MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON PROPERTY TAX

Call to Order: By **CHAIRMAN COHEN**, on April 12, 1991, at

ROLL CALL

Members Present:
- Rep. Dan Harrington, Chairman (D)
- Rep. Ben Cohen, Vice-Chairman (D)
- Rep. Ed Dolezal (D)
- Rep. Orval Ellison (R)
- Rep. Russell Fagg (R)
- Rep. Ed McCaffree (D)
- Rep. Mark O'Keefe (D)
- Rep. Ted Schye (D)
- Rep. Fred Thomas (R)
- Rep. Dave Wanzenried (D)

Staff Present: Lee Heiman, Legislative Council
Julia Tonkovich, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

DISCUSSION ON SB 464

REP. MCCAFFREE said he does not want the bill to pass. The oil and gas tax revenues go towards maintaining county roads. If the county roads on the reservations are still going to be maintained by the state, the taxes should still be collected.

REP. COHEN said the bill addresses double taxation on the reservations by providing that the state and the reservations negotiate an agreement to divide oil and gas taxes collected on the reservation.

REP. SCHYE asked why legislation is needed for the negotiations to take place. **Dave Woodgerd, Chief Legal Counsel, Department of Revenue (DOR),** said the department does not legally have the right to appropriate money to the tribes. The bill provides for the establishment of a distribution fund, and distribution cannot take place without legislation.

DISCUSSION ON SB 436

Mr. Heiman presented the amendments discussed on April 11.

Motion/Vote: **REP. COHEN** proposed striking section 11 from page 1 of the amendments. **Exhibit 1** Motion carried unanimously.

REP. COHEN discussed the second page of the amendments. If a property owner has 40 acres, he or she will have to provide another $500 income (in addition to the standard $1500) to qualify for agricultural classification. Since it is difficult to find comparable properties to rural homes, the department uses a cost-based method to determine their market value. The homes are then taxed at 80% of the market rate.

REP. MCCAFFREE said properties under 40 acres should not receive a homestead exemption. **REP. WANZENRIED** said the other amendments already cover these properties. If the properties qualify for the agricultural classification, they should also qualify for the homestead exemption.

Motion/Vote: **REP. COHEN** moved the subcommittee **DO RECOMMEND** the amendments to SB 436. Motion carried unanimously.

Judy Rippingale, DOR, presented the department's proposed amendments, which clarify that "heads of households" may be single parents and still qualify for the low-income tax credit, and that net (not gross) income will determine who receives the credit. **Exhibit 2**

Motion/Vote: **REP. COHEN** moved the subcommittee **DO RECOMMEND** the DOR amendments to SB 436. Motion carried unanimously.

Motion/Vote: **REP. THOMAS** moved the subcommittee **DO RECOMMEND** SB 436 as amended to the full committee. Motion carried unanimously.

Amendments will be put in both SB 436 and SB 460.

DISCUSSION ON SB 460

REP. DOLEZAL presented the final set of amendments. **Exhibit 3** The question of the splitting of residential and commercial properties leading to a tax increase on commercial property is addressed by leaving the commercial property tax rate at 4.55%. The counties would also experience significant losses under the original bill. The bill split Class 8 property into two categories, creating a new class (Class 22, non-self-propelled property) and taxed some at 6% and some at 9%. This amendment consolidates the classes, puts them back into Class 8 (personal property), and taxes the entire class at 9%. Exempting furniture and fixtures will balance out the increase many businesses will experience as a result of the increase in commercial real property taxes. All businesses now get the exemption, including centrally assessed businesses. To compensate for the loss in taxable value in Class 11, the rates were raised from 12% to 12.121%.

REP. COHEN noted that the current Class 8 property is taxed at 9%, while new value-added property will be taxed at 5% under this version of the bill. The property being taxed at 9% is being taxed at its depreciated value. As the dollar value of the equipment depreciates, it will eventually reach a base value. The new value-added equipment will be taxed at 5%.

REP. THOMAS asked whether taxing value-added property at 5% would nullify **REP. LARSON's** HB 452. **Ken Morrison, Department of Revenue (DOR),** said the rate in HB 452 lowered the value-added property tax to 3%. The rate could still be lowered the additional 2% if both bills pass. **Gregg Groepper, Office of Public Instruction (OPI),** noted that the two bills are conceptually different, as one deals with new jobs as well as value-added property.

