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2 INTRODUCTION BY ^H BILL NO. 166
Synch Siskis *Harvey A. Mular*
3 *Huanekom Menahan*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REDUCE THE TAX PAID
5 ON SNOWMOBILES BY CREATING A NEW CLASS OF PROPERTY TO
6 INCLUDE SNOWMOBILES FOR TAX PURPOSES AND TO PROVIDE A BASIS
7 FOR IMPOSITION OF TAXES ON THIS CLASS OF 10% OF THE TRUE AND
8 FULL VALUE; AMENDING SECTIONS 84-301 AND 84-302, R.C.M.
9 1947."

10

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

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

14 "84-301. Classification of property for taxation. For
15 the purpose of taxation the taxable property in the state
16 shall be classified as follows:

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

1 determine the value of the right to enter upon said tract of
2 land for the purpose of digging, exploring, or prospecting
3 for gas, oil, coal or minerals, and the same shall be placed
4 in this classification for the purpose of taxation.

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

22 Class Three. Livestock, poultry, and unprocessed
23 products of both; furniture and fixtures used in commercial
24 activities; the annual gross proceeds of underground coal
25 mines; and all office or hotel furniture and fixtures,

INTRODUCED BILL

1 except improvements included in Class Nine.

2 Class Four. (a) All land, town and city lots, with
3 improvements, except improvements included in Class Nine,
4 and all trailers affixed to land owned, leased, or under
5 contract or purchase by the trailer owner, manufacturing and
6 mining machinery, fixtures and supplies, except as otherwise
7 provided by the constitution of Montana, and except as such
8 property may be included in Class Five, Class Seven or Class
9 Eight.

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

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

1 users will be served by a co-operative organization, such
2 property shall be put in Class Two.

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

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

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

22 Class Six. Property formerly included in this class is
23 now classified by section 84-308, R.C.M. 1947.

24 Class Seven. (a) All new industrial property. New
25 industrial property shall mean any new industrial plant,

1 including land, buildings, machinery and fixtures which, in
 2 the determination of the state department of revenue, is
 3 used by a new industry during the first three (3) years of
 4 operation not having been assessed prior to July 1, 1961,
 5 within the state of Montana. New industry shall mean any
 6 person, corporation, firm, partnership, association, or
 7 other group which establishes a new plant or plants in this
 8 state for the operation of a new industrial endeavor, as
 9 distinguished from a mere expansion, reorganization, or
 10 merger of an existing industry or industries. Provided,
 11 however, that new industrial property shall be limited to
 12 industries that manufacture, mill, mine, produce, process or
 13 fabricate materials, or do similar work in which capital and
 14 labor are employed and in which materials unserviceable in
 15 their natural state are extracted, processed or made fit for
 16 use or are substantially altered or treated so as to create
 17 commercial products or materials; industries that engage in
 18 the mechanical or chemical transformation of materials or
 19 substances into new products in the manner defined as
 20 manufacturing in the 1972 Standard Industrial Classification
 21 Manual, prepared by the United States office of management
 22 and budget; and in no event shall the term new industrial
 23 property be included to mean property used by retail or
 24 wholesale merchants, commercial services of any type,
 25 agriculture, trades or professions. New industrial property

1 does not include a plant which will create an adverse impact
 2 on existing state, county, or municipal services. The
 3 department shall promulgate regulations for the
 4 determination of what constitutes an adverse impact taking
 5 into consideration the number of people to be employed and
 6 the size of the community in which the location is
 7 contemplated. Once the department has made an initial
 8 determination that the industrial facility qualifies as new
 9 industrial property, the department shall then upon proper
 10 notice hold a hearing to determine if the new industrial
 11 classification should be retained by the property. The
 12 local taxing authority may appear at the hearing, and it
 13 also may waive its objection to retention of this
 14 classification if the industry agrees to the prepayment of
 15 taxes sufficient to satisfy tax requirements created by the
 16 location and construction of the facility during
 17 construction period.

18 In the event of a prepayment of taxes, the maximum
 19 amount or prepayment shall be the amount without the
 20 application of the Class 7 (a) to such property.

21 If a major new industrial facility qualifies under
 22 Class 7 (a) the reduction of its yearly payment of property
 23 taxes for reimbursement of its prepaid taxes as provided for
 24 in section 84-41-105, R.C.M. 1947, shall not begin until the
 25 Class 7 qualification expires. And provided further, that

1 new industrial property shall not be included to mean
 2 property which is used or employed in any industrial plant
 3 which has been in operation in this state for three (3)
 4 years or longer. Any person, corporation, firm, partnership,
 5 association or other group seeking to qualify its property
 6 for inclusion in this class shall make application to the
 7 state department of revenue in such manner and form as may
 8 be required by said department.

9 (b) Business inventories. Business inventories shall
 10 include goods intended for sale or lease in the ordinary
 11 course of business, and shall include raw materials and work
 12 in progress with respect to such goods, but shall not
 13 include goods actually leased or rented on the lien date, or
 14 mobile homes held by a dealer or distributor as a part of
 15 his stock in trade.

16 (c) Air pollution control equipment as defined in
 17 section 69-3923.

18 (d) A capital investment in a recognized nonfossil
 19 form of energy generation, to the extent provided under
 20 section 84-7403.

