

1 *Thopp* H BILL NO. 358
 2 INTRODUCED BY *Benjamin Conway Davis - Elled*
 3 *Wynick* *Ray Robbins* *Severson* *Towse*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT MOVING LIVESTOCK AND *Hirsch*
 5 UNPROCESSED LIVESTOCK PRODUCTS FROM CLASS THREE TO CLASS
 6 SEVEN IN THE PROPERTY TAX CLASSIFICATION SYSTEM; AMENDING
 7 SECTION 84-301, R.C.M. 1947."

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

1 placed in this 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 (a)
 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
 19 unprocessed poultry products ~~of-both~~; furniture and fixtures
 20 used in commercial activities; the annual gross proceeds of
 21 underground coal mines; and all office or hotel furniture
 22 and fixtures, except improvements included in Class Nine.

23 Class Four. (a) All land, town and city lots, with
 24 improvements, except improvements included in Class Nine,
 25 and all trailers affixed to land owned, leased, or under

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

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

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

25 (b) All unprocessed agricultural products either on

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

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

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

19 Class Six. Property formerly included in this class is
 20 now classified by ~~section 34-308v-RvE-Mv-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,
 10 or fabricate materials, or do similar work in which capital
 11 and labor are employed and in which materials unserviceable
 12 in their natural state are extracted, processed, or made fit
 13 for use or are substantially altered or treated so as to
 14 create commercial products or materials; industries that
 15 engage in the mechanical or chemical transformation of
 16 materials or substances into new products in the manner
 17 defined as manufacturing in the 1972 Standard Industrial
 18 Classification Manual, prepared by the United States office
 19 of management and budget; and in no event shall the term new
 20 industrial property be included to mean property used by
 21 retail or wholesale merchants, commercial services of any
 22 type, agriculture, trades, or professions. New industrial
 23 property does not include a plant which will create an
 24 adverse impact on existing state, county, or municipal
 25 services. The department shall promulgate regulations for

1 the determination of what constitutes an adverse impact
 2 taking into consideration the number of people to be
 3 employed and the size of the community in which the location
 4 is contemplated. Once the department has made an initial
 5 determination that the industrial facility qualifies as new
 6 industrial property, the department shall then upon proper
 7 notice hold a hearing to determine if the new industrial
 8 classification should be retained by the property. The
 9 local taxing authority may appear at the hearing, and it
 10 also may waive its objection to retention of this
 11 classification if the industry agrees to the prepayment of
 12 taxes sufficient to satisfy tax requirements created by the
 13 location and construction of the facility during
 14 construction period.

15 In the event of a prepayment of taxes, the maximum
 16 amount or prepayment shall be the amount without the
 17 application of the Class 7 (a) to such property.

18 If a major new industrial facility qualifies under
 19 Class 7 (a) the reduction of its yearly payment of property
 20 taxes for reimbursement of its prepaid taxes as provided for
 21 in section 84-41-105, ~~RFCM-1947~~, shall not begin until the
 22 Class 7 qualification expires. And provided further, that
 23 new industrial property shall not be included to mean
 24 property which is used or employed in any industrial plant
 25 which has been in operation in this state for three-(3)

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

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

13 (c) Air pollution control equipment as defined in
 14 section 69-3923.

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

18 (e) Livestock and unprocessed products of livestock.
 19 Class Eight. (a) Any improvement on real property,
 20 trailers affixed to land or mobile home belonging to any
 21 person who qualifies under any one or more of the
 22 hereinafter set forth categories, with appurtenant land not
 23 exceeding ~~five~~(5) acres, which together have a market value
 24 of not more than ~~twenty-seven-thousand-five-hundred--dollars~~
 25 ~~(\$27,500)~~, which dwelling is owned or under a contract for

1 deed, and which is actually occupied for at least ~~ten~~(10)
 2 months per year as the primary residential dwelling of:

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

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

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

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

1 residential dwelling, such land and improvements with right
 2 of the county welfare board to investigate the applicant, on
 3 the completion of the form, as to answers given on the form.
 4 Provided, further, the assessed value of said property shall
 5 not be increased during the life of the recipient of
 6 retirement benefits or widow or widower covered under this
 7 class, unless the owner-resident makes a substantial
 8 improvement in the dwelling. For the purposes of the
 9 affidavit required for classification of property under this
 10 class, it shall be sufficient if the applicant signs a
 11 statement swearing to or affirming the correctness of the
 12 information supplied, whether or not the statement is signed
 13 before a person authorized to administer oaths, and mails
 14 the application and statement to the department of revenue.
 15 This signed statement shall be treated as a statement under
 16 oath or equivalent affirmation for purposes of ~~section~~
 17 ~~94-7-203, R66M-1947,~~ relating to the criminal offense of
 18 false swearing.

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

22 Class Nine. The incremental increase in the value of
 23 real estate attributable to repairing, maintaining or
 24 improving existing improvements.

25 Class Ten. The annual gross proceeds of coal mines

1 using the ~~strip-mining~~ ~~strip-mining~~ method.

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

-End-

STATE OF MONTANA

REQUEST NO. 185-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, 19 77, there is hereby submitted a Fiscal Note for House Bill 358 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

The proposed legislation would place livestock (except poultry) and unprocessed livestock products (except unprocessed poultry products) in class 7 rather than class 3 for property tax purposes thereby reducing the percentage which taxable value is of assessed value from 33 1/3% to 7%.

ASSUMPTIONS

1. The taxable value of class 3 property is 33 1/3% of its assessed value.
2. The taxable value of class 7 property is 7% of its assessed value.
3. The assessed value of livestock will continue to be 40% of its market value.
4. The total state mill levy will be 23.1 mills on sheep and 27.6 mills on other livestock during both years of the biennium.
5. The mill levy for county and school purposes will average 133 mills state-wide during each year of the biennium.
6. The total assessed value for livestock will be \$197 million for both FY 78 and FY 79 (Same as FY 77; see "Report of the Department of Revenue 1974-76" page 66.)
7. The total assessed value of sheep is \$3.26M each year.
8. No estimate is given for unprocessed products of livestock (except poultry products) because no data exists. However, statewide, this omission should not be significant.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
Total state property tax under current law.	\$1.807M	\$1.807M
Total state property tax (6 mills university, 17.1 sheep, 21.6 other livestock) under proposed law	<u>\$.379M</u>	<u>\$.379M</u>
TOTAL DECREASE	<u>\$1.428M</u>	<u>\$1.428M</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE

Local governments (counties and schools) would lose approximately \$13.8 million in property tax collections during the biennium. Losses would be distributed among the counties in proportion to their dependence on livestock as a component of tax base. Clearly mill levies would have to be increased in order to compensate for losses of this magnitude.

(Continued on page 2)

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: _____

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LONG-RANGE EFFECTS

About one-fourth of the revenue from the statewide property tax on livestock goes to support the university system while the remaining three-fourths goes to various livestock department programs. In order to continue funding these programs at current levels mill levy limits (against taxable value) would have to be increased between 300% and 400%. Livestock levies against assessed value would be unaffected.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. ...
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-26-77