REP. ELLISON asked what the total valuation of value-added property is. **Brad Simshaw, DOR,** said currently, $71 million of taxable value would be affected. **REP. ELLISON** said eventually, the local governments will lose 4-5% on that value-added property.

REP. COHEN said the impacts on local governments will be offset by block grants, following the procedure established by HB 20. If local governments lose revenue because their taxable value goes down, those losses will be offset by block grants. If jurisdictions gain, they will not get as large a block grant.

REP. MCCAFFREE said the program will work as long as the funds for block grants are there, but no one can guarantee how long they will be available.

REP. HOFFMAN said he doesn't understand the purpose of the amendments. They shift the tax structure substantially within the business community, and the only benefit businesses will see is that they no longer have as much paperwork. This is not a valid reason for such a substantial policy change.

REP. COHEN said no neighboring states tax furniture and fixtures, and many people feel Montana is losing business because of its tax policy. This bill attempts to address that, as well as to streamline the tax collection policies. The furniture and fixtures tax is the most labor-intensive tax to collect. **REP. HOFFMAN** said if this is the case, the bill should focus on methods of collection, not tax policy. The bill will not encourage business investment because of its treatment of real property. This will not give any incentive to someone who wants to purchase a small business, because the tax on the land and the building will be prohibitive. Once the residential and commercial properties are separated, there is nothing preventing the tax rate on commercial property from rising. There has been no valid reason offered for the changes proposed by this bill. Additionally, the bill gives utilities a tax break of almost $300,000. This is not consistent with the legislature's movement to put more of the tax burden on utilities to generate more revenue for the Foundation program. The only substantial increase in revenue this bill will bring comes from railroads and airlines, and these entities are not a solid, dependable source of revenue.

REP. HOFFMAN said the committee's attention should be focused on the counties' losses, not the state's. Some counties, like Lewis and Clark, will face a substantial loss because of this bill, and many of them are already very strapped for funds.

REP. THOMAS asked where the money for the block grants would come from. **REP. COHEN** said the bill reduces the block grant to the university system and the Foundation program, and increases the block grant to cities and towns. **REP. DOLEZAL** clarified that HB 20 already makes a statutory appropriation of $18 million for block grants. **REP. COHEN's** amendment will shift how that money is distributed.

REP. THOMAS said that cities and towns will see a loss of $411,000. "Option 5" makes up $870,000, which is distributed to the counties that see a loss. **REP. COHEN** said the amendments are intended to hold the counties harmless and make up for losses, since the bill does not generate any new revenue.

REP. DOLEZAL asked what the impacts of SB 460 to the block grants themselves would be. **Mr. Simshaw** said there will be a slight reduction in the total cost of block grants. It is questionable that counties will gain more under this bill than they did under HB 20.

Ms. Rippingale said the change in taxable value is not all this bill affects. It also changes the rate on the remaining taxable value. There may be a taxable value increase that will still lead to a decrease in revenue because of the rate changes.

Dennis Burr, Montana Taxpayers' Association, said an additional variable will be mill levy changes. The gain or the loss will be significantly affected by the changes in mills levied. It will be difficult to calculate winners and losers without knowing how the mill levies will work out.

Motion/Vote: **REP. DOLEZAL** moved the subcommittee **DO RECOMMEND** today's amendments **(option 5, exhibits 2 and 3)** to the full committee. Motion carried 6 to 4 with **REPS. HOFFMAN, THOMAS, ELLISON,** and **FAGG** voting no.

REP. THOMAS spoke against the bill. The bill is being promoted as a benefit to business, when it really only splits residential and business properties. Nobody from the business community seems to support the bill.

Motion/Vote: **REP. DOLEZAL** moved the subcommittee **DO RECOMMEND** SB 460 as amended to the full committee. Motion carried 6 to 4 with

REPS. HOFFMAN, THOMAS, ELLISON, and **FAGG** voting no.

Motion/Vote: **REP. COHEN** moved the subcommittee **DO RECOMMEND** SB 436 as amended to the full committee. Motion carried unanimously.