21 Class Eight. (a) Any improvement on real property,
 22 trailers affixed to land or mobile home belonging to any
 23 person who qualifies under any one or more of the
 24 hereinafter set forth categories, with appurtenant land not
 25 exceeding five (5) acres, which together have a market value

1 of not more than twenty-seven thousand five hundred dollars
 2 (\$27,500), which dwelling is owned or under a contract for
 3 deed, and which is actually occupied for at least ten (10)
 4 months per year as the primary residential dwelling of:

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

8 (2) a widower 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 (3) a widow or widower with minor or dependent
 12 children regardless of age, who qualifies under the income
 13 limitations of (4), or

14 (4) a recipient or recipients of retirement or
 15 disability benefits whose income from all sources is not
 16 more than six thousand dollars (\$6,000) for a single person
 17 and six thousand eight hundred dollars (\$6,800) for a
 18 married couple total per annum whether said dwelling is
 19 occupied by a single person or a married couple. Provided,
 20 further, that one who applies for classification of property
 21 under this class must make an affidavit to the state
 22 department of revenue on a form as may be provided by the
 23 state department of revenue supplied without cost to the
 24 applicant, as to his income, if applicable, as to his
 25 retirement benefits, if applicable, or, as to his marital

1 status, if applicable, and to the fact that he or she
 2 actually occupies or maintains as his or her primary
 3 residential dwelling, such land and improvements with right
 4 of the county welfare board to investigate the applicant, on
 5 the completion of the form, as to answers given on the form.
 6 Provided, further, the assessed value of said property shall
 7 not be increased during the life of the recipient of
 8 retirement benefits or widow or widower covered under this
 9 class, unless the owner-resident makes a substantial
 10 improvement in the dwelling. For the purposes of the
 11 affidavit required for classification of property under this
 12 class, it shall be sufficient if the applicant signs a
 13 statement swearing to or affirming the correctness of the
 14 information supplied, whether or not the statement is signed
 15 before a person authorized to administer oaths, and mails
 16 the application and statement to the department of revenue.
 17 This signed statement shall be treated as a statement under
 18 oath or equivalent affirmation for purposes of section
 19 94-7-203, R.C.M. 1947, relating to the criminal offense of
 20 false swearing.

21 (b) A capital investment in a building for an energy
 22 conservation purpose, to the extent provided under section
 23 84-7403.

24 Class Nine. The incremental increase in the value of
 25 real estate attributable to repairing, maintaining or

1 improving existing improvements.

2 Class Ten. The annual gross proceeds of coal mines
 3 using the strip mining method.

4 Class Eleven. Centrally assessed utility allocations
 5 after deductions of locally assessed properties and except
 6 as provided in Class Two for rural telephones and Class Five
 7 (a) for cooperatives, and all other property not included in
 8 the ten (10) preceding classes ~~or Class Twelve.~~

9 ~~Class Twelve. Snowmobiles."~~

10 Section 2. Section 84-302, R.C.M. 1947, is amended to
 11 read as follows:

12 "84-302. Basis for imposition of taxes. As a basis for
 13 the imposition of taxes upon the different classes of
 14 property specified in the preceding section, a percentage of
 15 the true and full value of the property of each class shall
 16 be taken as follows:

17 Class 1. One hundred per cent (100%) of its true and
 18 full value.

19 Class 2. Twenty per cent (20%) of its true and full
 20 value.

21 Class 3. Thirty-three and one-third per cent (33 1/3%)
 22 of its true and full value.

23 Class 4. Thirty per cent (30%) of its true and full
 24 value.

25 Class 5. Seven per cent (7%) of its true and full

1 value.

2 Class 6. As specified in section 84-308, R.C.M. 1947.

3 Class 7. Seven per cent (7%) of its true and full
4 value.

5 Class 8. Fifteen per cent (15%) of its true and full
6 value.

7 Class 9. Six percent (6%) of the true and full value
8 for the first full year following completion of the repair,
9 maintenance or improving of existing improvements; twelve
10 percent (12%) of the true and full value for the second full
11 year following completion of the repair, maintenance or
12 improving of existing improvements; eighteen percent (18%)
13 of the true and full value for the third full year following
14 completion of the repair, maintenance or improving of
15 existing improvements; twenty-four percent (24%) of the true
16 and full value for the fourth full year following completion
17 of the repair, maintenance or improving of existing
18 improvements; and thirty percent (30%) for the fifth full
19 year following completion of the repair, maintenance or
20 improving of existing improvements and for every year
21 thereafter.

22 Class 10. Forty-five per cent (45%) of its true and
23 full value.

24 Class 11. Forty per cent (40%) of its true and full
25 value.

! Class 12. 10% of its true and full value."

-End-

STATE OF MONTANA

REQUEST NO. 74-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 14, 19 77, there is hereby submitted a Fiscal Note for House Bill 166 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

This bill reduces the taxable value of snowmobiles from 20% to 10% of assessed value.

ASSUMPTIONS

1. The assessed value of snowmobiles will be \$9.601M in FY 78 and \$10.561M in FY 79.
2. The taxable value of snowmobiles will shift from 20% to 10% of assessed value.
3. 199 mills will be the tax levy on snowmobiles; of this 199 mills the state will receive 6 mills.
4. Administrative costs will remain unchanged.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
State 6 mill levy on property under current law.	\$11,521	\$12,673
State 6 mill levy on property under proposed law.	<u>\$ 5,761</u>	<u>\$ 6,337</u>
DECREASE IN REVENUE	<u>\$ 5,760</u>	<u>\$ 6,336</u>

EFFECT ON LOCAL GOVERNMENT REVENUES

Total revenues from snowmobile taxation to local governments will be reduced by 50%. This loss will amount to approximately \$200,000.

LONG-RANGE EFFECT

In future years state revenue from snowmobile taxation will be reduced by 50%. This loss will be approximately \$6,500.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Tracy for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1-18-77