

## **MINUTES**

### **MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By Senator Mike Halligan, on March 23, 1991, at 6:45 a.m

#### **ROLL CALL**

##### **Members Present:**

Mike Halligan, Chairman (D)  
Dorothy Eck, Vice Chairman (D)  
Robert Brown (R)  
Steve Doherty (D)  
Delwyn Gage (R)  
John Harp (R)  
Gene Thayer (R)  
Thomas Towe (D)  
Fred Van Valkenburg (D)  
Bill Yellowtail (D)

##### **Members Excused:**

Francis Koehnke (D)

**Staff Present:** Jeff Martin (Legislative Council).

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

**Announcements/Discussion:** None

#### **EXECUTIVE ACTION ON SENATE BILL 412**

##### **Amendments, Discussion, and Votes:**

Committee researcher Jeff Martin discussed the proposed amendments and "gray bill" (Exhibits #1 and #2). He said the majority of the amendments apply to the appeal and review process.

Senator Harp moved to adopt the amendments as per Exhibit #1 (see attached standing committee report for final form).

Mr. Woodgerd, Department of Revenue, referring to amendment #10, said it relates to the year 1993, which is the year before the new reappraised values go into effect. Two sessions ago the legislature established 1993 as the delay year. The new values from the reappraisal will be available then, but the one year

delay gives people a one year time period to appeal the values before they are actually on the books. The amendment indicates that the reappraised value for all the property in the area will be put on the books in 1993 if a sales assessment ratio study shows any increase in the value.

The motion by Senator Harp to amend SB 412 Carried unanimously.

Senator Thayer said many of the people in Great Falls who were caught in the increased valuation situation were of the opinion that it would be "fixed" by the legislature and did not file a protest. He felt it is unfair that their situation cannot be addressed because they did not formally file as they were "led into thinking the situation would be changed for them".

Denis Adams said no one knew how the Supreme Court would make their decision. The Court said if a protest was filed the taxpayer was entitled to a refund, but if the taxpayer did not file, he had no recourse. The local governments received the money to make the refunds and there would be no way to increase the amount without raising taxes. The situation then turns into a vicious circle.

Senator Brown asked Mr. Adams for updated information and charts such as DOR had prepared for the original version of the bill.

Mr. Adams said he would get them for the committee.

#### Recommendation and Vote:

Senator Towe moved SB 412 Do Pass As Amended.

The motion CARRIED with Senators Doherty, Brown, Harp and Thayer voting no. Senator Koehnke left his vote with the Chairman and was recorded as voting yes.

#### EXECUTIVE ACTION ON SENATE BILL 384

#### Recommendation and Vote:

Senator Harp moved SB 384 Do Pass.

The motion Carried on a roll call vote (attached).

EXECUTIVE ACTION ON SENATE BILL 359Recommendation and Vote:

Senator Harp moved SB 359 be Tabled.

Senator Harp said if the bill offers some help for the rural health care situation then some action should be taken on the bill.

Jack Noble, Board of Regents, said there is a House bill that includes a forgiveness of debt provision for school loans. The debt would, however, be taxable. He said it could be amended to \$5000 and tied to this bill.

Senator Gage said he approached the Governor with his suggested graduated amendment which would require the total repayment of the credit of \$15,000 if the doctor left the fourth year, \$10,000 repayment if he left the fifth year, \$5000 repayment for leaving the sixth year, and no repayment if the doctor were to stay for seven years or longer. He said the Governor did not like the proposal.

Senator Van Valkenburg said Senator Koehnke had expressed a concern from the rural perspective which he shares on the urban level. Senator Koehnke had said the 50 mile provision might very well cause doctors to move away from Townsend as it is within 50 miles of Helena. Senator Van Valkenburg said he shares that concern in that doctors could very well practice in Missoula, but live in Seeley Lake.

Senator Harp's motion to Table SB 359 CARRIED with Senators Eck, Gage, Yellowtail, Brown, and Towe voting no.

EXECUTIVE ACTION ON SENATE BILL 411Recommendation and Vote:

Senator Van Valkenburg moved SB 411 Do Pass.

Senator Yellowtail said he had to resist the motion as he felt the sign program had not been carried out adequately. He said the bill seems to be an effort to correct an audit exception by changing the law. He said the Society indicated they would try to fund the capital tours even if the bill did not pass.

Senator Towe said tourists are not going to leave the interstate to see historic sites if there are no signs to tell them the sites are there. He said the Society arbitrarily started using the money for the tours and he felt that was wrong.

Senator Eck agreed, but said she did feel the lodging tax was the proper funding mechanism for the capital tours.

The motion that SB 411 Do Pass FAILED on a roll call vote (attached).

Senator Yellowtail moved SB 411 Do Not Pass. The motion CARRIED on a roll call vote (attached).

#### EXECUTIVE ACTION ON SENATE BILL 416

##### Discussion:

Senator Gage asked if the committee wanted to revise the credits in the bill as there is not enough time to have another hearing on the bill.

Senator Eck wondered if it should be put into the energy plan.

Senator Gage asked if it would be proper to table the bill.

Senator Harp asked if Senator Williams had proposed any amendments.

Senator Halligan replied Senator Williams had said he would be willing to cut the credit in half to \$1600 with \$400 per year the maximum credit that could be claimed for four years.

Senator Van Valkenburg suggested the best place to leave the bill is in the category of bills heard but not acted upon.

The committee agreed not to act on the bill at this time.

#### EXECUTIVE ACTION ON SENATE BILL 445

##### Amendments, Discussion, and Votes:

Senator Doherty moved to amend SB 445 as per the Bar Association amendments (Exhibit #3).

Dave Woodgerd, Department of Revenue, said these are all essentially clean-up amendments agreed to by the Tax and Probate Council of the State Bar and the Department of Revenue. The major change concerns lawsuits filed directly in District Court concerning taxes. The language concerning court and tax issues has been taken out for further study.

The motion to amend the bill CARRIED.

Recommendation and Vote:

Senator Doherty moved SB 445 Do Pass As Amended. The motion CARRIED unanimously.

EXECUTIVE ACTION ON SENATE BILL 436Amendments, Discussion, and Votes:

Senator Doherty submitted proposed amendments to the bill (Exhibit #4).

Jeff Martin said the amendments put Class 14 property, farmsteads and agricultural improvements, into Class 4 property which would require the one acre of real property currently valued as agricultural to be valued at market value.

Senator Doherty moved the amendments. He said "a house is a house is a house" and it should be taxed at 3.86% the same as his house is taxed at 3.86%.

Senator Brown said there is some history here. A farm unit is an agricultural unit which includes the house, the buildings, as well as the acreage. If there is a separation of the house from the acreage, the unit has been destroyed. Appraisers have arbitrarily assessed agricultural homes differently than homes in cities due to that classification.

Senator Towe said the legislature put that into law about ten years ago. It was determined that a house in the country does not have the same value as a house in town because there is not the market for it there. Therefore, the house value has to be reduced to a certain extent to reflect that the market value is not the same.

Senator Harp said the house would be assessed at the right level for the location. He said there is a lot of abuse going on with the little ranchettes and 20 acre agriculture exemptions that, in reality, have little to do with agriculture at all. People in urban areas are not being treated fairly in comparison.

Senator Gage said his conversations with appraisers in the field and with some of the DOR representatives led him to the understanding that even though statute says market value for appraisal, the cost basis is being used. The property without the land does not have the value. He said there is no doubt abuse going on by those who are charading as farm people with the very small acreages. However, in eastern Montana and along the Highline where people are extremely rural and isolated, the homes certainly should not be appraised on market value.

Senator Van Valkenburg said this is just a housekeeping bill and these amendments would make a significant difference. The legislature should be looking at overall property tax reform. Senator Svrcek's bill would be a better vehicle for this provision. The biggest problem in property taxes is in personal property and commercial property. Farmsteads may need to be adjusted in that respect.

The motion to adopt Senator Doherty's amendments FAILED on a roll call vote (attached).

Senator Towe moved to adopt amends as per Exhibit #5.

Jeff Martin said the amendments would continue to require the Department of Revenue to include net and gross proceeds in the calculation of the taxable value of railroad and airline property.