ADJOURNMENT

Adjournment: 8:50 AM

BEN COHEN, Chair

JULIA TONKOVICH, Secretary

BC/jmt

HOUSE OF REPRESENTATIVES

PROPERTY TAX SUBCOMMITTEE

ROLL CALL **DATE** 4/12/91

NAME	**PRESENT**	**ABSENT**	**EXCUSED**
REP. BEN COHEN, VICE-CHAIR	X		
REP. ED DOLEZAL	X		
REP. ORVAL ELLISON	X		
REP. RUSSELL FAGG	X		
REP. DAVID HOFFMAN	X		
REP. ED MCCAFFREE	X		
REP. MARK O'KEEFE	X		
REP. TED SCHYE	X		
REP. FRED THOMAS	X		
REP. DAVE WANZENRIED	X		
REP. DAN HARRINGTON, CHAIRMAN			

EXHIBIT 1
4/12/91
SB436

Amendments to Senate Bill No. 436
Third Reading Copy

Requested by Property Tax Subcommittee
For the Committee on Taxation

Prepared by Lee Heiman
April 11, 1991

1. Title, line 18.
Following: "FACILITIES;"
Insert: "CHANGING THE CRITERIA FOR CLASSIFYING AGRICULTURAL LAND BY REQUIRING $25 PER ACRE ANNUAL GROSS INCOME FROM AGRICULTURAL PRODUCTION FOR ACRES IN EXCESS OF 20 ACRES BUT LESS THAN 40 ACRES; CHANGING THE CRITERIA FOR CLASSIFYING TIMBERLAND TO PROHIBIT TIMBERLAND CLASSIFICATION IF THE PARCEL IS SUBDIVIDED LAND WITH RESTRICTIONS THAT EFFECTIVELY PROHIBIT TIMBER HARVESTING OR IF THE LAND HAS A RESIDENCE AND HAS YEAR-ROUND ACCESS;"

2. Title, line 19.
Following: "15-6-141,"
Insert: "15-6-143,"

3. Title, line 20.
Following: "15-6-145,"
Insert: "15-7-202,"

4. Page 10.
Following: line 24
Insert: "**Section 6.** Section 15-6-143, MCA, is amended to read:

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

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

<u>(b) Land may not be classified or valued as timberland if:</u>

<u>(i) it is subdivided into parcels of land larger than 15 acres for commercial or residential purposes and has stated restrictions effectively prohibiting the harvesting of timber; or</u>

<u>(ii) the land contains a residence with year-round access.</u>

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

~~(4) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class thirteen property is 30%/B, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (5). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department~~

~~before July 1, 1986.~~

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

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

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

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

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

Renumber: subsequent sections

5. Page 13.
Following: line 11
Insert: "**Section 10.** Section 15-7-202, MCA, is amended to read:

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

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

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

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

~~(b)~~<u>(c)</u> the parcels would have met the qualification set out in subsection (2)(a) <u>or (2)(b)</u> were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

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

in compliance with the Montana Subdivision and Platting Act.

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

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

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

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

Renumber: subsequent sections

EXHIBIT 2
4/12/91
SB 436

Amendments to Senate Bill 436
3d. Reading Copy

Prepared by the Department of Revenue
April 11, 1991

The department is proposing these amendments to clarify the income computation to qualify for the low income property tax credit. The amendment will allow the taxpayer to reduce his income by any losses suffered. By allowing the taxpayer to deduct losses the taxpayer's [redacted] income will not be overstated.

1. Title, line 8.
   Following: "PROPERTY;"
   Insert: "CLARIFYING THE COMPUTATION OF [redacted] INCOME FOR PURPOSES OF THE LOW INCOME PROPERTY TAX CREDIT;"

2. Page 5, line 18.
   Following: "including"
   Insert: "net profit or farm income and"
   Following: "types"
   Insert: "less any losses"

3. Page 5, line 20
   Following: "couple"
   Insert: "or head of household"

EXHIBIT 3
DATE 4/12/91
HB SB460

SB460 - PROPERTY RECLASSIFICATION PROPOSAL

Dolezal Option 5 Apr 11 1:30 PM

- **SPLITS CURRENT CLASS 4 PROPERTY INTO TWO SEPARATE CLASSES:**

  1 - "INCOME-PRODUCING" COMMERCIAL REAL PROPERTY (New Class 21),

  Tax Rate: 4.55%

  2 - ALL REMAINING CURRENT CLASS 4 PROPERTY (Including multi-family, and other residential property),

