

1 Zhuse BILL NO. 90
 2 INTRODUCED BY Brand Rogers Manuel Simons

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT
 5 SPRINKLER-TYPE IRRIGATION SYSTEMS FROM THE PROPERTY TAX;
 6 AMENDING SECTIONS 84-202 AND 84-301, R.C.M. 1947."
 7

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

9 Section 1. Section 84-202, R.C.M. 1947, is amended to
 10 read as follows:

11 "84-202. Exemptions from taxation. (1) The property of
 12 the United States, the state, counties, cities, towns,
 13 school districts, municipal corporations, public libraries,
 14 all unprocessed, perishable fruits and vegetables in farm
 15 storage and owned by the producer, such other property as is
 16 used exclusively for agricultural and horticultural
 17 societies, for educational purposes, places of actual
 18 religious worship, hospitals and places of burial not used
 19 or held for private or corporate profit, and institutions of
 20 purely public charity, evidence of debt secured by mortgages
 21 of record upon real or personal property in the state of
 22 Montana, and public art galleries and public observatories
 23 not used or held for private or corporate profit, are exempt
 24 from taxation, but no more land than is necessary for such
 25 purpose is exempt; provided, the term "institutions of

1 purely public charity" as used in this act shall include
 2 organizations owning and operating facilities for the care
 3 of the retired or aged or chronically ill which are not
 4 operated for gain or profit; provided, that the terms public
 5 art galleries and public observatories used in this act
 6 shall mean only such art galleries and observatories whether
 7 of public or private ownership, as are open to the public,
 8 without charge or fee at all reasonable hours, and are used
 9 for the purpose of education only, and also when a clubhouse
 10 or building erected by or belonging to any society or
 11 organization of honorably discharged United States soldiers,
 12 sailors or marines who served in army or navy of United
 13 States, is used exclusively for educational, fraternal,
 14 benevolent or purely public charitable purposes, rather than
 15 for gain or profit, together with the library and furniture
 16 necessarily used in any such building, and all property,
 17 real or personal, in the possession of legal guardians of
 18 incompetent veterans of the World War or minor dependents of
 19 such veterans, where such property is funds or derived from
 20 funds received from the United States as pension,
 21 compensation, insurance, adjusted compensation, or gratuity,
 22 shall be exempt from all taxation as property of the United
 23 States while held by the guardian, but not after title
 24 passes to the veteran or minor in his or her own right on
 25 account of removal of legal disability.

HB90

1 (2) All household goods and furniture, including
2 clocks, musical instruments, sewing machines, wearing
3 apparel of members of the family actually used by the owner
4 for personal and domestic purposes, or for furnishing or
5 equipping the family residence are exempt from taxation.

6 (3) Freeport merchandise shall be exempt from
7 taxation. Freeport merchandise means those stocks of
8 merchandise manufactured or produced outside this state
9 which are in transit through this state and consigned to a
10 warehouse or other storage facility, public or private,
11 within this state, for storage in transit prior to shipment
12 to a final destination outside the state, and which have
13 acquired a taxable situs within the state.

14 Stocks of merchandise do not lose their status as
15 freeport merchandise because while in the storage facility
16 they are assembled, bound, joined, processed, disassembled,
17 divided, cut, broken in bulk, relabeled or repackaged.

18 Any person, corporation, firm, partnership,
19 association, or other group seeking to qualify its property
20 for inclusion in this class shall make application to the
21 state department of revenue in such manner or form as may be
22 required by the department.

23 (4) Agricultural sprinkler irrigation systems are
24 exempt from taxation. Agricultural sprinkler irrigation
25 systems mean all equipment used to irrigate agricultural

1 lands by sprinkler method, which is not exempted by section
2 84-206, R.C.M. 1947."

3 Section 2. Section 84-301, R.C.M. 1947, is amended to
4 read as follows:

5 "84-301. Classification of property for taxation. For
6 the purpose of taxation the taxable property in the state
7 shall be classified as follows:

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

21 Class Two. All agricultural and other tools,
22 implements and machinery, except sprinkler irrigation
23 systems, exempted by section 84-202(4), R.C.M. 1947, gas and
24 other engines and boilers, threshing machines and outfits
25 used therewith, automobiles, motor trucks and other

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

14 Class Three. Livestock, poultry and unprocessed
 15 products of both; stocks of merchandise of all sorts,
 16 together with furniture and fixtures used therewith, except
 17 mobile homes; and all office or hotel furniture and
 18 fixtures.

19 Class Four. (a) All land, town and city lots, with
 20 improvements, and all trailers affixed to land owned,
 21 leased, or under contract or purchase by the trailer owner,
 22 manufacturing and mining machinery, fixtures and supplies,
 23 except as otherwise provided by the constitution of Montana,
 24 and except as such property may be included in Class Five,
 25 Class Seven or Class Eight.

