

1 H BILL NO. 434
 2 INTRODUCED BY Williams, Gabe, Jussor Wynick
 3 Doyle, Benton, Reeson, Jintan

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLER
 5 IRRIGATION SYSTEMS IN CLASS SEVEN FOR 3 YEARS AFTER THEIR
 6 PURCHASE; AMENDING SECTION 84-301, R.C.M. 1947."

7
 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 placed

1 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 unprocessed
 19 products of both; furniture and fixtures used in commercial
 20 activities; the annual gross proceeds of underground coal
 21 mines; and all office or hotel furniture and fixtures,
 22 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 Class
 5 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 rural
 14 electrical and co-operative rural telephone associations
 15 organized under the laws of Montana except those within the
 16 incorporated limits of a city or town in which less than
 17 ninety-five per cent (95%) of the electric consumers and/or
 18 telephone users are served by a co-operative organization,
 19 and as to the property enumerated in this sub-section (a)
 20 within incorporated limits of a city or town in which less
 21 than ninety-five per cent (95%) of the electric consumers or
 22 users will be served by a co-operative organization, such
 23 property shall be put in Class Two.

24 (b) All unprocessed agricultural products either on
 25 the farm or in storage, irrespective of whether said

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

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

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

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

20 Class Seven. (a) All new industrial property. New
 21 industrial property shall mean any new industrial plant,
 22 including land, buildings, machinery and fixtures which, in
 23 the determination of the state department of revenue, is
 24 used by a new industry during the first three (3) years of
 25 operation not having been assessed prior to July 1, 1961,

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

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

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

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

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

5 ~~(b) All sprinkler irrigation systems, including all~~
 6 ~~pipes, hoses, rollers, spray attachments, connectors, pumps,~~
 7 ~~and other items integral to the functioning of a sprinkler~~
 8 ~~irrigation system, for 3 years calculated from the next~~
 9 ~~January 1 after date of purchase. On the fourth January 1~~
 10 ~~after purchase, a sprinkler irrigation system shall be~~
 11 ~~taxed as class two property. Sprinkler irrigation systems~~
 12 ~~purchased less than 3 years before the effective date of~~
 13 ~~this act shall be included in this class until the fourth~~
 14 ~~January 1 after their purchase.~~

15 ~~(b)(c) Business inventories. Business inventories~~
 16 ~~shall include goods intended for sale or lease in the~~
 17 ~~ordinary course of business, and shall include raw materials~~
 18 ~~and work in progress with respect to such goods, but shall~~
 19 ~~not include goods actually leased or rented on the lien~~
 20 ~~date, or mobile homes held by a dealer or distributor as a~~
 21 ~~part of his stock in trade.~~

22 ~~(c)(d) Air pollution control equipment as defined in~~
 23 ~~section 69-3923.~~

24 ~~(c)(e) A capital investment in a recognized nonfossil~~
 25 ~~form of energy generation, to the extent provided under~~

1 section 84-7403.

2 Class Eight. (a) Any improvement on real property,
 3 trailers affixed to land or mobile home belonging to any
 4 person who qualifies under any one or more of the
 5 hereinafter set forth categories, with appurtenant land not
 6 exceeding five (5) acres, which together have a market value
 7 of not more than twenty-seven thousand five hundred dollars
 8 (\$27,500), which dwelling is owned or under a contract for
 9 deed, and which is actually occupied for at least ten (10)
 10 months per year as the primary residential dwelling of:

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

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

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

20 (4) a recipient or recipients of retirement or
 21 disability benefits whose income from all sources is not
 22 more than six thousand dollars (\$6,000) for a single person
 23 and six thousand eight hundred dollars (\$6,800) for a
 24 married couple total per annum whether said dwelling is
 25 occupied by a single person or a married couple. Provided,

