

1 *House* BILL NO. 417
 2 INTRODUCED BY *Liberton, Repson, Helmbrechts*
 3 *Bengtson, Laund, Fleming, Locken, Monahan*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION
 5 84-301, R.C.M. 1947, TO INCLUDE ADDITIONS OR RENOVATION TO
 6 EXISTING COMMERCIAL PROPERTY IN CLASS SEVEN (7)."

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

9 Section 1. Section 84-301, R.C.M. 1947, is amended to
10 read as follows:

11 "84-301. Classification of property for taxation. For
12 the purpose of taxation the taxable property in the state
13 shall be classified as follows:

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

1 classification for the purpose of taxation.

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

18 Class Three. Livestock, poultry and unprocessed
 19 products of both; stocks of merchandise of all sorts,
 20 together with furniture and fixtures used therewith, except
 21 mobile homes; and all office or hotel furniture and
 22 fixtures.

23 Class Four. (a) All land, town and city lots, with
 24 improvements, and all trailers affixed to land owned,
 25 leased, or under contract or purchase by the trailer owner,

1 manufacturing and mining machinery, fixtures and supplies,
2 except as otherwise provided by the constitution of Montana,
3 and except as such property may be included in Class Five,
4 Class Seven or Class Eight.

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

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

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

1 incorporated limits of a city or town in which less than
2 ninety-five per cent (95%) of the electric consumers or
3 users will be served by a co-operative organization, such
4 property shall be put in Class Two.

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

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

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

23 Class Six. Property formerly included in this class is
24 now classified by section 84-306, R.C.M. 1947.

25 Class Seven. (a) All new industrial property. New

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

1 firm, partnership, association or other group seeking to
 2 qualify its property for inclusion in this class shall make
 3 application to the state department of revenue in such
 4 manner and form as may be required by said department.

5 (b) Additions or renovations to existing commercial
 6 property. Additions or renovations to existing commercial
 7 property means any remodeling, renovation, addition or
 8 improvement, both interior and exterior, physically attached
 9 to a commercial improvement to real estate which in the
 10 determination of the department of revenue was in existence
 11 on the effective date of this act. No addition or
 12 renovation made prior to the effective date of this act may
 13 qualify for inclusion in this class. No addition or
 14 renovation may remain in this class more than five (5) years
 15 after the day on which construction of the addition or
 16 renovation is commenced. Any person, corporation, firm,
 17 partnership, association, or other group seeking to qualify
 18 its property for inclusion in this class shall make
 19 application to the department of revenue in the manner and
 20 on the form required by the department.

21 Class Eight. Any improvement on real property, trailers
 22 affixed to land or mobile home belonging to any person who
 23 qualifies under any one or more of the hereinafter set forth
 24 categories, valued at not more than seventeen thousand five
 25 hundred dollars (\$17,500), which is owned or under a

1 contract for deed, and which is actually occupied by:

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

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

8 (3) a widow with minor or dependent children regardless
9 of age, who qualifies under the income limitations of (4),
10 or

11 (4) a recipient of retirement benefits whose income
12 from all sources is not more than four thousand dollars
13 (\$4,000) for a single person and five thousand two hundred
14 dollars (\$5,200) for a married couple per annum. Provided,
15 further, that one who applies for classification of property
16 under this class must make an affidavit to the state
17 department of revenue on a form as may be provided by the
18 state department of revenue supplied without cost to the
19 applicant, as to his income, if applicable, as to his
20 retirement benefits, if applicable, or, as to his marital
21 status, if applicable, and to the fact that he or she
22 actually occupies such improvements with right of the county
23 welfare board to investigate the applicant, on the
24 completion of the form, as to answers given on the form.
25 Provided, further, that the value of said property shall not

1 increase during the life of the recipient of retirement
2 benefits or widow or widower covered under this class. For
3 purposes of the affidavit required for classification of
4 property under this class, it shall be sufficient if the
5 applicant signs a statement swearing to or affirming the
6 correctness of the information supplied, whether or not the
7 statement is signed before a person authorized to administer
8 oaths, and mails the application and statement to the
9 department of revenue. This signed statement shall be
10 treated as a statement under oath or equivalent affirmation
11 for purposes of section 94-7-203, R.C.M. 1947, relating to
12 the criminal offense of false swearing.

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

-End-

STATE OF MONTANA

REQUEST NO. 123-75

FISCAL NOTE

Form BD-15

In compliance with a written request received January 29, 19 75, there is hereby submitted a Fiscal Note for House Bill 417 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 include additions or renovations to existing commercial property in class seven rather than class four, resulting in a taxable value of 7% of assessed value rather than 30%.

ASSUMPTIONS:

1. There would be approximately \$30 million annually in additions or renovations to existing commercial property with assessed value of approximately \$12 million.
2. Six mills will be levied for universities in FY 76 and FY 77. As much as 8 mills may be necessary in support of public school permissive levy in FY 77. Local mill levy will average approximately 219 mills.

FISCAL IMPACT:

	FY 76 (6 mill levy)	FY 77 (if 6 mill levy)	FY 77 (if 14 mill levy)
Property tax collections on affected property under current law	\$ 21,600	\$ 21,600	\$ 50,400
Collections under proposed law	<u>5,040</u>	<u>5,040</u>	<u>11,760</u>
Decrease in state collections	<u>\$ 16,560</u>	<u>\$ 16,560</u>	<u>\$ 38,640</u>

LOCAL IMPACT:

Loss in overall local government tax collections would be approximately \$604,400 (loss of \$2.76 million in tax base time 219 mills).

CONCLUSION:

Enactment of House Bill 417 would result in a revenue loss to the state of approximately \$33,120 to \$55,200 and a loss to local government units of \$1.2 million during the biennium.

Michael Billings

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 3, 1975

Objection Raised to
Adverse Committee Report

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 2 INTRODUCED BY *Liverton Regier Holmbeck*
 3 *Bongtson, Sant Fleming Locken Monahan*

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24 completion of the form, as to answers given on the form.
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5 applicant signs a statement swearing to or affirming the
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8 oaths, and mails the application and statement to the
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