Senator Harp said there is a House Bill coming over which would be a better vehicle to address net and gross proceeds.

Denis Adams, Director, DOR, said there is so little value left in Class 1 and Class 2 since the flat tax was adopted that a small decrease in the railroad taxes is all that will occur. It would have no significant impact at all.

The motion on Senator Towe's amendments FAILED with only Senator Towe voting yes.

Mr. Martin presented the amendments as proposed by DOR (Exhibit #6). The amendment to the homestead property was inadvertently included in the repealer and it is removed from that section. There are other housekeeping amendments which are minor technical adjustments.

Senator Brown moved the amendments.

The motion CARRIED unanimously.

#### Recommendation and Vote:

Senator Brown moved SB 436 Do Pass As Amended.

Senator Van Valkenburg said he is still concerned about the Class 18 and 19 properties. He said assuming the values are adjusted to be revenue neutral he wanted DOR to explain how they arrived at that assumption.

Judy Rippingale responded that the DOR property tax people said moving the Class 18 and 19 property would cause it to have the lowest possible value and classification. She said this is non-productive agricultural land and some mining land and the value would decrease from the current value if anything.

The motion CARRIED with Senator Van Valkenburg voting no.

EXECUTIVE ACTION ON SENATE BILL 462

Amendments, Discussion, and Votes:

Jeff Martin presented a proposed amendment which would, on page 2, line 11, restore the \$250 limit that is in existing law.

Senator Towe moved the amendment.

The motion CARRIED unanimously.

Senator Williams had requested an amendment which would affect the itemization.

Senator Thayer wondered how this would fit into the rate base.

Senator Van Valkenburg said if we adopt the amendment that Senator Williams wants there would be a storm of complaints from telephone customers across the state because they would think they are getting a new 1.8% tax. In reality, this is tax they are already paying.

Senator Gage said most of the waiver of penalty bills have stricken "neglect" (re language page 5, line 23). He said most bills require interest on the penalty and this bill strikes interest on the penalty. He said that would be fair if we go through the codes and strike interest on the penalty for everyone. The effective date would mean the second quarter of 1991 would pay tax because that return is due by the end of July. He said he didn't think that was the intent of the bill.

Jeff Miller, DOR, said it could be done however the committee would like. He said changing the rate stream would not make create much difference.

Senator Towe said there should be an applicability date as there is only an effective date in the bill as it stands. He moved to amend the bill with a new Section 7 which would state "this act shall apply to all taxes collected on or after July 1, 1991".

The motion CARRIED unanimously.

Senator Van Valkenburg moved to reinsert "and penalty" on page 5, line 19.

The motion CARRIED unanimously.

Senator Brown asked the committee to consider a proposed amendment which would address the hotel and motel charge for a long distance phone call. The amendment would exempt that charge. Senator Brown moved the amendment.

The motion FAILED.

Recommendation and Vote:

Senator Towe moved SB 462 Do Pass As Amended.

The motion CARRIED with Senator Brown voting no.

ADJOURNMENT

Adjournment At: 7:50 a.m.

  
\_\_\_\_\_  
SENATOR MIKE HALLIGAN, Chairman

  
\_\_\_\_\_  
JILL D. ROHYANS, Secretary

MH/jdr



ROLL CALL

SENATE TAXATION COMMITTEE

DATE 3/23/91

53<sup>rd</sup> LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN	X		
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE			X
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

3/23/91

SB 412

Amendments to Senate Bill No. 412  
First Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin  
March 15, 1991

CRAYBILL

- Title*  
*line 11* 1. Title, line 15.  
Following: "1985;"  
Insert: "REPEALING SECTIONS 15-7-132 AND 15-7-133, MCA;"
- Page 2*  
*line 14* 2. Page 2, line 24.  
Following: the first "property"  
Insert: ","  
Strike: "and"  
Following: the second "property"  
Insert: " , and other relevant information presented by the taxpayer"
- Page 2*  
*lines 16-17* 3. Page 2, line 25 through page 3, line 3.  
Strike: "Independent" on page 2, line 25 through "appeal." on page 3, line 3
- Page 3*  
*line 14* 4. Page 4, line 14.  
Following: "property"  
Insert: " ,"  
Strike: "and"
- Page 3*  
*lines 14-15* 5. Page 4, line 15.  
Following: "property"  
Insert: " , and other relevant information presented by the taxpayer"
- Page 3*  
*lines 15-17* 6. Page 4, lines 16 through 19.  
Strike: "Independent" on line 16 through "appeal." on line 19
- Page 4*  
*line 6* 7. Page 5, lines 17 and 18  
Strike: "Venue" on line 17 through "County." on line 18
- Page 4*  
*lines 7-9* 8. Page 5, line 20.  
Following: "proceeding."  
Insert: "If the suit encompasses more than one judicial district, the venue for action is the first judicial district of Lewis and Clark County."
- Page 4*  
*line 14* 9. Page 6, line 3.  
Following: "order"  
Insert: "all or"  
Following: "tax"  
Insert: "to"
- Page 6*  
*lines 2-8* 10. Page 8, lines 21 through 24.  
Strike: "an assessment" on line 21 through "and" on line 24

- Page 11 line 11 11. Page 16, lines 20 and 21.  
Strike: "except" on line 20 through "4," on line 21  
Insert: "[section 1]"
- Page 15 line 4 12. Page 22, line 13.  
Following: the first "property"  
Insert: ", "  
Strike: "and"  
lines 4+5 Following: the second "property"  
Insert: ", and other relevant information presented by the taxpayer"
- Page 15 line 6-7 13. Page 22, lines 14 through 17.  
Strike: "Independent" on line 14 through "appeal." on line 17
- Page 16 line 4 14. Page 24, line 3.  
Following: "property"  
Insert: ", "  
Strike: "and"
- Page 14 line 4+5 15. Page 24, line 4.  
Following: "property"  
Insert: ", and other relevant information presented by the taxpayer"
- Page 16 line 5-7 16. Page 24, lines 5 through 8.  
Strike: "Independent" on line 5 through "appeal." on line 8
- Page 16 line 19 17. Page 25, line 1.  
Strike: "(1)"
- Page 16+17 line 25-3 18. Page 25, lines 10 through 14.  
Strike: subsection (2) in its entirety
- Page 23 line 15+16 19. Page 35.  
Following: line 5  
Insert: "NEW SECTION. Section 10. Repealer. Sections 15-7-132 and 15-7-133, MCA, are repealed.  
Renumber: subsequent sections
- Page 24 line 7 20. Page 36, line 2.  
Strike: "9"  
Insert: "10"  
Strike: "January"  
Insert: "July"
- Page 24 line 7 21. Page 36, line 3.  
Strike: "1992"  
Insert: "1993"

GRAY BILL--FOR DISCUSSION ONLY

1 BY REQUEST OF THE DEPARTMENT OF REVENUE

2 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
3 EQUALIZATION OF RESIDENTIAL PROPERTY BY PROVIDING THAT PROPERTY  
4 MEETING CERTAIN CONDITIONS WILL BE SUBJECT TO REAPPRAISAL; TO  
5 PROVIDE THAT THE DEPARTMENT'S SALES ASSESSMENT AREA AND  
6 PERCENTAGE ADJUSTMENTS WILL BE SUBJECT TO JUDICIAL REVIEW; TO  
7 PROVIDE THAT FOR TAX YEAR 1994 AND THEREAFTER, SALES ASSESSMENT  
8 RATIO ADJUSTMENTS WILL BE ELIMINATED AND ALL PROPERTY WILL BE  
9 REAPPRAISED EVERY 3 YEARS; AMENDING SECTIONS 15-1-101, 15-6-143, 15-  
10 7-102, 15-7-111, 15-7-201, AND 15-10-412, MCA, AND SECTION 10, CHAPTER  
11 681, LAWS OF 1985; REPEALING SECTIONS 15-7-132 AND 15-7-133, MCA;  
12 AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A PARTIAL  
13 TERMINATION DATE."

