

1 House BILL NO. 580  
 2 INTRODUCED BY Yardley  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM AD  
 5 VALOREM TAXATION THE FIRST TWENTY-THREE HUNDRED DOLLARS  
 6 (\$2300) OF ASSESSED VALUE OF ALL SINGLE FAMILY RESIDENCES  
 7 WHICH ARE OCCUPIED BY THE OWNER OR BY THE PURCHASER  
 8 EVIDENCED BY A VALID CONTRACT FOR DEED; ESTABLISHING  
 9 COMPENSATION TO LOCAL GOVERNMENTS FROM THE STATE GENERAL  
 10 FUND FOR REVENUES WHICH WOULD OTHERWISE BE GENERATED BY THIS  
 11 TAX EXEMPT PROPERTY; AMENDING SECTIONS 84-202 AND 84-506,  
 12 R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE."

13  
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

17 "84-202. Exemptions from taxation. (1) The property of  
 18 the United States, the state, counties, cities, towns,  
 19 school districts, municipal corporations, public libraries,  
 20 all unprocessed, perishable fruits and vegetables in farm  
 21 storage and owned by the producer, such other property as is  
 22 used exclusively for agricultural and horticultural  
 23 societies, for educational purposes, places of actual  
 24 religious worship, hospitals and places of burial not used  
 25 or held for private or corporate profit, and institutions of

1 purely public charity, evidence of debt secured by mortgages  
 2 of record upon real or personal property in the state of  
 3 Montana, and public art galleries and public observatories  
 4 not used or held for private or corporate profit, are exempt  
 5 from taxation, but no more land than is necessary for such  
 6 purpose is exempt; provided, the term "institutions of  
 7 purely public charity" as used in this act shall include  
 8 organizations owning and operating facilities for the care  
 9 of the retired or aged or chronically ill which are not  
 10 operated for gain or profit; provided, that the terms public  
 11 art galleries and public observatories used in this act  
 12 shall mean only such art galleries and observatories whether  
 13 of public or private ownership, as are open to the public,  
 14 without charge or fee at all reasonable hours, and are used  
 15 for the purpose of education only, and also when a clubhouse  
 16 or building erected by or belonging to any society or  
 17 organization of honorably discharged United States soldiers,  
 18 sailors or marines who served in army or navy of United  
 19 States, is used exclusively for educational, fraternal,  
 20 benevolent or purely public charitable purposes, rather than  
 21 for gain or profit, together with the library and furniture  
 22 necessarily used in any such building, and all property,  
 23 real or personal, in the possession of legal guardians of  
 24 incompetent veterans of the World War or minor dependents of  
 25 such veterans, where such property is funds or derived from

1 funds received from the United States as pension,  
2 compensation, insurance, adjusted compensation, or gratuity,  
3 shall be exempt from all taxation as property of the United  
4 States while held by the guardian, but not after title  
5 passes to the veteran or minor in his or her own right on  
6 account of removal of legal disability.

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

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

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

24 Any person, corporation, firm, partnership,  
25 association, or other group seeking to qualify its property

1 for inclusion in this class shall make application to the  
2 state department of revenue in such manner or form as may be  
3 required by the department.

4 (4) The first two thousand three hundred dollars  
5 (\$2300) of assessed value of a single family residence  
6 occupied by the owner or by the purchaser as evidenced by a  
7 valid contract for deed is exempt from taxation. The exempt  
8 value may include the value of the dwelling and not exceeding  
9 one (1) attached or detached garage together with the land,  
10 not exceeding one (1) acre in area, underlying these  
11 improvements."

12 Section 2. Section 84-506, R.C.M. 1947, is amended to  
13 read as follows:

14 "84-506. Statement by agent to the department of  
15 revenue. On the second Monday in July in each year, the  
16 agent of the department of revenue in each county must  
17 transmit to the state department of revenue a statement,  
18 showing:

- 19 1. The several kinds of personal property.
- 20 2. The average and total value of each kind.
- 21 3. The number of livestock, number of bushels of grain,  
22 number of pounds, or tons, of any article sold by the pound  
23 or ton.
- 24 4. When practicable, the separate value of each class  
25 of land, specifying the classes and the number of acres in

1 each.

2 5. The tax exempt value of all single family  
3 residences in each school district in the county."

4 Section 3. There is a new R.C.M. section that reads as  
5 follows:

6 Reimbursement to taxing districts. The department of  
7 revenue shall determine the amount of tax revenue necessary  
8 each year to reimburse local taxing districts for the  
9 revenue lost by virtue of the exemption of the first two  
10 thousand three hundred dollars (\$2300) of assessed value of  
11 a single family residence as provided under section 84-202,  
12 subsection (4). Upon certification by the department of  
13 revenue as to the proper reimbursement for each taxing  
14 district, the state treasurer shall, from the state general  
15 fund, issue warrants to reimburse each taxing district for  
16 the revenue lost by such exemption.

17 Section 4. This act is effective on January 1, 1976.

-End-

## STATE OF MONTANA

REQUEST NO. 169-75

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 6, 1975, 19 \_\_\_\_\_, there is hereby submitted a Fiscal Note for House Bill 580 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 from property taxation the first \$2300 of assessed value of all single family, owner occupied residences and to establish compensation to local governments from the General Fund for loss in property tax revenues. The act is effective January 1, 1976.

## ASSUMPTIONS:

1. Property tax liability for FY 76 is determined before the effective date of the act (January 1, 1976), thus, there would be no impact on FY 76 property tax collections.
2. Taxable value of all dwellings, including class five and class eight dwellings, under the current law would be approximately \$220,000,000 in FY 77.
3. Sixty-five percent of all dwellings are owner occupied with a taxable value of \$143,000,000.
4. Six mills will be levied for universities in FY 77. As much as eight mills may be necessary in FY 77 for public school permissive levy.

## FISCAL IMPACT:

	FY 77 if 6 mill levy	FY 77 if 14 mill levy
State property tax collections on dwellings under current law	\$ 1,320,000	\$ 3,080,000
State property tax collections on dwellings under proposed law	<u>1,034,000</u>	<u>2,412,667</u>
Decrease in property tax collections	<u>\$ 286,000</u>	<u>\$ 667,333</u>
Decrease in local government property tax collections to be reimbursed by the state General Fund	<u>9,533,400</u>	<u>9,533,400</u>
Net loss to the state	<u>\$ 9,819,400</u>	<u>\$10,200,733</u>

## LOCAL IMPACT:

There will be no fiscal impact on local units of government since the property tax collections lost under House Bill 580 would be reimbursed from the State General Fund.

## CONCLUSION:

Enactment of House Bill 580 would result in a decrease in state property tax collections of \$286,000 to \$667,333 during FY 77 and an increase in General Fund expenditures of \$9.53 million.

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BUDGET DIRECTOR

Office of Budget and Program Planning

Date: February 11, 1975