  Tax Rate: 3.86%

- **CURRENT CLASS 8 (PERSONAL) PROPERTY REMAINS AS ONE CLASS - EXEMPT FURNITURE AND FIXTURES:**

  Tax Rate: 9%

  (Value-added property acquired after July 1, 1991 is taxed at 5%)

- **INCREASE CURRENT TAX RATE OF 12% ON CLASS 11 (UTILITIES) TO OFFSET CLASS 11 LOSS IN TAXABLE DUE TO EXEMPTING FURNITURE AND FIXTURES:**

  Tax rate: 12.121%

SB 460
Dolezal Option 5

11-Apr 01:30 PM

Impact to Current Property Classes

Class	Description	Current Taxable Value	Estimated Change in Taxable Value	Estimated Change in Tax Revenue
Class 1	Net Proceeds	16,099,308	0	0
Class 2	Gross Proceeds	10,145,292	0	0
Class 3	Ag Land	141,447,109	0	0
Class 4	Residential Real	416,558,894	0	0
Class 4	Commercial Real	182,858,324	32,583,152	12,423,361
Class 5	New Industry and Pollution Control	26,509,703	0	0
Class 6	Livestock	25,205,356	0	0
Class 7	Independent Telephone	888,135	0	0
Class 8	Personal Property	218,862,953	(30,953,901)	(12,100,455)
Class 11	Utilities	391,742,490	50,072	(269,739)
Class 12	Mobile Homes	16,285,556	0	0
Class 13	Timber	6,612,075	0	0
Class 14	Farmsteads	57,194,859	0	0
Class 15	Railroads	55,452,979	2,583,857	744,565
Class 17	Airlines	4,611,311	214,886	71,705
Class 18	Nonproductive Mining Claims	10,319	0	0
Class 19	Nonproductive Real Less Than 20 ac.	96,230	0	0
Class 20	Out of Production Ag and Timber	3,238	0	0
	State Total	1,570,584,132	4,478,066	869,437

Impact to Taxing Jurisdictions	Estimated Change in Tax Revenue
Universities (6 mills)	26,868
Foundation Program (95 mills)	425,414
Counties	344,183
Local Schools	484,921
Cities/Towns	(411,951)
	869,435

EXHIBIT 2
DATE 4/12/91
HB SB460

SB 460 Dolezal Option 5

Apr 11 1:30 PM

Impact to Local Property Tax Revenues – By County

Note: County values do not contain impact to centrally assessed property of proposed exempt personal property.