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

15 Section 1. Section 15-7-102, MCA, is amended to read:

16 "15-7-102. Notice of classification and appraisal to owners -- appeals. (1) It shall be the  
17 duty of the department of revenue, through its agent as specified in subsection (2), to cause to be  
18 mailed to each owner and purchaser under contract for deed a notice of the classification of the  
19 land owned or being purchased by him and the appraisal of the improvements on the land only if  
20 one or more of the following changes pertaining to the land or improvements have been made since  
21 the last notice:

GRAY BILL--FOR DISCUSSION ONLY

1 (a) change in ownership;

2 (b) change in classification;

3 (c) change in valuation; or

4 (d) addition or subtraction of personal property affixed to the land.

5 (2) The county assessor shall assign each assessment to the correct owner or purchaser  
6 under contract for deed and mail the notice of classification and appraisal on a standardized form,  
7 adopted by the department, containing sufficient information in a comprehensible manner designed  
8 to fully inform the taxpayer as to the classification and appraisal of his property and of changes  
9 over the prior tax year.

10 (3) If the owner of any land and improvements is dissatisfied with the appraisal as it  
11 reflects the market value of the property as determined by the department or with the classification  
12 of his land or improvements, he may submit his objection in writing to the department's agent. In  
13 an objection to the appraisal of the property, the department may consider the actual selling price  
14 of the property, and independent appraisals of the property, AND OTHER RELEVANT  
15 INFORMATION PRESENTED BY THE TAXPAYER as evidence of the market value of the property.  
16 Independent appraisals to be considered by the department must be performed by a licensed  
17 appraiser if a state licensing program is in effect at the time of the appeal. The department shall  
18 give reasonable notice to the taxpayer of the time and place of hearing and hear any testimony or  
19 other evidence that the taxpayer may desire to produce at that time and afford the opportunity to  
20 other interested persons to produce evidence at the hearing. After the hearing, the department shall  
21 determine the true and correct appraisal and classification of the land or improvements and notify  
22 the taxpayer of its determination. In the notification, the department must state its reasons for  
23 revising the classification or appraisal. When the proper appraisal and classification have been  
24 determined, the land shall be classified and the improvements appraised in the manner ordered by  
25 the department.

GRAY BILL--FOR DISCUSSION ONLY

1 (4) Whether a hearing as provided in subsection (3) is held or not, the department or its  
2 agent may not adjust an appraisal or classification upon taxpayer's objection unless:

3 (a) the taxpayer has submitted his objection in writing; and

4 (b) the department or its agent has stated its reason in writing for making the adjustment.

5 (5) A taxpayer's written objection to a classification or appraisal and the department's  
6 notification to the taxpayer of its determination and the reason for that determination are public  
7 records. Each county appraiser shall make the records available for inspection during regular office  
8 hours.

9 (6) (a) If any property owner feels aggrieved at the classification and/or the appraisal made  
10 by the department, he shall have the right to appeal to the county tax appeal board and then to the  
11 state tax appeal board, whose findings shall be final subject to the right of review in the courts.

12 The property owner may appeal the base year valuation and the classification determination. A  
13 county tax appeal board or the state tax appeal board may consider the actual selling price of the  
14 property, and independent appraisals of the property, AND OTHER RELEVANT INFORMATION  
15 PRESENTED BY THE TAXPAYER as evidence of the market value of the property. Independent  
16 appraisals to be considered by a county tax appeal board or the state tax appeal board must be  
17 performed by a licensed appraiser if a state licensing program is in effect at the time of the appeal.  
18 If the county tax appeal board or the state tax appeal board determines that an adjustment should  
19 be made, the department shall adjust the base value of the property in accordance with the board's  
20 order. If any percentage adjustment required by the sales assessment ratio study provided in 15-7-  
21 111 is applied to the base value, the valuation of the property for the current year must be the  
22 same as the board's determination of market value and the property must continue to be assessed  
23 in the area designated by the department. The property owner may not appeal the yearly  
24 percentage adjustments that are specified in 15-7-111 and that may be made as a result of the  
25 sales assessment ratio study, the stratum, or area designations as specified in 15-7-111.

GRAY BILL--FOR DISCUSSION ONLY

1        (b) If a property owner feels aggrieved by either the percentage adjustment or the area  
2        designation established by the department pursuant to 15-7-111, he may, within 60 days of the  
3        date the rules provided for in subsection (7) are adopted to implement 15-7-111(4)(b), file suit  
4        seeking a declaratory judgment action to review the department's determination of the percentage  
5        adjustment or area designation.

6        (c) ~~Venue for the action is the first judicial district of Lewis and Clark County.~~ The district  
7        court shall consolidate all such actions brought by property owners into one proceeding. IF THE  
8        **SUIT ENCOMPASSES MORE THAN ONE JUDICIAL DISTRICT, THE VENUE FOR ACTION IS THE**  
9        **FIRST JUDICIAL DISTRICT OF LEWIS AND CLARK COUNTY.**

10       (d) During the pendency of the action, the court may not restrain or enjoin the department  
11       from implementing either the percentage adjustments or area designations made by the  
12       department, but the court may direct that the increase in the property owner's tax be paid into the  
13       property tax protest fund of the county in which the property is located. Upon final judgment, the  
14       court may order ALL OR a portion of the protested tax TO be refunded to the property owner or  
15       such other remedy as the court considers appropriate.

16       (7) The percentage adjustments, stratum, and area designations must be adopted by  
17       administrative rule. An annual hearing must be held to accept testimony on the percentage  
18       adjustments, stratum, and area designations. The department shall present its findings and the  
19       proposed rules to the revenue oversight committee."

20       Section 2. Section 15-7-111, MCA, is amended to read:

21       "15-7-111. Periodic revaluation of taxable property -- publication of sales assessment ratio  
22       studies -- appeal of revaluations. (1) The department of revenue shall administer and supervise a  
23       program for the revaluation of all taxable property within the state at least every 5 years. A  
24       comprehensive written reappraisal plan shall be promulgated by the department. The reappraisal  
25       plan adopted shall provide that all property in each county shall be revalued at least every 5 years.

2

GRAY BILL--FOR DISCUSSION ONLY

1 The department shall furnish a copy of the plan and all amendments to the plan to the board of  
2 county commissioners in each county.

3 (2) The new values determined during a revaluation cycle must be provided to the  
4 taxpayers at the end of the revaluation cycle but may not be placed on the tax rolls until 1 year  
5 following the completion of the revaluation cycle.

6 (3) A taxpayer shall appeal the new value in advance of its placement on the tax rolls by  
7 filing an appeal pursuant to 15-15-102 before the first Monday in June or 15 days after receiving  
8 notice of the new valuation amount, whichever is later, or be barred from appealing for  
9 untimeliness.

10 (4) (a) For the taxable year beginning January 1, 1990, and for every taxable year  
11 thereafter, the department shall conduct a stratified sales assessment ratio study of all residential  
12 land and improvements, agricultural 1-acre homesites and improvements, and commercial land and  
13 improvements. Residential improvements include condominiums but do not include mobile homes or  
14 house trailers that are not taxed as an improvement as defined in 15-1-101. The sales assessment  
15 ratio based on property sales finalized and recorded by no later than November 1 must be used to  
16 determine appraisals for the immediately succeeding tax year.

17 (b) (i) For tax year 1991, if the result of the stratified sales assessment ratio performed  
18 pursuant to subsection (4)(a) on residential property for tax year 1990 shows for any area an  
19 assessment level of less than 80%, the department shall perform a reappraisal of the residential  
20 property in the area. The reappraisal must be performed using a computer-assisted mass appraisal  
21 system based on the market approach to value, using comparable sales of similar property. If  
22 insufficient sales are available for market modeling, the department shall reappraise the property  
23 using the cost approach to value.

24 (ii) For tax year 1992, if the result of the stratified sales assessment ratio performed  
25 pursuant to subsection (4)(a) on residential property for tax year 1991 shows for any area an



GRAY BILL--FOR DISCUSSION ONLY

1 assessment level of less than 80% or a coefficient of dispersion with respect to the value weighted  
2 mean ratio of more than 20%, rounded to the nearest 0.1%, and an adjustment multiplier of 1.01  
3 or greater, the department shall perform a reappraisal of the residential property in the area. The  
4 reappraisal must be performed using the same criteria provided in (4)(b)(i).

