by Rep. Ream CARRIED unanimously.

Chairman Ramirez made a motion to reconsider to amend the bill to require that a business meet preliminary requirements prior to applying for assistance. The motion to reconsider CARRIED unanimously.

Rep. Sands made a motion to eliminate section 3, on page 14 of the bill, and said it should not single out one area for such a property tax break. He then amended his motion to three years.

Chairman Ramirez advised he would oppose the motion as this kind of break could lead to new jobs and other industries, long term.

Rep. Sands stated the tax structure is supposed to be broad-based and equitable, and asked if Rep. Dave Brown did not have a bill addressing this situation. Greg Petesch advised that Rep. Brown's bill passed, and required a certain dollar amount for expansion and for new business.

Rep. Sands changed his motion to strike section 3 completely. The motion CARRIED, with all members voting aye, except Reps. Ream and Ramirez, who voted no.

Rep. Sands made a motion that SB 64 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously.

CONSIDERATION OF SENATE BILL NO. 71: Greg Petesch provided copies of proposed amendments (Exhibit #1).

Chairman Ramirez advised the Committee that the proposed amendments would turn SB 71 into a carbon copy of Rep. Kadas' bill, which didn't make transmittal, and made a motion that SB 71 BE CONCURRED IN and a second motion that the proposed amendments be approved. The motion to amend CARRIED unanimously.

Chairman Ramirez made a motion that SB 71 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 74: Rep. Sands made a motion that SB 74 BE CONCURRED IN.

Rep. Harp said the bill does not affect PERS (public employees retirement system) people at all and brings

private retirees from \$360 to a \$3,600 exemption on retirement income.

Chairman Ramirez commented that the state is losing \$4 million on this bill. Rep. Harp said he would look into the matter and report back to the Committee by April 7.

Rep. Sands commented that the Committee needs to figure out what would happen to SB 74, if SB 904 passes. Chairman Ramirez advised that if HB 904 passes, SB 74 will not be necessary, and appointed a subcommittee comprised of Reps. Harp, Sands, and Ream to study the matter and report to the Committee on April 7.

DISPOSITION OF SENATE BILL NO. 116: Rep. Gilbert advised that Norris Nichols, Administrator, Motor Fuels Tax Division, DOR, has a staff person who can explain the issue addressed by the bill. He said the bill is well-intentioned and would resolve a bad problem, and requested that the Committee pass on taking action on the bill, until a additional information is received.

Rep. Hoffman made a motion that SB 116 be TABLED. The

Chairman Ramirez suggested that, as an alternative, a subcommittee could be appointed to study the matter. Rep. Raney stated the situation creates unfair competition when Canadians sell gasoline without paying Montana tax. Rep. Hoffman withdrew his motion to TABLE.

Chairman Ramirez appointed Reps. Gilbert, Hanson, and Schye as a subcommittee, to study SB 116 and report back to the Committee.

DISPOSITION OF SENATE BILL NO. 129: Rep. Harp made a motion to TABLE SB 129. The motion CARRIED, with all members voting aye, except Reps. Harrington, Raney, Patterson, and Ramirez, who voted no.

DISPOSITION OF SENATE BILL NO. 162: Rep. Harp made a motion that SB 162 BE CONCURRED IN.

Chairman Ramirez advised that Rep Hoffman was assigned to contact Sen. Mazurek to see if the proposal to incorporate the bill with HB 743 has been addressed, and report back to the Committee.

Rep. Harp withdrew his motion.

DISPOSITION OF SENATE BILL NO. 177: Rep. Keenan made a motion that SB 177 BE CONCURRED IN.

Rep. Patterson reminded the Committee that, if SB 177 passes, it would eliminate administrative costs, to be consistent with the agriculture and veterans check-offs.

Chairman Ramirez advised that the coordination clause in section 5, would address Rep. Patterson's concerns. He commented that DOR wanted just the opposite, and said he was opposed to DOR's request.

The motion made by Rep. Keenan CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 266: Chairman Ramirez made a motion that SB 266 BE CONCURRED IN, and a motion to amend SB 266 to limit on-site sales of wines to two cases per person per day. The motion to amend FAILED, with all members voting no, except Reps. Harp and Ramirez, who voted aye.