		********** Change in Property Tax Revenue ***********					
County	Change in Taxable Value	University (6 mills)	Foundation (95 mills)	Counties	Local Schools	Cities/ Towns	Total
Beaverhead	24,147	145	2,294	1,943	2,511	(3,562)	3,330
Big Horn	380,744	2,284	36,171	23,789	24,942	(1,292)	85,894
Blaine	102,903	617	9,776	6,806	11,334	731	29,264
Broadwater	83,835	503	7,964	6,060	4,024	(868)	17,683
Carbon	64,462	387	6,124	3,812	7,448	(77)	17,694
Carter	4,318	26	410	410	262	(162)	946
Cascade	227,275	1,364	21,591	21,448	30,745	(3,201)	71,947
Chouteau	56,370	338	5,355	4,277	5,144	1,120	16,234
Custer	(8,371)	(50)	(795)	(780)	(1,248)	(12,424)	(15,298)
Daniels	18,550	111	1,762	2,010	2,683	(526)	6,041
Dawson	94,986	570	9,024	8,212	13,181	(3,214)	27,773
Deer Lodge	72,847	437	6,921	12,256	7,796	(295)	27,114
Fallon	60,416	362	5,740	1,706	2,272	(1,725)	8,354
Fergus	(55,108)	(331)	(5,235)	(4,083)	(6,980)	(14,370)	(30,999)
Flathead	815,269	4,892	77,451	82,295	112,926	1,602	279,166
Gallatin	149,288	896	14,182	10,674	18,280	(7,456)	36,576
Garfield	(1,474)	(9)	(140)	(154)	(79)	(78)	(460)
Glacier	(27,066)	(162)	(2,571)	(1,214)	(1,683)	(7,951)	(13,581)
Golden Valley	48,251	290	4,584	2,500	3,847	82	11,302
Granite	63,457	381	6,028	5,867	6,910	(568)	18,619
Hill	271,188	1,627	25,763	19,718	24,302	3,076	74,486
Jefferson	157,872	947	14,998	9,824	18,943	(190)	44,522
Judith Basin	69,058	414	6,561	6,116	5,788	(319)	18,560
Lake	30,401	182	2,888	2,583	2,884	(9,032)	(495)
Lewis And Clark	(277,390)	(1,664)	(26,352)	(27,958)	(40,201)	(30,520)	(126,696)
Liberty	49,522	297	4,705	4,279	3,083	820	13,184
Lincoln	317,817	1,907	30,193	13,339	38,597	(2,191)	81,845
Madison	(1,328)	(8)	(126)	(79)	(105)	(2,438)	(2,756)
Mccone	27,576	165	2,620	3,207	2,287	1,905	10,184
Meagher	17,787	107	1,690	1,328	991	(746)	3,370
Mineral	121,344	728	11,528	10,895	18,916	370	42,438
Missoula	700,298	4,202	66,528	70,212	101,613	(14,846)	227,709
Musselshell	9,642	58	916	863	1,023	(247)	2,612
Park	40,278	242	3,826	2,646	3,949	(92)	10,570
Petroleum	1,275	8	121	100	143	68	440
Phillips	105,604	634	10,032	4,697	7,982	(123)	23,222
Pondera	77,412	464	7,354	7,014	8,183	2,386	25,402
Powder River	3,695	22	351	468	259	(493)	607
Powell	83,030	498	7,888	6,335	9,722	(1,601)	22,843
Prairie	45,165	271	4,291	5,049	2,429	199	12,239
Ravalli	(19,447)	(117)	(1,847)	(1,504)	(2,114)	(7,185)	(12,768)
Richland	133,506	801	12,683	8,251	15,813	(404)	37,144
Roosevelt	190,209	1,141	18,070	11,529	20,196	(4,479)	46,456
Rosebud	1,628,145	9,769	154,674	12,139	35,101	(2,227)	209,456
Sanders	247,909	1,487	23,551	16,198	20,155	(2,753)	58,639
Sheridan	35,165	211	3,341	1,294	2,866	(781)	6,931
Silver Bow	375,804	2,255	35,701	45,747	51,034	(146)	134,591
Stillwater	9,426	57	895	711	983	(348)	2,298
Sweet Grass	65,909	395	6,261	5,988	7,764	970	21,379
Teton	79,932	480	7,594	7,244	9,073	255	24,645
Toole	19,963	120	1,896	1,450	1,533	(9,118)	(4,119)
Treasure	65,123	391	6,187	5,106	5,679	70	17,434
Valley	198,248	1,189	18,834	11,903	27,886	541	60,353
Wheatland	55,179	331	5,242	4,596	4,528	146	14,844
Wibaux	21,962	132	2,086	1,705	992	(556)	4,359
Yellowstone	1,245,662	7,474	118,338	98,955	151,951	29,189	405,907
Subtotal	8,378,042	50,268	795,914	559,783	808,541	(105,071)	2,109,437
Centrally Assessed	(3,900,000)	(23,400)	(370,500)	(215,600)	(323,620)	(306,880)	(1,240,000)
Statewide	4,478,042	26,868	425,414	344,183	484,921	(411,951)	869,437

SB 460 Dolezal Option 5 Apr 11 1:30 PM

Impact to Property Tax Revenues - City/Town

Note: Town values do not contain impact to centrally assessed property of proposed exempt personal property.