5 (iii) For tax year 1993, if the result of the stratified sales assessment ratio performed  
6 pursuant to subsection (4)(a) on residential property for tax year 1992 shows for any area an  
7 assessment level of less than 80% or a coefficient of dispersion with respect to the value weighted  
8 mean ratio of more than 20%, rounded to the nearest 0.1%, and an adjustment multiplier of 1.01  
9 or greater, the department shall perform a reappraisal of the residential property in the area. The  
10 reappraisal must be performed using the same criteria provided in (4)(b)(i).

11 (iv) For those areas subject to reappraisal under the provisions of subsection (4)(b)(i) for tax  
12 year 1992, the department shall compare the stratified sales assessment ratio performed in 1991  
13 to the 1991 assessed value to determine whether the area will be subject to further appraisal. If  
14 that comparison of residential property shows for the area a coefficient of dispersion with respect  
15 to the value weighted mean ratio of more than 20%, rounded to the nearest 0.1%, and an  
16 adjustment multiplier of 1.01 or greater, the department shall reappraise the area. The reappraisal  
17 must be performed using the same criteria provided in (4)(b)(i).

18 (5) The study required in subsection (4) must be based on:

19 (a) commonly accepted statistical standards and methodology;

20 (b) a statistically valid sample of sales, using data from realty transfer certificates filed for  
21 up to 3 taxable years prior to the year the study is made, taking into account the dates of the  
22 included sales in the statistical analysis; and

23 (c) the assessments and sales for areas of the state that are economically,  
24 demographically, and geographically similar in order to determine the sales assessment ratios for a  
25 specific area.

GRAY BILL--FOR DISCUSSION ONLY

(6) For purposes of conducting the study required by subsection (4), the department shall partition the state into as many as 100 areas for residential property and as many as 20 areas for commercial property. The areas must contain statistically sufficient numbers of sales and be as economically and demographically homogeneous as reasonably practicable.

(7) The department shall use the following procedure to validate sales information:

(a) Department staff who did not participate in the determination of appraised values are required to review the sales transactions evidenced by a realty transfer certificate. The review must be conducted to determine whether each sale used in the study was a valid, arm's-length transaction. Only valid, arm's-length sales may be used in the sales assessment ratio study.

(b) The sales information entered in the computer-assisted appraisal system is considered confidential, as provided in 15-7-308. However, the department shall annually publish a report containing the results of all sales assessment ratio studies done in each of the areas described in subsection (6). The report containing the results of the study must be made available to the public by request or by general disclosure.

(c) The department shall exclude from the sales assessment ratio study any parcels in which the improvements have been remodeled, reconstructed, or expanded between the time of the assessment and the time of the sales.

(d) The department shall exclude sales assessment ratios of less than 50% or greater than 200%.

(8) (a) The department shall have equalized property values throughout the state and may not make further adjustments to values under this section when the assessments for each stratum within each area identified in subsection (6) are rescaled to bring all ratios to within plus or minus 5% of common value 1 and when the sample size produces a standard error of less than 5%.

(b) Under the method described in subsection (8)(a), taxable property in each area is considered revalued for each tax year, based on the results of the sales assessment ratio study and

GRAY BILL--FOR DISCUSSION ONLY

the adjustments required by that study.

(c) Assessments in an area are considered equalized under subsection (8)(a) if the ratio for the area is within plus or minus 5% of common value 1."

Section 3. Section 15-7-201, MCA, is amended to read:

"15-7-201. (Applicable to ~~1991~~ 1993 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be limited to irrigated use, nonirrigated use, and grazing use.

(3) Within each class, land shall be assessed at a value that is fairly based on its productive capacity.

(4) In computing the agricultural land valuation schedules to take effect on ~~January 1, 1991, or on~~ the date that the revaluation cycle commencing January 2, 1986, takes effect pursuant to 15-7-111, and, thereafter, upon the effective date when each revaluation cycle takes effect, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula  $V = I/R$  where:

(a) V is the per-acre productive capacity value of agricultural land in each land use and production category;

(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined by the department using the formula  $I = (P - C) U$  where:

(i) I is the per-acre net income;

(ii) P is the per-unit price of the commodity being produced;

(iii) C is the per-unit production cost of the commodity being produced; and

GRAY BILL--FOR DISCUSSION ONLY

(iv) U is the yield in units per acre; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (9).

(5) Net income shall be:

(a) calculated for each year of a base period, which is the most recent 3-year period for which data are available, prior to a revaluation of property as provided in 15-7-111; and

(b) based on commodity price and production cost data for the base period from such sources as may be considered appropriate by the department, which sources shall include Montana state university.

(6) To the degree available, the department shall compile:

(a) commodity price data reflecting the average prices received per unit of measure by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Commodity prices may include wheat, barley, alfalfa hay, grass hay, corn for grain, corn for silage, sugar beets, dry beans, potatoes, cattle, and sheep. Government payments may be considered. Typical rental arrangements may be considered.

(b) production cost data reflecting average costs per unit of measure paid by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Such production costs may include costs relating to irrigation, fertilization, fuel, seed, weed control, hired labor, management, insurance, repairs and maintenance, and miscellaneous items. Variations in specific production cost data, when affected by different levels of production, and typical rental arrangements may be considered.

(7) The department shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics to review the data prepared by Montana state university and advise the department on the implementation of subsections (2) through (6). The advisory committee shall include one member of the Montana state university staff.

GRAY BILL--FOR DISCUSSION ONLY

(8) Net income shall be determined separately for lands in irrigated use, nonirrigated use, and grazing use and shall be calculated for each use and production level according to the provisions of subsections (4) through (7).

(9) The capitalization rate shall be calculated for each year of the base period and is the annual average interest rate on agricultural loans as reported by the federal land bank association of Spokane, Washington, plus the effective tax rate in Montana.

(10) The effective tax rate shall be calculated by the department for each year of the base period by dividing the total estimated tax due on agricultural land in the state by the total productive capacity value of agricultural land in the state."

Section 4. 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) Timberland is contiguous land exceeding 15 acres in one ownership that is capable of producing timber that can be harvested in commercial quantity.

(3) Class thirteen property is taxed at the percentage rate "P" of the combined appraised value of the standing timber and grazing productivity of the property.

(4) For taxable years beginning January 1, ~~1986~~ 1994, 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~~ 1994.

(5) (a) Prior to July 1, ~~1986~~ 1994, 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~~ 1994, of all property in the state, excluding use changes occurring during the preceding year, classified under class thirteen as class

GRAY BILL--FOR DISCUSSION ONLY

thirteen is described in this section; and

(ii) Y is the appraised value, as of January 1, ~~1985~~ 1993, 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 as it reads in 1993.

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

(6) After July 1, ~~1986~~ 1994, 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--see. 10, Ch. 681, L. 1985.)~~

Section 5. Section 10, Chapter 681, Laws of 1985, is amended to read:

"Section 10. Effective date -- termination date. This act is effective January 1, 1986, and ~~except for section 3 sections 2 through 4~~, [SECTION 1] terminates January 1, 1991."

Section 6. Section 15-1-101, MCA, is amended to read:

"15-1-101. Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

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

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

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

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

**GRAY BILL--FOR DISCUSSION ONLY**

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

2           (A) agricultural lands;

3           (B) timberlands;

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

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

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

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

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

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

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

20          (h) The term "leasehold improvements" means improvements to mobile homes and mobile  
21 homes located on land owned by another person. This property is assessed under the appropriate  
22 classification and the taxes are due and payable in two payments as provided in 15-24-202.  
23 Delinquent taxes on such leasehold improvements are a lien only on such leasehold improvements.

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

25          (j) The term "mobile home" means forms of housing known as "trailers", "housetrailer", or

GRAY BILL--FOR DISCUSSION ONLY

1 "trailer coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one  
2 place to another by an independent power connected to them, or any "trailer", "housetrailer", or  
3 "trailer coach" up to 8 feet in width or 45 feet in length used as a principal residence.

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

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

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

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

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

15 (ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-  
16 23-501 and Title 15, chapter 23, part 8; all timber belonging to individuals or corporations growing  
17 or being on the lands of the United States; and all rights and privileges appertaining thereto.