Chairman Ramirez made a motion that SB 266 BE CONCURRED IN. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 272: Rep. Harrington made a motion that SB 272 BE CONCURRED IN.

Rep. Keenan advised that page 2, line 20, states gross annual operating revenue of less than \$1 million.

Rep. Patterson asked if line 22 on page 2, would not be competitive, and if it pertained to tourism only.

Chairman Ramirez commented the Committee should address "nonprofit" in the bill.

Rep. Patterson suggested inserting "used for nonprofit" on page 2, line 23. Chairman Ramirez replied he thought the Committee needed to do more than that. Rep. Asay advised it would benefit the state.

Rep. Raney stated the Crazy Mountain Railroad in Livingston hopes to acquire the branch line from Mission to Wilsall, and if the Railroad can convince BN it has a workable solution, Burlington Northern will turn the branch line over to the state, whereby it will be turned over to Crazy Mountain Railroad. He said the Railroad must be nonprofit, and that if it has to pay taxes, the Railroad won't be able to operate at a profit and the line will revert back to BN, who will tear it up.

Rep. Hoffman advised that, right now, anyone can ride the tour train to the hill, from the mining museum, and that later on, the train tour may extend to the smelter in Anaconda. He asked if the tour train would still be under

the auspices of the PSC, if it were nonprofit. Rep. Harrington replied he was uncertain.

Rep. Sands asked if this were a beneficial use tax before. Chairman Ramirez replied that state-owned property is exempt from property tax, but if the state lets others use the land, it is taxed.

Rep. Sands asked what the new language prior to "except" does. Rep. Raney replied that two existing railroads are not taxed, Central Montana Railroad and Raurus, and said he believes the bill is in order.

Chairman Ramirez said he believe a subcommittee should be appointed if the Committee wanted to continue to discuss the bill at length. Rep. Sands commented he wasn't present for the hearing and felt he needed to address the bill.

Chairman Ramirez appointed Reps. Asay, Sands, and Raney to study the bill further and to report back to the Committee.

Rep. Gilbert advised he agreed with Rep. Sands.

DISPOSITION OF SENATE BILL NO. 297: Rep. Harp made a motion that SB 297 BE CONCURRED IN.

Chairman Ramirez advised the Committee his notes from the hearing indicate there will be some general fund expenditures at the state level, and that it will be difficult to meet requirements in lines 17-19, on page 1.

Rep. Gilbert proposed inserting "within reason" between "shall" and "may".

Rep. Sands made a motion to strike lines 16-19 on page 1 of the bill, because it would be extremely difficult to enforce. The motion CARRIED, with all members voting aye, except Reps. Ream and Patterson, who voted no.

Rep. Gilbert commented that all of the counties probably won't participate, and that the costs indicated in the fiscal note may be high.

Rep. Sands made a motion that SB 297 BE CONCURRED IN AS AMENDED. The motion FAILED 6-9 (roll call vote attached). The vote was reversed to BE NOT CONCURRED IN AS AMENDED.

DISPOSITION OF SENATE BILL NO. 325: Chairman Ramirez advised that Greg Groepper, DOR, requested a statement of intent, not to make changes in the law, but to provide clarification.

Greg Petesch advised that a statement of intent is not necessary.

Rep. Keenan made a motion that SB 325 be TABLED.

Rep. Hoffman stated he believed the bill might confuse the Appropriations process, but should be done for commercial property.

Rep. Gilbert advised that inequities come from mass appraisals, and made a substitute motion that SB 325 BE CONCURRED IN. The motion CARRIED unanimously.

Rep. Sands made a motion that the Statement of Intent be approved. The motion CARRIED unanimously.

Rep. Gilbert made a motion that SB 325 BE CONCURRED IN with the Statement of Intent. The motion CARRIED unanimously.

APPOINTMENT OF SUBCOMMITTEES TO STUDY OTHER SENATE BILLS:  
Chairman Ramirez appointed Reps. Harp, Hoffman, and Harrington to study SB 22 and report back to the Committee.

Chairman Ramirez appointed Reps. Gilbert, Williams, and Ramirez to study SB 390 and report back to the Committee.

Chairman Ramirez appointed Reps. Sands, Koehnke, and Ellison to study SB 55, and report back to the Committee.