City/Town	Change in Taxable Value	Change in Revenue
Alberton	724	55
Anaconda	(24,010)	(295)
Bainville	1,543	100
Baker	(15,396)	(1,870)
Bearcreek	239	16
Belgrade	44,663	4,756
Belt	4,723	607
Big Sandy	5,405	351
Big Timber	11,529	970
Billings	308,961	25,149
Boulder	(793)	(90)
Bozeman	(56,502)	(7,032)
Bridger	2,647	397
Broadus	(4,545)	(493)
Broadview	2,338	167
Brockton	1,896	0
Browning	(29,228)	(1,900)
Cascade	6,476	500
Chester	12,108	820
Chinook	16,447	2,137
Choteau	10,577	847
Circle	16,182	1,905
Clyde Park	(1,491)	(74)
Columbia Falls	51,155	5,572
Columbus	(3,569)	(348)
Conrad	25,213	2,312
Culbertson	(4,496)	(386)
Cut Bank	(72,438)	(6,051)
Darby	6,011	410
Deer Lodge	(23,681)	(1,601)
Denton	2,084	207
Dillon	(31,892)	(2,818)
Dodson	1,177	77
Drummond	2,476	224
Dutton	940	86
East Helena	74,272	5,422
Ekalaka	(1,338)	(162)
Ennis	(21,892)	(1,424)
Eureka	1,436	115
Fairfield	(7,211)	(678)
Fairview	(2,884)	(254)
Flaxville	816	28
Forsyth	(21,943)	(2,227)
Fort Benton	7,696	984
Fort Peck	(1,692)	(110)
Froid	1,270	83
Fromberg	173	15
Geraldine	(3,165)	(215)
Glasgow	1,891	277
Glendive	(25,651)	(3,297)
Grass Range	(638)	(40)
Great Falls	(45,903)	(4,280)
Hamilton	(79,660)	(8,449)
Hardin	(12,197)	(1,053)
Harlem	(7,119)	(1,406)
Harlowton	940	101
Havre	27,388	3,022
Helena	(464,604)	(35,942)
Hingham	1,384	54
Hobson	869	58
Hot Springs	5,707	868
Hysham	685	70
Ismay	1,835	33
Joliet	5,394	426
Jordan	(1,416)	(78)
Judith Gap	950	46
Kalispell	37,650	4,420
Kevin	1,602	131
Laurel	33,383	3,872
Lavina	691	30
Lewistown	(103,077)	(14,860)
Libby	(17,625)	(1,165)
Lima	(6,330)	(744)
Livingston	(139)	(18)
Lodge Grass	(2,565)	(239)
Malta	(4,203)	(497)
Manhattan	9,158	626
Medicine Lake	2,426	400
Melstone	1,082	107
Miles City	(91,776)	(12,457)
Missoula	(114,408)	(14,846)
Moore	6,123	234
Nashua	1,720	243
Neihart	(415)	(28)
Opheim	2,021	131
Outlook	1,312	211
Philipsburg	(7,998)	(792)
Pinesdale	237	15
Plains	(31,280)	(2,725)
Plentywood	(13,848)	(1,599)
Plevna	2,450	144
Polson	(62,876)	(5,890)
Poplar	(9,698)	(970)
Red Lodge	(8,316)	(930)
Rexford	599	0
Richey	1,286	84
Ronan	(29,186)	(2,107)
Roundup	(4,923)	(354)
Ryegate	899	51
Saco	3,026	297
Scobey	(4,942)	(553)
Shelby	(85,989)	(9,780)
Sheridan	(3,402)	(289)
Sidney	(1,583)	(150)
Stanford	(5,720)	(377)
Stevensville	8,919	838
St. Ignatius	(12,024)	(1,034)
Sunburst	4,123	532
Superior	3,743	315
Terry	1,810	199
Thompson Falls	(6,172)	(896)
Three Forks	13,842	1,285
Townsend	(10,990)	(868)
Troy	(12,815)	(1,141)
Twin Bridges	(2,786)	(187)
Valier	1,134	74
Virgina City	(8,304)	(538)
Walkerville	(2,919)	(146)
West Yellowstone	(120,207)	(7,092)
Westby	1,084	207
White Sulphur Sp	(8,719)	(746)
Whitefish	(95,061)	(8,389)
Whitehall	(1,563)	(100)
Wibaux	(4,876)	(556)
Winifred	1,825	88
Winnett	993	68
Wolf Point	(35,651)	(3,306)
Subotal	(1,086,380)	(105,071)
Centrally Assesse	(3,119,998)	(306,883)
Total	(4,206,378)	(411,954)