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

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



GRAY BILL--FOR DISCUSSION ONLY

1           ~~(q) The term "weighted mean assessment ratio" means the total of the assessed values~~  
2           ~~divided by the total of the selling prices of all area sales in the stratum.~~

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

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

9           Section 7. Section 15-7-102, MCA, is amended to read:

10          "15-7-102. Notice of classification and appraisal to owners -- appeals. (1) It shall be the  
11          duty of the department of revenue, through its agent as specified in subsection (2), to cause to be  
12          mailed to each owner and purchaser under contract for deed a notice of the classification of the  
13          land owned or being purchased by him and the appraisal of the improvements on the land only if  
14          one or more of the following changes pertaining to the land or improvements have been made since  
15          the last notice:

- 16               (a) change in ownership;  
17               (b) change in classification;  
18               (c) change in valuation; or  
19               (d) addition or subtraction of personal property affixed to the land.

20          (2) The county assessor shall assign each assessment to the correct owner or purchaser  
21          under contract for deed and mail the notice of classification and appraisal on a standardized form,  
22          adopted by the department, containing sufficient information in a comprehensible manner designed  
23          to fully inform the taxpayer as to the classification and appraisal of his property and of changes  
24          over the prior tax year.

25          (3) If the owner of any land and improvements is dissatisfied with the appraisal as it

GRAY BILL--FOR DISCUSSION ONLY

1 reflects the market value of the property as determined by the department or with the classification  
2 of his land or improvements, he may submit his objection in writing to the department's agent. In  
3 an objection to the appraisal of the property, the department may consider the actual selling price  
4 of the property, and independent appraisals of the property. AND OTHER RELEVANT  
5 INFORMATION PRESENTED BY THE TAXPAYER as evidence of the market value of the property.  
6 Independent appraisals to be considered by the department must be performed by a licensed  
7 appraiser if a state licensing program is in effect at the time of the appeal. The department shall  
8 give reasonable notice to the taxpayer of the time and place of hearing and hear any testimony or  
9 other evidence that the taxpayer may desire to produce at that time and afford the opportunity to  
10 other interested persons to produce evidence at the hearing. After the hearing, the department shall  
11 determine the true and correct appraisal and classification of the land or improvements and notify  
12 the taxpayer of its determination. In the notification, the department must state its reasons for  
13 revising the classification or appraisal. When the proper appraisal and classification have been  
14 determined, the land shall be classified and the improvements appraised in the manner ordered by  
15 the department.

16 (4) Whether a hearing as provided in subsection (3) is held or not, the department or its  
17 agent may not adjust an appraisal or classification upon taxpayer's objection unless:

18 (a) the taxpayer has submitted his objection in writing; and

19 (b) the department or its agent has stated its reason in writing for making the adjustment.

20 (5) A taxpayer's written objection to a classification or appraisal and the department's  
21 notification to the taxpayer of its determination and the reason for that determination are public  
22 records. Each county appraiser shall make the records available for inspection during regular office  
23 hours.

24 (6) If any property owner feels aggrieved at the classification and/or the appraisal made by  
25 the department, he shall have the right to appeal to the county tax appeal board and then to the

GRAY BILL--FOR DISCUSSION ONLY

1 state tax appeal board, whose findings shall be final subject to the right of review in the courts.

2 The property owner may appeal the base year valuation and the classification determination. A

3 county tax appeal board or the state tax appeal board may consider the actual selling price of the

4 property, and independent appraisals of the property, AND OTHER RELEVANT INFORMATION

5 PRESENTED BY THE TAXPAYER as evidence of the market value of the property. Independent

6 appraisals to be considered by a county tax appeal board or the state tax appeal board must be

7 performed by a licensed appraiser if a state licensing program is in effect at the time of the appeal.

8 If the county tax appeal board or the state tax appeal board determines that an adjustment should

9 be made, the department shall adjust the base value of the property in accordance with the board's

10 order. The property owner may not appeal the yearly percentage adjustments that are specified in

11 15-7-111 and that may be made as a result of the sales assessment ratio study, the stratum, or

12 area designations as specified in 15-7-111.

13 ~~(7) The percentage adjustments, stratum, and area designations must be adopted by~~

14 ~~administrative rule. An annual hearing must be held to accept testimony on the percentage~~

15 ~~adjustments, stratum, and area designations. The department shall present its findings and the~~

16 ~~proposed rules to the revenue oversight committee."~~

17 Section 8. Section 15-7-111, MCA, is amended to read:

18 "15-7-111. Periodic revaluation of taxable property ~~—publication of sales assessment ratio~~

19 ~~studies—appeal of revaluations.~~ (1) The department of revenue shall administer and supervise a

20 program for the revaluation of all taxable property within the state at least every ~~5~~ 3 years. A

21 comprehensive written reappraisal plan shall be promulgated by the department. The reappraisal

22 plan adopted shall provide that all property in each county shall be revalued at least every ~~5~~ 3

23 years. The department shall furnish a copy of the plan and all amendments to the plan to the board

24 of county commissioners in each county.

25 ~~(2) THE NEW VALUES DETERMINED DURING A REVALUATION CYCLE MUST BE~~

GRAY BILL--FOR DISCUSSION ONLY

1 ~~PROVIDED TO THE TAXPAYERS AT THE END OF THE REVALUATION CYCLE BUT MAY NOT BE~~  
2 ~~PLACED ON THE TAX ROLLS UNTIL 1 YEAR FOLLOWING THE COMPLETION OF THE~~  
3 ~~REVALUATION CYCLE.~~

4 ~~(3) A taxpayer shall appeal the new value in advance of its placement on the tax rolls by~~  
5 ~~filing an appeal pursuant to 15-15-102 before the first Monday in June or 15 days after receiving~~  
6 ~~notice of the new valuation amount, whichever is later, or be barred from appealing for~~  
7 ~~untimeliness.~~

8 ~~(4) For the taxable year beginning January 1, 1990, and for every taxable year thereafter,~~  
9 ~~the department shall conduct a stratified sales assessment ratio study of all residential land and~~  
10 ~~improvements, agricultural 1 acre homesites and improvements, and commercial land and~~  
11 ~~improvements. The sales assessment ratio based on property sales finalized and recorded by no~~  
12 ~~later than November 1 must be used to determine appraisals for the immediately succeeding tax~~  
13 ~~year.~~

14 ~~(5) The study required in subsection (4) must be based on:~~

15 ~~(a) commonly accepted statistical standards and methodology;~~

16 ~~(b) a statistically valid sample of sales, using data from realty transfer certificates filed for~~  
17 ~~up to 3 taxable years prior to the year the study is made, taking into account the dates of the~~  
18 ~~included sales in the statistical analysis; and~~

19 ~~(c) the assessments and sales for areas of the state that are economically,~~  
20 ~~demographically, and geographically similar in order to determine the sales assessment ratios for a~~  
21 ~~specific area.~~

22 ~~(6) For purposes of conducting the study required by subsection (4), the department shall~~  
23 ~~partition the state into as many as 100 areas for residential property and as many as 20 areas for~~  
24 ~~commercial property. The areas must contain statistically sufficient numbers of sales and be as~~  
25 ~~economically and demographically homogeneous as reasonably practicable.~~

GRAY BILL--FOR DISCUSSION ONLY

1           ~~(7) The department shall use the following procedure to validate sales information:~~

2           ~~(a) Department staff who did not participate in the determination of appraised values are~~  
3           ~~required to review the sales transactions evidenced by a realty transfer certificate. The review must~~  
4           ~~be conducted to determine whether each sale used in the study was a valid, arm's length~~  
5           ~~transaction. Only valid, arm's length sales may be used in the sales assessment ratio study.~~

6           ~~(b) The sales information entered in the computer assisted appraisal system is considered~~  
7           ~~confidential, as provided in 15-7-308. However, the department shall annually publish a report~~  
8           ~~containing the results of all sales assessment ratio studies done in each of the areas described in~~  
9           ~~subsection (6). The report containing the results of the study must be made available to the public~~  
10          ~~by request or by general disclosure.~~

11          ~~(c) The department shall exclude from the sales assessment ratio study any parcels in~~  
12          ~~which the improvements have been remodeled, reconstructed, or expanded between the time of~~  
13          ~~the assessment and the time of the sales.~~

