

HOUSE BILL NO. 440

INTRODUCED BY KIMBLE, BY REQUEST

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION 84-301, R.C.M. 1947, CLASS EIGHT, CLASSIFICATION OF PROPERTY FOR TAXATION."

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

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

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

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

classification for the purpose of taxation.

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

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

Class Four. (a) All land, town and city lots, with improvements, and all trailers affixed to land owned, 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 whosoever,
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 84-308, 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 Class Eight. Any improvement on real property, trailers
 6 affixed to land or mobile home belonging to any person who
 7 qualifies under any one or more of the hereinafter set forth
 8 categories, valued-at with a market value of not more than
 9 ~~seventeen--thousand--five--hundred--dollars--(\$17,500)~~ thirty
 10 thousand dollars (\$30,000), which is owned or under a
 11 contract for deed, and which is actually occupied by:

12 (1) a widow or widower sixty-two (62) years of age or
 13 ~~older, whether with or without minor dependent children,~~ who
 14 qualifies under the income limitations of ~~(4)~~ (3), or
 15 ~~(2) a widower sixty-five (65) years of age or older,~~
 16 ~~whether with or without minor dependent children, who~~
 17 ~~qualifies under the income limitations of (4), or~~

18 ~~(3)~~ (2) a widow with minor or dependent children
 19 regardless of age, who qualifies under the income
 20 limitations of ~~(4)~~ (3), or

21 ~~(4)~~ (3) a recipient of retirement benefits whose income
 22 from all sources is not more than four thousand dollars
 23 (\$4,000) for a single person and five thousand two hundred
 24 dollars (\$5,200) for a married couple per annum, excluding
 25 one of the following: social security, railroad retirement,

1 ~~public employees retirement, or any other retirement or~~
 2 ~~pension.~~ Provided, further, that one who applies for
 3 classification of property under this class must make an
 4 affidavit to the state department of revenue on a form as
 5 may be provided by the state department of revenue supplied
 6 without cost to the applicant, as to his income, ~~if~~
 7 ~~applicable, as to his retirement benefits, if applicable,~~
 8 ~~or, as to his marital status, if applicable, and to social~~
 9 ~~security benefits, and all retirements, including the one he~~
 10 ~~excludes although it will not be counted in his total~~
 11 ~~income, his marital status, the fact that he or she actually~~
 12 ~~occupies such improvements with right of the county welfare~~
 13 ~~board to investigate the applicant, on the completion of the~~
 14 ~~form, as to answers given on the form. --- Provided, further,~~
 15 ~~that the value of said property shall not increase during~~
 16 ~~the life of the recipient of retirement benefits or widow or~~
 17 ~~widower covered under this class. --- For purposes of the~~
 18 ~~affidavit required for classification of property under this~~
 19 ~~class, it shall be sufficient if the applicant signs a~~
 20 ~~statement swearing to or affirming the correctness of the~~
 21 ~~information supplied, whether or not the statement is signed~~
 22 ~~before a person authorized to administer oaths, and mails~~
 23 ~~the application and statement to the department of revenue.~~
 24 ~~This signed statement shall be treated as a statement under~~
 25 ~~oath or equivalent affirmation for purposes of section~~

1 ~~94-7-203, R.C.M., 1947, relating to the criminal offense of~~
 2 ~~false swearing, and such other information as is relevant to~~
 3 ~~his eligibility.~~

4 ~~This application must be made before March 1 of the~~
 5 ~~year after the applicant becomes eligible under this~~
 6 ~~section. An assessor, upon finding an applicant eligible,~~
 7 ~~shall adjust the tax liability on the next payment due so as~~
 8 ~~to reflect the effects of class eight qualification for the~~
 9 ~~past year's tax.~~

10 ~~When an assessor finds an applicant ineligible for this~~
 11 ~~classification, the applicant may request the county tax~~
 12 ~~appeal board to conduct an informal hearing. Upon such~~
 13 ~~request, the county tax appeal board shall convene an~~
 14 ~~informal hearing. The assessor and the applicant shall~~
 15 ~~present their arguments in person to the board, with or~~
 16 ~~without representation by attorneys. The board shall have~~
 17 ~~jurisdiction over the assessor's determination as in formal~~
 18 ~~appeals.~~

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

-End-

STATE OF MONTANA

REQUEST NO. 217-75

FISCAL NOTE

Form BD-15

In compliance with a written request received February 11, 19 75, there is hereby submitted a Fiscal Note for House Bill 440 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:

House Bill 440 changes the eligibility criteria for Class eight property by changing the maximum value from \$17,500 to \$30,000 and allowing exclusion of one retirement pension from the maximum income criteria and provides for informal hearings conducted by county tax appeal boards.

ASSUMPTIONS:

1. The proposed law would expand the number of persons eligible for Class eight property classification by approximately 2,000.
2. The average assessed value for additional property eligible for Class eight classification is \$2,850, thus the estimated value of the total additional Class eight property is \$5,700,000.
3. Current law taxes the affected property at 30%; proposed law taxes the affected property at 15%. The loss in taxable value is therefore \$855,000.
4. Six mills will be levied for universities in FY 76 and FY 77. As much as eight mills may be necessary in support of public school permissive levy in FY 77.

FISCAL IMPACT:	FY 76 6 mill levy	FY 77 if 6 mill levy	FY 77 if 14 mill levy
Reduction in state property tax collections	\$ 5,130	\$ 5,130	\$ 11,970
Reduction in overall local government property tax collections	\$187,245	\$187,245	\$ 187,245

CONCLUSIONS:

Enactment of House Bill 440 will result in an estimated revenue loss to state government of \$10,260 - \$17,100 and an estimated revenue loss to local governments of \$374,490 during the 1975-77 biennium. The provision for county tax appeal board hearings may increase local government expenditures.

Michael Ballings

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 17, 1975