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

6 Class Five. (a) All moneys and credits, secured or
 7 unsecured, including all state, county, school district and
 8 other municipal bonds, warrants and securities, without any
 9 deduction or offset; provided, however, that the terms
 10 "moneys and credits" as herein used shall not embrace the
 11 moneyed capital employed in the banking business by any
 12 banking corporation or individual in this state.

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

HB90

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

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

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

19 Class Six. Property formerly included in this class is
 20 now classified by section 34-303, R.C.M. 1947.

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

1 operation not having been assessed prior to July 1, 1961,
 2 within the state of Montana. New industry shall mean any
 3 person, corporation, firm, partnership, association, or
 4 other group which establishes a new plant or plants in this
 5 state for the operation of a new industrial endeavor, as
 6 distinguished from a mere expansion, reorganization, or
 7 merger of an existing industry or industries. Provided,
 8 however, that new industrial property shall be limited to
 9 industries that manufacture, mill, mine, produce, process or
 10 fabricate materials, or do similar work in which capital and
 11 labor are employed and in which materials unserviceable in
 12 their natural state are extracted, processed or made fit for
 13 use or are substantially altered or treated so as to create
 14 commercial products or materials; and in no event shall the
 15 term new industrial property be included to mean property
 16 used by retail or wholesale merchants, commercial services
 17 of any type, agriculture, trades or professions. And
 18 provided further, that new industrial property shall not be
 19 included to mean property which is used or employed in any
 20 industrial plant which has been in operation in this state
 21 for three (3) years or longer. Any person, corporation,
 22 firm, partnership, association or other group seeking to
 23 qualify its property for inclusion in this class shall make
 24 application to the state department of revenue in such
 25 manner and form as may be required by said department.

1 Class Eight. Any improvement on real property,
 2 trailers affixed to land or mobile home belonging to any
 3 person who qualifies under any one or more of the
 4 hereinafter set forth categories, valued at not more than
 5 seventeen thousand five hundred dollars (\$17,500), which is
 6 owned or under a contract for deed, and which is actually
 7 occupied by:

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

11 (2) a widower sixty-five (65) years of age or older,
 12 whether with or without minor dependent children, who
 13 qualifies under the income limitations of (4), or

14 (3) a widow with minor or dependent children
 15 regardless of age, who qualifies under the income
 16 limitations of (4), or

17 (4) a recipient of retirement benefits whose income
 18 from all sources is not more than four thousand dollars
 19 (\$4,000) for a single person and five thousand two hundred
 20 dollars (\$5,200) for a married couple per annum. Provided,
 21 further, that one who applies for classification of property
 22 under this class must make an affidavit to the state
 23 department of revenue on a form as may be provided by the
 24 state department of revenue supplied without cost to the
 25 applicant, as to his income, if applicable, as to his

1 retirement benefits, if applicable, or, as to his marital
 2 status, if applicable, and to the fact that he or she
 3 actually occupies such improvements with right of the county
 4 welfare board to investigate the applicant, on the
 5 completion of the form, as to answers given on the form.
 6 Provided, further, that the value of said property shall not
 7 increase during the life of the recipient of retirement
 8 benefits or widow or widower covered under this class. For
 9 purposes of the affidavit required for classification of
 10 property under this class, it shall be sufficient if the
 11 applicant signs a statement swearing to or affirming the
 12 correctness of the information supplied, whether or not the
 13 statement is signed before a person authorized to administer
 14 oaths, and mails the application and statement to the
 15 department of revenue. This signed statement shall be
 16 treated as a statement under oath or equivalent affirmation
 17 for purposes of section 94-7-203, R.C.M. 1947, relating to
 18 the criminal offense of false swearing.

19 Class Nine. All property not included in the eight (8)
 20 preceding classes."

-End-

HB90

FISCAL NOTE

Form BD-15

In compliance with a written request received January 20, 19 75, there is hereby submitted a Fiscal Note for House Bill 90 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exempt sprinkler-type irrigation systems from property tax.

ASSUMPTIONS:

1. In those counties taxing agricultural sprinkler irrigation systems, the average fair market value is \$8,500,000; this value will increase by 10% per year.
2. Assessed value of class two property is approximately 50% of fair market value; taxable value is 20% of assessed value.
3. Six mills will be levied for universities in FY 76 and FY 77; as much as eight mills may be levied in FY 77 for public school permissive levy.

FISCAL IMPACT:

	FY76 6 mills	FY77 if 6 mill levy	FY77 if 14 mill levy
State taxes collected on sprinkler systems under current law	\$5,610	\$6,171	\$14,399
Collections under proposed law	<u>0</u>	<u>0</u>	<u>0</u>
Decrease in collections	<u>\$5,610</u>	<u>\$6,171</u>	<u>\$14,399</u>

LOCAL IMPACT:

Assuming an average rural mill levy of 175 mills in the taxing counties, as much as \$164,000 in property tax revenue may be lost in FY 76 and \$180,000 in FY 77.

Michael G. Bellings
 BUDGET DIRECTOR
 Office of Budget and Program Planning
 Date: 1/25/75