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Impact of SB-460 on Specific Firms
Dolezal Option 5

11-Apr 01:30 PM

Firm	Current TV	Current Taxes	Proposed TV	Proposed Taxes	Difference TV	Difference Taxes
Montana Res Inc	4,134,270	1,759,463	4,288,212	1,824,977	153,942	65,515
Gen Mills	229,520	94,884	240,774	99,536	11,254	4,652
Exxon Refinery	5,784,635	2,155,644	5,821,966	2,169,555	37,331	13,911
Conoco Refinery	5,493,522	1,705,574	5,567,268	1,728,470	73,746	22,896
Decker Coal	4,502,364	748,788	4,527,482	752,965	25,118	4,177
Western Energy	5,619,991	776,121	5,727,015	790,901	107,024	14,780
Stillwater Mining	2,231,856	585,929	2,149,461	564,298	(82,395)	(21,631)
Champion-Libby	1,629,221	578,275	1,604,562	555,503	(24,659)	(22,772)
Stone Container	11,901,938	3,634,787	12,116,538	3,701,730	214,600	66,943
Ronan St Bank	40,316	13,189	33,065	10,817	(7,251)	(2,372)
Transwestern	395,874	147,522	386,496	144,028	(9,378)	(3,495)
Sheraton	1,046,924	390,136	607,682	226,453	(439,242)	(163,683)
Southgate Mall*	1,052,479	512,589	1,240,617	604,218	188,137	91,629

*Includes only Commercial land and improvements.

EXHIBIT 4
DATE 4/12/91
HB SB460

Amendments to Senate Bill No. 460
Third Reading Copy

Requested by Rep. Doleztal
For the Committee on Taxation

Prepared by Lee Heiman
April 10, 1991

<u>Unedited Version</u>

<u>Reconstructs Class 8 and keeps at 9%, exempts furniture and fixtures; Commercial kept at 4.55%, Centrally Assessed changed to 12.21%</u>

1. Page 5, line 1.
Strike: "<u>SELF-PROPELLED</u>"

2. Page 5, line 3.
Following: "~~five~~"
Insert: ", equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five"

3. Page 5, line 4.
Strike: "<u>SELF-PROPELLED</u>"

4. Page 5, line 7.
Following: "~~five~~"
Insert: ", equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five"

5. Page 5.
Following: line 13
Insert: "(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;"
Renumber: subsequent subsections

6. Page 5.
Following: line 24
Insert: "(h) x-ray and medical and dental equipment;
(i) citizens' band radios and mobile telephones;
(j) radio and television broadcasting and transmitting equipment;
(k) cable television systems;"
Renumber: subsequent subsections

7. Page 6, line 2.
Strike: "<u>and</u>"

8. Page 6.
Following: line 2
Insert: "(m) theater projectors and sound equipment; and"
Renumber: subsequent subsection

9. Page 11, line 8 through page 12, line 4.
Strike: ":" on page 11, line 8 through "(J)" on line 4

10. Page 12, lines 5 through 7.
Strike: subsection (2) in its entirety
Renumber: subsequent subsections

11. Page 12, line 19.
Strike: "(4)(B)"
Insert: "(3)(b)"

12. Page 17.
Following: line 9
Insert: "**Section 9.** Section 15-6-141, MCA, is amended to read:

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

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

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

(c) centrally assessed companies' allocations except:

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

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

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

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

(v) airline transportation property included in class seventeen.

(2) Class eleven property is taxed at ~~12%~~ 12.12% of market value."

Section 10. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) the property of:

(i) the United States, the state, counties, cities, towns, school districts, except, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, the property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric

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cooperatives);

(ii) irrigation districts organized under the laws of Montana and not operating for profit;

(iii) municipal corporations; and

(iv) public libraries;

(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that meets the following conditions:

(i) is owned and held by any association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) is not maintained and operated for private or corporate profit;

(e) institutions of purely public charity;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public art galleries and public observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) provided the tools are owned by the taxpayer, the first $15,000 or less of market value of tools that are customarily hand-held and that are used to:

(i) construct, repair, and maintain improvements to real property; or

(ii) repair and maintain machinery, equipment, appliances, or other personal property;

(s) harness, saddlery, and other tack equipment; ~~and~~

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105~~.~~; and

(u) furniture and fixtures.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit.