Chairman Ramirez appointed Reps. Harrington, Patterson, and Gilbert to study SB 183, and report back on conflicts between it and the lottery clean-up bill.

All subcommittees were asked to report back to the Committee on April 7.

DISPOSITION OF SENATE BILL NO. 337: Rep. Patterson made a motion that SB 337 BE CONCURRED IN.

Rep. Raney made a motion to insert "(d) is unmarried" on page 2, line 17, of the bill. The motion CARRIED unanimously.

Rep. Patterson made a motion that SB 337 BE CONCURRED IN AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Harp, Hoffman, Ream, and Asay, who voted no.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 10:40 a.m.

TAXATION COMMITTEE  
April 6, 1987  
Page 7

  
Representative Jack Ramirez,  
Chairman

DAILY ROLL CALL  
 HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date April 6, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON			✓
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE			✓
REP. WILLIAMS	✓		



# STANDING COMMITTEE REPORT

APRIL 6

1937

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 44

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 7  
Strike: "APPLICABILITY"  
Insert: "EFFECTIVE"
2. Page 3, line 7  
Strike: "Applicability"  
Insert: "Effective date"
3. Page 3, line 8  
Strike: line 8 in its entirety  
Insert: "is effective July 1, 1937."

# STANDING COMMITTEE REPORT

APRIL 6

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 54

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 9  
Strike: "15-6-195,"
2. Page 3, line 23  
Following: line 22  
Insert: "(7) A proposed research and development firm may, prior to incorporation, submit the information required under subsection (2)(b) to the department for a preliminary determination of whether the proposed firm would qualify for the tax exemption provided for in subsection (1)."
3. Page 14, line 5 through page 16, line 23  
Strike: Section 3 in its entirety  
Re-number: subsequent sections

# STANDING COMMITTEE REPORT

Page 1 of 5

APRIL 5 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 471

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

As amended as follows:

1. Title, line 8.

Following: "MCA;"

Insert: "CLARIFYING PROVISIONS OF INITIATIVE NO. 105  
APPROVED BY THE ELECTORS OF MONTANA;"

~~2. Title, line 7.~~

Following: "PROVIDING"

Strike: "A CONTINGENT"

Insert: "AN IMMEDIATE"

3. Title, line ~~2~~, 9

Following: "DATE"

Insert: ", A RETROACTIVE APPLICABILITY DATE, AND A  
TERMINATION DATE"

4. Page 1.

Following: line 9

Insert: "WHEREAS, the electors of Montana approved Initiative No. 105, limiting certain property taxes to 1986 levels unless the Legislature reduces property taxes prior to July 1, 1987, and establishes alternative revenue sources; and  
WHEREAS, Initiative No. 105 was not intended by its drafters and proponents to encompass the numerous interconnecting statutory provisions that would require amendment to facilitate implementation of the measure; and  
WHEREAS, it is the intent of the Legislature to enact provisions compatible with the will of the electors in limiting certain property taxes to 1986 levels while providing procedures to enable the Department of Revenue and local government units to function smoothly under such limits."

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4 Page 1, line 44 through line 2, page 3.

Following: the enacting clause

Strike: the remainder of the bill

Insert: "Section 1 . Declaration of policy -- clarification -- extension to all property classes. [Section 1 of Initiative No. 105] is interpreted, clarified, and extended as follows:

(1) In order to avoid constitutional challenges based on discriminatory treatment of taxpayers in tax classes not enumerated in [Initiative No. 105], the limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The policy declaration in [subsection (5) of section 1 of Initiative No. 105] that no further property tax increases be imposed is interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2 . Property tax limited to 1986 levels -- clarification -- extension to all property classes. [Section 2 of Initiative No. 105] is interpreted and clarified as follows:

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

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

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

Representative Jack Ramirez, Chairman

- (a) annexation of real property and improvements into a taxing unit;
  - (b) construction, expansion, or remodeling of improvements;
  - (c) transfer of property into a taxing unit;
  - (d) subdivision of real property;
  - (e) reclassification of property;
  - (f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
  - (g) transfer of property from tax-exempt to taxable status; or
  - (h) revaluations caused by:
    - (i) cyclical reappraisal; or
    - (ii) expansion, addition, replacement, or remodeling of improvements.
- (4) The limitation on the amount of taxes levied does not mean that no further increase may be made in the taxable valuation or in the actual tax liability on individual property in each class as a result of:
- (a) construction, expansion, replacement, or remodeling of improvements that adds value to the property;
  - (b) transfer of property into a taxing unit;
  - (c) reclassification of property;
  - (d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
  - (e) annexation of the individual property into a new taxing unit; or
  - (f) conversion of the individual property from tax-exempt to taxable status.
- (5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:
- (a) new construction;
  - (b) expanded, deleted, replaced, or remodeled improvements;
  - (c) annexed property; or
  - (d) property converted from tax-exempt to taxable status.

Representative Jack Ramirez

Chairman.

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

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by [Initiative No. 105], except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in [Initiative No. 105], while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of [Initiative No. 105]:

- (a) rural improvement districts;
- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- (d) city street maintenance districts;
- (e) tax increment financing districts;
- (f) satisfaction of judgments against a taxing unit;
- (g) electric company street lighting assessments; and

Representative Jack Ramirez,

Chairman.

(h) revolving funds to support any categories specified in this subsection (8).

Section 3 . Codification instruction.

Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10, apply to sections 1 and 2.

Section 4 . Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5 . Effective date -- applicability.

(1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6 . Termination. This act terminates December 31, 1989."

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# STANDING COMMITTEE REPORT

APRIL 6

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. IX 177

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

Representative Jack Ramirez, Chairman

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# STANDING COMMITTEE REPORT

APRIL 6

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION  
report SENATE BILL 266

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

# STANDING COMMITTEE REPORT

APRIL 6

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 297

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

\_\_\_\_\_  
Representative Jack Ramirez, <sup>Chairman</sup>

Be amended as follows:

1. Page 1, lines 16 through 19  
Following: "leave" on line 16  
Strike: remainder of line 16 through "residents" on line 19

# STANDING COMMITTEE REPORT

APRIL 6

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 325

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

## STATEMENT OF INTENT

It is the intent of this legislation to embody into statute the current practice of the department of revenue in determining depreciation including functional obsolescence and economic obsolescence. This bill is not intended to change the current practice of the department of revenue.

# STANDING COMMITTEE REPORT

APRIL 6

1937

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 337

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Page 2, line 12  
Strike: "and"
2. Page 2, line 13  
Following: line 12  
Insert: "(c) is unmarried; and"  
Number: subsequent subsection

ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 4-6 BILL NO. SB44

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK		✓	
ASAY, REP. TOM		✓	
ELLISON, REP. ORVAL		✓	
GILBERT, REP. BOB		✓	
HANSON, REP. MARION		✓	
HARP, REP. JOHN		✓	
HARRINGTON, REP. DAN			✓
HOFFMAN, REP. ROBERT		✓	
KENNAN, REP. NANCY			✓
KOEHNKE, REP. FRANCIS		✓	
PATTERSON, REP. JOHN		✓	
RANEY, REP. BOB			✓
REAM, REP. BOB			✓
SANDS, REP. JACK		✓	
SCHYE, REP. TED			✓
WILLIAMS, REP. MEL		✓	
TALLY		11	5

Joann Banschbach Secretary      Rep. Jack Ramirez Chairman

Motion: Gilbert - DPAA

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ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 4-6 BILL NO. SB 297

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			7
ASAY, REP. TOM			7
ELLISON, REP. ORVAL	✓		
GILBERT, REP. BOB		7	
HANSON, REP. MARION			7
HARP, REP. JOHN			7
HARRINGTON, REP. DAN		7	
HOFFMAN, REP. ROBERT			7
KENNAN, REP. NANCY			7
KOEHNKE, REP. FRANCIS		7	
PATTERSON, REP. JOHN			7
RANEY, REP. BOB		7	
REAM, REP. BOB		7	
SANDS, REP. JACK			7
SCHYE, REP. TED		7	
WILLIAMS, REP. MEL			7
TALLY	1	6	9