1 further, that one who applies for classification of property
 2 under this class must make an affidavit to the state
 3 department of revenue on a form as may be provided by the
 4 state department of revenue supplied without cost to the
 5 applicant, as to his income, if applicable, as to his
 6 retirement benefits, if applicable, or, as to his marital
 7 status, if applicable, and to the fact that he or she
 8 actually occupies or maintains as his or her primary
 9 residential dwelling, such land and improvements with right
 10 of the county welfare board to investigate the applicant, on
 11 the completion of the form, as to answers given on the form.
 12 Provided, further, the assessed value of said property shall
 13 not be increased during the life of the recipient of
 14 retirement benefits or widow or widower covered under this
 15 class, unless the owner-resident makes a substantial
 16 improvement in the dwelling. For the purposes of the
 17 affidavit required for classification of property under this
 18 class, it shall be sufficient if the applicant signs a
 19 statement swearing to or affirming the correctness of the
 20 information supplied, whether or not the statement is signed
 21 before a person authorized to administer oaths, and mails
 22 the application and statement to the department of revenue.
 23 This signed statement shall be treated as a statement under
 24 oath or equivalent affirmation for purposes of section
 25 94-7-203, R.C.M. 1947, relating to the criminal offense of

1 false swearing.

2 (b) A capital investment in a building for an energy
 3 conservation purpose, to the extent provided under section
 4 84-7403.

5 Class Nine. The incremental increase in the value of
 6 real estate attributable to repairing, maintaining or
 7 improving existing improvements.

8 Class Ten. The annual gross proceeds of coal mines
 9 using the strip mining method.

10 Class Eleven. Centrally assessed utility allocations
 11 after deductions of locally assessed properties and except
 12 as provided in Class Two for rural telephones and Class Five
 13 (a) for cooperatives, and all other property not included in
 14 the ten (10) preceding classes."

-End-

STATE OF MONTANA

REQUEST NO. 217-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 77, there is hereby submitted a Fiscal Note for House Bill 434 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 includes sprinkler irrigation systems in class seven for 3 years after their purchase.

ASSUMPTIONS

1. FY 78 will be unaffected because of date of implementation.
2. In FY 79 there will be 4000 sprinkler systems with an average assessed value of \$10,000.
3. 40%-50% of the sprinklers will qualify for class seven property.
4. The state mill levy is 6 mills.
5. Administrative costs will remain unchanged.

FISCAL IMPACT

This bill will have no fiscal impact in FY 78 because of the date of implementation. In FY 79 state revenues from property taxes on sprinkler systems will decrease by approximately \$12,500 to \$15,600.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE

Local government revenues will be decreased by \$275,000-\$350,000 each year the act is in effect.

LONG-RANGE EFFECT

In the long range the state and local revenues would stand to lose a greater share of revenue collected from property taxes on sprinkler systems. This occurs because the new sprinkler systems are becoming much more expensive than the old sprinkler systems.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Dreyfus
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-30-77

Approved by Committee
on Taxation

HOUSE BILL NO. 434

INTRODUCED BY WILLIAMS, GERKE, SEVERSON,
WYRICK, DAY, BENGTON, AAGESON, SIVERTSEN

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLER
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expenses specified and allowed by section 84-5403; also
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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 (a)
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
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products of both; furniture and fixtures used in commercial
activities; the annual gross proceeds of underground coal
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SECOND READING

1 and all trailers affixed to land owned, leased, or under
 2 contract or purchase by the trailer owner, manufacturing and
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7 (b) Mobile homes without regard to the ownership of
 8 the land upon which they are situated, except those held by
 9 a distributor or dealer of mobile homes as part of his stock
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 24 property shall be put in Class Two.

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 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 84-308, R.C.M. 1947.

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 22 industrial property shall mean any new industrial plant,
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 20 property be included to mean property used by retail or
 21 wholesale merchants, commercial services of any type,
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 25 department shall promulgate regulations for the

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5 be required by said department.