(b) The terms "public art galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.

(c) The term "furniture and fixtures" means office and store machines, radio and telephone systems, medical and dental equipment, hotel, motel, and apartment furniture, bar and restaurant equipment, computer hardware and software, data processing equipment, vending machines, and gas pumps.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.""

Renumber: subsequent sections

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DATE 4/12/91
HB SB460

Amendments to Senate Bill No. 460
Third Reading Copy

Requested by Rep. Cohen
For the Committee on Taxation

Prepared by Lee Heiman
April 11, 1991
Not Edited
Generic Reimbursement Provsion

1. Title, line 15.
Following: "PROPERTY;"
Insert: "PROVIDING FOR REIMBURSEMENT FOR LOSS OF TAXABLE VALUATION BY LOCAL GOVERNMENTS, SCHOOLS, AND OTHER TAXING JURISDICTIONS;"

2. Title, line 16.
Following: "SECTIONS"
Insert: "15-1-111,"

3. Page 17.
Following: line 9
Insert: "**Section 9.** Section 15-1-111, MCA, is amended to read:

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

~~(b) The reimbursement revenue must be based on the county's taxable value and mill levies for tax year 1989.~~ (a) Beginning with tax year 1992, and for each tax year thereafter, the department shall calculate and remit to the county treasurer an ongoing reimbursement amount due each taxing jurisdiction as a result of losses in taxable valuation caused by reductions in tax rates for property caused by Chapter 10, Special Laws June of 1989 and [this act].

(b) Reimbursements are to be based on the differences in taxable values in the appropriate classes of property based upon the values of the property in the year prior to the effective date of the enactment changing the taxable value and the values of the property the first year in which the change occurred. Any gain in taxable value caused by [this act] shall be used to offset a loss in taxable value caused by Chapter 10, Special Laws of June 1989.

(c) The number of mills used in determining the amount of the reimbursement are the number of mills levied in the tax year for which the reimbursement is being calculated.

(d) The reimbursement calculation must include any change in value based upon:

(i) recalculation of the effective tax rate for the property in the appropriate enactment,

(ii) the reclassification of new industrial property from the business incentive class to the class the property is normally classified; and

(ii) necessary recalculation of the valuation of railroad and airline property.

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

(a) the ~~number of mills levied~~ taxable valuation of appropriate property in the jurisdiction for taxable year ~~1989~~ prior to enactment;

(b) the ~~number of mills levied~~ taxable valuation of railroad and airline property in the jurisdiction for taxable year ~~1990~~ prior to enactment; and

(c) the ~~total~~ taxable valuation ~~for taxable years 1989 and 1990, reported separately for each year, of all personal property not secured by real property~~ of new industrial property in the jurisdiction for the taxable year prior to enactment~~; and~~.

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

(3) Each year at the time mill levies are certified by the county, the department's agent must transmit a copy to the department.

~~(3)~~(4) After receipt of the information from its agent, the department shall calculate the net amount of revenue lost to each taxing jurisdiction, using current year mill levies, due to the annual ~~reduction~~ change in ~~personal~~ property tax rates set forth in ~~15-6-138~~ the appropriate enactments, and any reduction in taxes based upon recalculation of the effective tax rate for railroad and airline property ~~in 15-6-145 and 15-6-147~~. The department shall total the amounts for all taxing jurisdictions within the county.

~~(4)~~(5) For each taxable year ~~1990 and for each year thereafter~~, the department shall remit to the county treasurer the ~~base~~ net amount of revenue reimbursable, determined pursuant to subsection ~~(3)~~ (1)(b), as follows:

(a) on or before November 30, ~~1990~~ 1992, and on or before each November 30 thereafter of each year, the department shall remit 50% of the base amount of the revenue reimbursable to the county; and

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(b) on or before May 31, ~~1991~~ 1992, and on or before each May 31 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county.

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

(6) For the purposes of this section, "taxing jurisdiction" ~~means local governments and~~ includes, but is not limited to, local governments, school foundation program mandatory levies, counties, municipalities, school districts, each municipality with tax increment financing, special districts and authorities, and the state of Montana.

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

Renumber: subsequent sections