Joann Banschbach  
Secretary

Rep. Jack Ramirez  
Chairman

Motion: Sands DPAA

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#1  
4-6-87  
SB 71

Amend Senate Bill No. 71, Third Reading Copy

1. Title, line 8.  
Following: "MCA;"  
Insert: "CLARIFYING PROVISIONS OF INITIATIVE NO. 105  
APPROVED BY THE ELECTORS OF MONTANA;"
  
2. Title, line 9.  
Following: "PROVIDING"  
Strike: "A CONTINGENT"  
Insert: "AN IMMEDIATE"
  
3. Title, line 10.  
Following: "DATE"  
Insert: ", A RETROACTIVE APPLICABILITY DATE, AND A  
TERMINATION DATE"
  
4. Page 1.  
Following: line 9  
Insert: "WHEREAS, the electors of Montana approved  
Initiative No. 105, limiting certain property  
taxes to 1986 levels unless the Legislature  
reduces property taxes prior to July 1, 1987, and  
establishes alternative revenue sources; and  
WHEREAS, Initiative No. 105 was not intended  
by its drafters and proponents to encompass the  
numerous interconnecting statutory provisions that  
would require amendment to facilitate implementa-  
tion of the measure; and  
WHEREAS, it is the intent of the Legislature  
to enact provisions compatible with the will of  
the electors in limiting certain property taxes to  
1986 levels while providing procedures to enable  
the Department of Revenue and local government  
units to function smoothly under such limits."
  
5. Page 1, line 12 through line 2, page 3.  
Following: the enacting clause  
Strike: the remainder of the bill  
Insert: "Section 1 . Declaration of policy --  
clarification -- extension to all property class-  
es. [Section 1 of Initiative No. 105] is inter-  
preted, clarified, and extended as follows:  
(1) In order to avoid constitutional chal-  
lenges based on discriminatory treatment of  
taxpayers in tax classes not enumerated in [Initi-  
ative No. 105], the limitation to 1986 levels is  
extended to apply to all classes of property  
described in Title 15, chapter 6, part 1.  
(2) The policy declaration in [subsection (5)  
of section 1 of Initiative No. 105] that no  
further property tax increases be imposed is

interpreted to mean no further increase may be made in the tax rate applied to property in each class in 1986.

(3) No new class of property may be created solely to circumvent the policy underlying [Initiative No. 105]. If a new class of property is created in order to afford preferential treatment to a category of property, the taxable rate that applies may not exceed the rate at which such property was taxed in 1986.

Section 2 . Property tax limited to 1986 levels -- clarification -- extension to all property classes. [Section 2 of Initiative No. 105] is interpreted and clarified as follows:

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

(2) The limitation on the amount of taxes levied is interpreted to mean that the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit.

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

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

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

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

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

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

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

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

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

(b) transfer of property into a taxing unit;



- (c) reclassification of property;
  - (d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
  - (e) annexation of the individual property into a new taxing unit; or
  - (f) conversion of the individual property from tax-exempt to taxable status.
- (5) Property in classes four, twelve, and fourteen is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:
- (a) new construction;
  - (b) expanded, deleted, replaced, or remodeled improvements;
  - (c) annexed property; or
  - (d) property converted from tax-exempt to taxable status.
- (6) Property described in subsections (5)(a) through (5)(d) that is not class four, class twelve, or class fourteen property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.
- (7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by [Initiative No. 105], except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in [Initiative No. 105], while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless the taxing unit's taxable valuation decreases by 5% or more from the previous tax year. If a taxing unit's taxable valuation decreases by 5% or more from the previous tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in no case may the mills levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.
- (8) The limitation on the amount of taxes levied does not apply to the following levy or

special assessment categories, whether or not they are based on commitments made before or after approval of [Initiative No. 105]:

- (a) rural improvement districts;
- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- (d) city street maintenance districts;
- (e) tax increment financing districts;
- (f) satisfaction of judgments against a taxing unit;
- (g) electric company street lighting assessments; and
- (h) revolving funds to support any categories specified in this subsection (8).

Section 3 . Codification instruction. Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 10, and the provisions of Title 15, chapter 10, apply to sections 1 and 2.

Section 4 . Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

Section 5 . Effective date -- applicability.

(1) This act is effective on passage and approval.

(2) This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986.

Section 6 . Termination. This act terminates December 31, 1989.

-End-

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