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8 ~~and other items integral to the functioning of a sprinkler~~
9 ~~irrigation system PUMPS, LATERAL LINES, POWER UNITS OR~~
10 ~~MOVERS, TOWERS, ROOMS, PIPES, NOZZLES, SPRINKLER HEADS, AND~~
11 ~~OTHER ACCESSORIES USED TO DISTRIBUTE THE WATER, for 3 years~~
12 ~~calculated from the next January 1 after date of purchase.~~
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14 ~~irrigation system shall be taxed as class two property.~~
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 17 incorporated limits of a city or town in which less than
 18 ninety-five per cent (95%) of the electric consumers and/or
 19 telephone users are served by a co-operative organization,
 20 and as to the property enumerated in this sub-section (a)
 21 within incorporated limits of a city or town in which less
 22 than ninety-five per cent (95%) of the electric consumers or
 23 users will be served by a co-operative organization, such
 24 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 84-308, R.C.M. 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 or
 10 fabricate materials, or do similar work in which capital and
 11 labor are employed and in which materials unserviceable in
 12 their natural state are extracted, processed or made fit for
 13 use or are substantially altered or treated so as to create
 14 commercial products or materials; industries that engage in
 15 the mechanical or chemical transformation of materials or
 16 substances into new products in the manner defined as
 17 manufacturing in the 1972 Standard Industrial Classification
 18 Manual, prepared by the United States office of management
 19 and budget; and in no event shall the term new industrial
 20 property be included to mean property used by retail or
 21 wholesale merchants, commercial services of any type,
 22 agriculture, trades or professions. New industrial property
 23 does not include a plant which will create an adverse impact
 24 on existing state, county, or municipal services. The
 25 department shall promulgate regulations for the

1 determination of what constitutes an adverse impact taking
 2 into consideration the number of people to be employed and
 3 the size of the community in which the location is
 4 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, R.C.M. 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) All sprinkler irrigation systems, including all~~
 7 ~~pipes, hoses, rollers, spray attachments, connectors, pumps,~~
 8 ~~and other items integral to the functioning of a sprinkler~~
 9 ~~irrigation system PUMPS, LATERAL LINES, POWER UNITS OR~~
 10 ~~MOVERS, TOWERS, BOOMS, PIPES, NOZZLES, SPRINKLER HEADS, AND~~
 11 ~~OTHER ACCESSORIES USED TO DISTRIBUTE THE WATER, for 3 years~~
 12 ~~calculated from the next January 1 after date of purchase.~~
 13 ~~On the fourth January 1 after purchase, a sprinkler~~
 14 ~~irrigation system shall be taxed as class two property.~~
 15 ~~Sprinkler irrigation systems purchased less than 3 years~~
 16 ~~before the effective date of this act shall be included in~~
 17 ~~this class until the fourth January 1 after their purchase.~~

18 ~~(b)(c)~~ Business inventories. Business inventories
 19 shall include goods intended for sale or lease in the
 20 ordinary course of business, and shall include raw materials
 21 and work in progress with respect to such goods, but shall
 22 not include goods actually leased or rented on the lien
 23 date, or mobile homes held by a dealer or distributor as a
 24 part of his stock in trade.

25 ~~(c)(d)~~ Air pollution control equipment as defined in

1 section 69-3923.

2 ~~(d)(2)~~ A capital investment in a recognized nonfossil
 3 form of energy generation, to the extent provided under
 4 section 84-7403.

5 Class Eight. (a) Any improvement on real property,
 6 trailers affixed to land or mobile home belonging to any
 7 person who qualifies under any one or more of the
 8 hereinafter set forth categories, with appurtenant land not
 9 exceeding five (5) acres, which together have a market value
 10 of not more than twenty-seven thousand five hundred dollars
 11 (\$27,500), which dwelling is owned or under a contract for
 12 deed, and which is actually occupied for at least ten (10)
 13 months per year as the primary residential dwelling of:

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

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

20 (3) a widow or widower with minor or dependent
 21 children regardless of age, who qualifies under the income
 22 limitations of (4), or