14          ~~(d) The department shall exclude sales assessment ratios of less than 50% or greater than~~  
15          ~~200%.~~

16          ~~(8) (a) The department shall have equalized property values throughout the state and may~~  
17          ~~not make further adjustments to values under this section when the assessments for each stratum~~  
18          ~~within each area identified in subsection (6) are rescaled to bring all ratios to common value 1 and~~  
19          ~~when the sample size produces a standard error of less than 5%.~~

20          ~~(b) Under the method described in subsection (8)(a), taxable property in each area is~~  
21          ~~considered revalued for each tax year, based on the results of the sales assessment ratio study and~~  
22          ~~the adjustments required by that study.~~

23          ~~(c) Assessments in an area are considered equalized under subsection (8)(a) if the ratio for~~  
24          ~~the area is within plus or minus 5% of common value 1."~~

25          Section 9. Section 15-10-412, MCA, is amended to read:

GRAY BILL--FOR DISCUSSION ONLY

1           "15-10-412. Property tax limited to 1986 levels -- clarification -- extension to all property  
2 classes. Section 15-10-402 is interpreted and clarified as follows:

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

5           (2) The limitation on the amount of taxes levied is interpreted to mean that, except as  
6 otherwise provided in this section, the actual tax liability for an individual property is capped at the  
7 dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property  
8 must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills  
9 levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years  
10 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an  
11 individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.

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

- 14           (a) annexation of real property and improvements into a taxing unit;  
15           (b) construction, expansion, or remodeling of improvements;  
16           (c) transfer of property into a taxing unit;  
17           (d) subdivision of real property;  
18           (e) reclassification of property;  
19           (f) increases in the amount of production or the value of production for property described  
20 in 15-6-131 or 15-6-132;  
21           (g) transfer of property from tax-exempt to taxable status; or  
22           (h) revaluations caused by:  
23           (i) cyclical reappraisal; or  
24           (ii) expansion, addition, replacement, or remodeling of improvements; or  
25           ~~(i) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize~~

GRAY BILL--FOR DISCUSSION ONLY

~~property values annually.~~

(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) a revaluation caused by:

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

(ii) cyclical reappraisal;

(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; ~~or,~~

~~(g) increases in property valuation pursuant to 15-7-111(4) through (8) in order to equalize property values annually.~~

(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

2

GRAY BILL--FOR DISCUSSION ONLY

1 twelve, or class fourteen property is valued according to the procedures used in 1986 but is also  
2 subject to the dollar cap in each taxing unit based on 1986 mills levied.

3 (7) The limitation on the amount of taxes, as clarified in this section, is intended to leave  
4 the property appraisal and valuation methodology of the department of revenue intact.  
5 Determinations of county classifications, salaries of local government officers, and all other matters  
6 in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-  
7 402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units  
8 of local government may anticipate the deficiency in revenues resulting from the tax limitations in  
9 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a  
10 taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year  
11 unless:

12 (a) the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If  
13 a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it may levy  
14 additional mills to compensate for the decreased taxable valuation, but in no case may the mills  
15 levied exceed a number calculated to equal the revenue from property taxes for the 1986 tax year  
16 in that taxing unit.

17 (b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either  
18 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit,  
19 raise each year thereafter an additional number of mills but may not levy more revenue than the 3-  
20 year average of revenue raised for that purpose during 1984, 1985, and 1986;

21 (c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of  
22 mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters  
23 in the taxing unit, levy each year thereafter an additional number of mills but may not levy more  
24 than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.

25 (8) The limitation on the amount of taxes levied does not apply to the following levy or



**GRAY BILL--FOR DISCUSSION ONLY**

1 special assessment categories, whether or not they are based on commitments made before or  
2 after approval of 15-10-401 and 15-10-402:

3 (a) rural improvement districts;

4 (b) special improvement districts;

5 (c) levies pledged for the repayment of bonded indebtedness, including tax increment  
6 bonds;

7 (d) city street maintenance districts;

8 (e) tax increment financing districts;

9 (f) satisfaction of judgments against a taxing unit;

10 (g) street lighting assessments;

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

12 (i) levies for economic development authorized pursuant to 90-5-112(4); and

13 (j) elementary and high school districts.

14 (9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters  
15 in the taxing unit approve an increase in tax liability following a resolution of the governing body of  
16 the taxing unit containing:

17 (a) a finding that there are insufficient funds to adequately operate the taxing unit as a  
18 result of 15-10-401 and 15-10-402;

19 (b) an explanation of the nature of the financial emergency;

20 (c) an estimate of the amount of funding shortfall expected by the taxing unit;

21 (d) a statement that applicable fund balances are or by the end of the fiscal year will be  
22 depleted;

23 (e) a finding that there are no alternative sources of revenue;

24 (f) a summary of the alternatives that the governing body of the taxing unit has  
25 considered; and

GRAY BILL--FOR DISCUSSION ONLY

(g) a statement of the need for the increased revenue and how it will be used.

(10) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(11) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

(12) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402."

NEW SECTION. SECTION 10. REPEALER. SECTIONS 15-7-132 AND 15-7-133, MCA, ARE REPEALED.

NEW SECTION. SECTION 11. Coordination instruction. If House Bill No. 340 is passed and approved and if it includes a section that amends 15-6-143, then the amendments made by [this act] to 15-6-143(1) through (5) are void and the amendments made to 15-6-143(6) by [this act] are to be codified with the amendments made to 15-6-143 by House Bill No. 340.

NEW SECTION. SECTION 12. Applicability dates. (1) [Section 2] applies retroactively, within the meaning of 1-2-109, to property tax year 1991 and is applicable to taxable years 1992 and 1993.

(2) [Sections 6 through 9] apply to all taxable years beginning after December 31, 1993.

GRAY BILL--FOR DISCUSSION ONLY

(3) [Section 5] applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990.

NEW SECTION. SECTION 13. Termination. [Sections 1 and 2] terminate December 31, 1993.

NEW SECTION. SECTION 14. Effective dates. (1) Except as provided in subsection (2), [this act] is effective on passage and approval.

(2) [Sections 6 through ~~9~~ 10] are effective January JULY 1, 1992 1993.

-End-

SENATE STANDING COMMITTEE REPORT

Page 1 of 3  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 412 (first reading copy -- white), respectfully report that Senate Bill No. 412 be amended and as so amended do pass:

1. Title, line 15.

Following: "1985;"

Insert: "REPEALING SECTIONS 15-7-132 AND 15-7-133, HCA;"

2. Page 2, line 24.

Following: the first "property"

Insert: ","

Strike: "and"

Following: the second "property"

Insert: " , and other relevant information presented by the taxpayer"

3. Page 2, line 25 through page 3, line 3.

Strike: "Independent" on page 2, line 25 through "appeal." on page 3, line 3

4. Page 4, line 14.

Following: "property"

Insert: " ,"

Strike: "and"

5. Page 4, line 15.

Following: "property"

Insert: " , and other relevant information presented by the taxpayer"

6. Page 4, lines 16 through 19.

Strike: "Independent" on line 16 through "appeal." on line 19

7. Page 5, lines 17 and 18

Strike: "Venue" on line 17 through "County." on line 18

8. Page 5, line 20.

Following: "proceeding."

Insert: "If the suit encompasses more than one judicial district, the venue for action is the first judicial district of Lewis and Clark County."

9. Page 6, line 3.  
Following: "order"  
Insert: "all or"  
Following: "tax"  
Insert: "to"

10. Page 8, lines 21 through 24.  
Strike: "an assessment" on line 21 through "and" on line 24

11. Page 16, lines 20 and 21.  
Strike: "except" on line 20 through "4," on line 21  
Insert: "[section 1]"

12. Page 22, line 13.  
Following: the first "property"  
Insert: ","  
Strike: "and"  
Following: the second "property"  
Insert: " , and other relevant information presented by the  
taxpayer"

13. Page 22, lines 14 through 17.  
Strike: "Independent" on line 14 through "appeal." on line 17

14. Page 24, line 3.  
Following: "property"  
Insert: " ,"  
Strike: "and"

15. Page 24, line 4.  
Following: "property"  
Insert: " , and other relevant information presented by the  
taxpayer"

16. Page 24, lines 5 through 8.  
Strike: "Independent" on line 5 through "appeal." on line 8

17. Page 25, line 1.  
Strike: "(1)"

18. Page 25, lines 10 through 14.  
Strike: subsection (2) in its entirety

19. Page 35.  
Following: line 5  
Insert: "NEW SECTION. Section 10. Repealer. Sections 15-7-132  
and 15-7-133, MCA, are repealed.  
Renumber: subsequent sections

20. Page 36, line 2.  
Strike: "9"  
Insert: "10"  
Strike: "January"  
Insert: "July"

21. Page 36, line 3.  
Strike: "1992"  
Insert: "1993"

Signed: \_\_\_\_\_

Mike Halligan, Chairman

1991 3-23-91  
Am. Coord.

\_\_\_\_\_  
Sec. of Senate

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 3/23/91 SB Bill No. 384 Time \_\_\_\_\_

NAME	YES	NO
SEN. HALLIGAN	X	
SEN. BROWN	X	
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP	X	
SEN. YELLOWTAIL	X	
SEN. THAYER		X
SEN. TOWE		X
SEN. KOEHNKE		
SEN. DOHERTY	X	

Secretary

Jim Lehman

Chairman

Sen. Mike Halligan  
pr

Motion:

by Senator Harp that SB 384  
Do Pass

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 384 (first reading copy -- white), respectfully report that Senate Bill No. 384 do pass.

Signed: \_\_\_\_\_

  
Mike Halligan, Chairman

*JAC* 3-23-91  
Amd. Coord.

SB 3-23  
Sec. of Senate



ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 3/23/91 SB Bill No. 411 Time \_\_\_\_\_

NAME	YES	NO
SEN. HALLIGAN	X	
SEN. BROWN		X
SEN. ECK		X
SEN. GAGE		X
SEN. VAN VALKENBURG	X	
SEN. HARP	X	
SEN. YELLOWTAIL		X
SEN. THAYER		X
SEN. TOWE		X
SEN. KOEHNKE		
SEN. DOHERTY	X	

Jim Bohannon  
Secretary

Sen. Mike Halligan  
Chairman

Motion: by Sen. Van Valkenburg that  
SB 411 Do Pass

Failed

ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 3/23/41 SB Bill No. 411 Time       

NAME	YES	NO
SEN. HALLIGAN		X
SEN. BROWN	X	
SEN. ECK	X	
SEN. GAGE	X	
SEN. VAN VALKENBURG		X
SEN. HARP		X
SEN. YELLOWTAIL	X	
SEN. THAYER	X	
SEN. TOWE	X	
SEN. KOEHNKE		
SEN. DOHERTY		X

Bill Robinson  
Secretary

Sen. Mike Halligan  
Chairman

Motion: by Sen. Yellowtail That SB 411  
DO NOT PASS

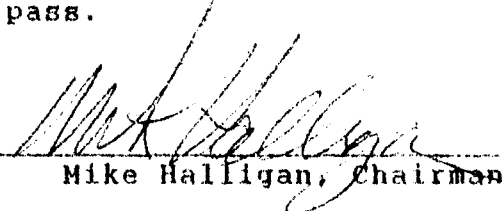
SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 411 (first reading copy -- white), respectfully report that Senate Bill No. 411 do not pass.

Signed: \_\_\_\_\_

  
Mike Halligan, Chairman

And. Coord.

5 B 3-23  
Sec. of Senate

SENATE JOURNAL  
EXHIBIT NO. 3  
DATE 3/23/91  
BILL NO. SB 9115

Amendments to Senate Bill No. 445  
First Reading Copy

Requested by Department of Revenue  
For the Committee on Taxation

Prepared by Jeff Martin  
March 18, 1991

1. Title, lines 10 and 11.  
Strike: "CLARIFYING" on line 10 through "CASES," on line 11
2. Title, line 12.  
Strike: "15-1-402,"
3. Title, line 13.  
Strike: "15-2-307,"
4. Title, line 19.  
Following: "DATES AND"  
Insert: "AN"  
Following: "APPLICABILITY"  
Strike: "DATES"  
Insert: "DATE"
5. Page 2, lines 14 through 16.  
Following: "notice" on line 14  
Strike: ", " through "due" on line 16
6. Page 2, line 17.  
Following: "limitations"  
Insert: "regarding the assessment of the tax"
7. Page 3, line 1.  
Following: "determination"  
Insert: "under this section or to file an appeal with the state  
tax appeal board"
8. Page 3, line 4.  
Strike: "and"
9. Page 3, line 8.  
Following: "days"  
Insert: "; and  
(vi) that the notice stops the running of the statute of  
limitations regarding the assessment of the tax"
10. Page 3, line 17.  
Following: "review"  
Insert: "under this section"  
Following: "or"  
Insert: "to"
11. Page 3, line 18.  
Following: "appeal"

Insert: "to the state tax appeal board"

12. Page 3, line 21.

Strike: "validly"

Following: "department"

Insert: "pursuant to subsection (3)(a)"

13. Page 3, line 24.

Strike: "required"

14. Page 4, line 1.

Following: "notice"

Insert: "referred to in subsection (3)(a)"

15. Page 4, line 6.

Strike: "30"

Insert: "60"

16. Page 4, line 7.

Following: "objections,"

Insert: "as provided in subsection (3)(b),"

17. Page 4, lines 13 through 15.

Strike: "Within" on line 13 through "department" on line 15

Insert: "A taxpayer shall notify the department in writing that  
he objects to the administrator's decision within 30 days  
from the date that the decision is mailed,"

18. Page 4, line 20.

Following: "review"

Insert: "or appeal"

19. Page 4, line 23.

Strike: "validly"

Following: "decision"

Insert: "pursuant to subsection (4)(a)"

20. Page 4, line 25.

Strike: "required"

21. Page 5, line 1.

Strike: "90"

Insert: "60"

22. Page 5, line 6.

Strike: "90"

Insert: "60"

23. Page 5, line 23.

Following: "decision."

Insert: "If an appeal is filed, the administrator's decision is  
the final decision of the department."

24. Page 6, line 1.

Strike: "a final assessment or"

Insert: "the administrator's"

25. Page 6, line 12.

Following: "in"

Insert: "Rule 6 of"

26. Page 6, lines 14 and 15.

Strike: "or by order of the department"

27. Page 6, line 15.

Strike: "grant"

Insert: "consent to"

28. Page 6, line 16.

Following: "requests"

Insert: ", not to exceed 90 days except by the mutual consent of both parties,"

29. Page 7, line 8 through page 12, line 19.

Strike: section 2 in its entirety

Renumber: subsequent sections.

30. Page 14, lines 10 and 11.

Strike: "after" on line 10 through "notice" on line 11

31. Page 14, line 19 through page 15, line 3.

Strike: subsection (4) in its entirety.

32. Page 16, lines 1 through 8.

Strike: section 6 in its entirety

33. Page 46, line 8.

Strike: "(1)"

34. Page 46, line 10

Strike: "preliminary assessments"

Insert: "notices of additional tax"

35. Page 46, lines 12 and 13.

Strike: subsection (2) in its entirety

36. Page 46, line 16.

Following: "act"

Insert: "]"

Strike: "subsection (16) of"

Insert: "["

SENATE STANDING COMMITTEE REPORT

Page 1 of 4  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 445 (first reading copy -- white), respectfully report that Senate Bill No. 445 be amended and as so amended do pass:

1. Title, lines 10 and 11.

Strike: "CLARIFYING" on line 10 through "CASES;" on line 11

2. Title, line 12.

Strike: "15-1-402,"

3. Title, line 13.

Strike: "15-2-307,"

4. Title, line 19.

Following: "DATES AND"

Insert: "AN"

Following: "APPLICABILITY"

Strike: "DATES"

Insert: "DATE"

5. Page 2, lines 14 through 16.

Following: "notice" on line 14

Strike: ", " through "due" on line 16

6. Page 2, line 17.

Following: "limitations"

Insert: "regarding the assessment of the tax"

7. Page 3, line 1.

Following: "determination"

Insert: "under this section or to file an appeal with the state tax appeal board"

8. Page 3, line 4.

Strike: "and"

9. Page 3, line 8.

Following: "days"

Insert: "; and

(vi) that the notice stops the running of the statute of limitations regarding the assessment of the tax"

10. Page 3, line 17.

Following: "review"

Insert: "under this section"

Following: "or"

Insert: "to"

11. Page 3, line 18.

Following: "appeal"

Insert: "to the state tax appeal board"

12. Page 3, line 21.

Strike: "validly"

Following: "department"

Insert: "pursuant to subsection (3)(a)"

13. Page 3, line 24.

Strike: "required"

14. Page 4, line 1.

Following: "notice"

Insert: "referred to in subsection (3)(a)"

15. Page 4, line 6.

Strike: "30"

Insert: "60"

16. Page 4, line 7.

Following: "objections,"

Insert: "as provided in subsection (1)(b)."

17. Page 4, lines 13 through 15.

Strike: "Within" on line 13 through "department" on line 15

Insert: "A taxpayer shall notify the department in writing that  
he objects to the administrator's decision within 30 days  
from the date that the decision is mailed,"

18. Page 4, line 20.

Following: "review"

Insert: "or appeal"

19. Page 4, line 23.

Strike: "validly"

Following: "decision"

Insert: "pursuant to subsection (4)(a)"

20. Page 4, line 25.

Strike: "required"

21. Page 5, line 1.

Strike: "90"

Insert: "60"



22. Page 5, line 6.

Strike: "90"

Insert: "60"

23. Page 5, line 23.

Following: "decision."

Insert: "If an appeal is filed, the administrator's decision is  
the final decision of the department."

24. Page 6, line 1.

Strike: "a final assessment or"

Insert: "the administrator's"

25. Page 6, line 12.

Following: "in"

Insert: "Rule 6 of"

26. Page 6, lines 14 and 15.

Strike: "or by order of the department"

27. Page 6, line 15.

Strike: "grant"

Insert: "consent to"

28. Page 6, line 16.

Following: "requests"

Insert: ", not to exceed 90 days except by the mutual consent of  
both parties,"

29. Page 7, line 8 through page 12, line 19.

Strike: section 2 in its entirety

Re-number: subsequent sections.

30. Page 14, lines 10 and 11.

Strike: "after" on line 10 through "notice" on line 11

31. Page 14, line 19 through page 15, line 3.

Strike: subsection (4) in its entirety.

32. Page 16, lines 1 through 8.

Strike: section 6 in its entirety

Re-number: subsequent sections

33. Page 46, line 8.

Strike: "(1)"

34. Page 46, line 10

Strike: "preliminary assessments"

Insert: "notices of additional tax"

35. Page 46, lines 12 and 13.

Strike: subsection (2) in its entirety

36. Page 46, line 16.

Following: "act."

Insert: "]"

Strike: "subsection (16) of"

Insert: "["

Signed: \_\_\_\_\_

Mike Halligan, Chairman

176 3-23-91  
Amd. Coord.

SB 3-23  
Sec. of Senate

Amendments to Senate Bill No. 436  
First Reading Copy

Requested by Senator Doherty  
For the Committee on Taxation

Prepared by Jeff Martin  
March 13, 1991

1. Title, line 8.

Following: "ELIMINATING"

Insert: "CLASS FOURTEEN (AGRICULTURAL IMPROVEMENTS),"

2. Title, line 19.

Strike: "15-6-144,"

3. Page 5.

Following: line 20

Insert: "(d) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value."

Renumber: subsequent subsection

4. Page 6, line 1.

Following: "(1)(a)"

Insert: ", "

Strike: "and"

Following: "(1)(b)"

Insert: ", and (1)(d)"

5. Page 7, line 8.

Strike: "(1)(d)"

Insert: "(1)(e)"

6. Page 10, line 24 through page 11, line 8.

Strike: section 6 in its entirety

Renumber: subsequent sections

7. Page 17, line 2.

Strike: "classes"

Insert: "class"

Strike: "and"

8. Page 17, line 3.

Strike: "eleven"

9. Page 17, line 15.

Strike: "or class"

10. Page 17, line 16.

Strike: "eleven"

# ROLL CALL VOTE

SENATE COMMITTEE ON TAXATION

Date 3/23/91 SB Bill No. 436 Time \_\_\_\_\_

NAME	YES	NO
SEN. HALLIGAN		X
SEN. BROWN		X
SEN. ECK	X	
SEN. GAGE		X
SEN. VAN VALKENBURG		X
SEN. HARP	X	
SEN. YELLOWTAIL		X
SEN. THAYER	X	
SEN. TOWE		X
SEN. KOEHNKE		
SEN. DOHERTY	X	

Bill Robinson  
Secretary

Sen. Mike Halligan  
Chairman

Motion: by Senator Doherty to amend SB436  
as per exhibit #4

Amendments to Senate Bill No. 436  
First Reading Copy

Requested by Senator Towe  
For the Committee on Taxation

Prepared by Jeff Martin  
March 18, 1991

SENATE TAXATION

EXHIBIT NO. 5

DATE 3/23/91

BILL NO. SB 436

1. Title, lines 14 through 17.

Strike: "DELETING" on line 14 through "PROCEEDS;" on line 17

2. Page 12, line 2.

Following: "~~property~~"

Insert: ", including class 1 and class 2 property"

Amendments to Senate Bill No. 436  
First Reading Copy

Requested by Department of Revenue  
For the Committee on Taxation

Prepared by Jeff Martin  
March 18, 1991

SENATE TAXATION

EXHIBIT NO. 6

DATE 3/23/91

BILL NO. SB 436

1. Title, line 21.  
Strike: "15-6-144,"

2. Page 11, line 19.  
Strike: "1992"  
Insert: "1991"

3. Page 12, line 6.  
Strike: "including class 1 and class 2 property"

4. Page 13, line 22.  
Strike: "and"  
Following: "~~15-6-144~~"  
Insert: ", and 15-6-144"

5. Page 23, line 8.  
Strike: "15-6-144,"

6. Page 23, line 21.  
Strike: "1992"  
Insert: "1991"

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 436 (first reading copy -- white), respectfully report that Senate Bill No. 436 be amended and as so amended do pass:

1. Title, line 21.

Strike: "15-6-144,"

2. Title, line 23.

Following: "AN"

Insert: "IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE"

3. Page 11, line 19.

Strike: "1992"

Insert: "1991"

4. Page 12, lines 5 and 6.

Strike: ", " on line 5 through "property" on line 6

5. Page 13, line 22.

Strike: "and"

Following: "~~15-6-144~~"

Insert: ", and 15-6-144"

6. Page 23, line 8.

Strike: "15-6-144,"

7. Page 23, line 20.

Strike: "Applicability"

Insert: "Effective date -- applicability"

Following: "[This act]"

Insert: "is effective on passage and approval and"

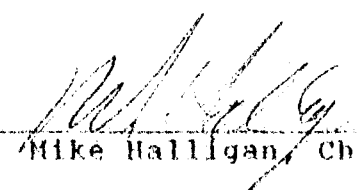
8. Page 23, line 21.

Following: "applies"

Insert: "retroactively, within meaning of 1-2-109,"

Strike: "1992" 1

Insert: "1991"

Signed: 

Mike Halligan, Chairman

  
And. Coord.

Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 23, 1991

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 462 (first reading copy -- white), respectfully report that Senate Bill No. 462 be amended and as so amended do pass:

1. Title, line 9.

Following: "DATE"

Insert: "AND AN APPLICABILITY DATE"

2. Page 2, line 11.

Following: "revenue"

Insert: "in excess of \$250 each quarter"

3. Page 5, line 19.

Following: "~~and penalty~~"

Insert: "and penalty"

4. Page 6, line 5.

Following: "date"

Insert: "-- applicability"

5. Page 6, line 6.

Following: "1991"

Insert: ", and applies to taxable quarters beginning after June 30, 1991"

Signed: \_\_\_\_\_

Mike Halligan, Chairman

7-27-91  
Amd. Coord.

SR 323 12:25  
Sec. of Senate

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