23 (4) a recipient or recipients of retirement or
 24 disability benefits whose income from all sources is not
 25 more than six thousand dollars (\$6,000) for a single person

1 and six thousand eight hundred dollars (\$6,800) for a
 2 married couple total per annum whether said dwelling is
 3 occupied by a single person or a married couple. Provided,
 4 further, that one who applies for classification of property
 5 under this class must make an affidavit to the state
 6 department of revenue on a form as may be provided by the
 7 state department of revenue supplied without cost to the
 8 applicant, as to his income, if applicable, as to his
 9 retirement benefits, if applicable, or, as to his marital
 10 status, if applicable, and to the fact that he or she
 11 actually occupies or maintains as his or her primary
 12 residential dwelling, such land and improvements with right
 13 of the county welfare board to investigate the applicant, on
 14 the completion of the form, as to answers given on the form.
 15 Provided, further, the assessed value of said property shall
 16 not be increased during the life of the recipient of
 17 retirement benefits or widow or widower covered under this
 18 class, unless the owner-resident makes a substantial
 19 improvement in the dwelling. For the purposes of the
 20 affidavit required for classification of property under this
 21 class, it shall be sufficient if the applicant signs a
 22 statement swearing to or affirming the correctness of the
 23 information supplied, whether or not the statement is signed
 24 before a person authorized to administer oaths, and mails
 25 the application and statement to the department of revenue.

1 This signed statement shall be treated as a statement under
 2 oath or equivalent affirmation for purposes of section
 3 94-7-203, R.C.M. 1947, relating to the criminal offense of
 4 false swearing.

5 (b) A capital investment in a building for an energy
 6 conservation purpose, to the extent provided under section
 7 84-7403.

8 Class Nine. The incremental increase in the value of
 9 real estate attributable to repairing, maintaining or
 10 improving existing improvements.

11 Class Ten. The annual gross proceeds of coal mines
 12 using the strip mining method.

13 Class Eleven. Centrally assessed utility allocations
 14 after deductions of locally assessed properties and except
 15 as provided in Class Two for rural telephones and Class Five
 16 (a) for cooperatives, and all other property not included in
 17 the ten (10) preceding classes."

-End-

April 13, 1977

SENATE
STANDING COMMITTEE REPORT
Committee on Taxation

That House Bill No. 434, third reading, be amended as follows:

1. Amend page 7, section 1, line 9.

Following: "system"

Strike: "PUMPS,"

2. Amend page 7, section 1, line 14.

Following: line 14

Insert: "Such property shall not include bonds, rights of way, ditches, flumes, pipelines, dams, water rights, reservoirs, and all other irrigation and drainage property of like character."

April 14, 1977

SENATE
COMMITTEE OF THE WHOLE

That House Bill No. 434 be amended as follows:

1. Amend title, lines 6 and 7.

Following: "SYSTEMS"

Strike: lines 6 and 7 in their entirety.

Insert: "WITH PROPERTIES EXEMPT FROM TAXATION; ASSESSING THE LAND SO IRRIGATED ON A PRODUCTIVITY BASIS; AMENDING SECTIONS 84-202 AND 84-429.7, R.C.M. 1947."

2. Amend bill, page 1 through page 10.

Strike: all of the bill following the enacting clause.

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

"84-202. Exemptions from taxation. (1)(a) The property of the United States, the state, counties, cities, towns, school districts, municipal corporations, public libraries, buildings with land they occupy and furnishings therein owned by a church and used for actual religious worship and for residences of the clergy, together with adjacent land reasonably necessary for convenient use of such buildings owned by a church, such other property as is used exclusively for agricultural and horticultural societies, for educational purposes, hospitals and places of burial not used or held for private or corporate profit, and institutions of purely public charity, evidence of debt secured by mortgages of record upon real or personal property in the state of Montana, and public art galleries and public observatories not used or held for private or corporate profit, are exempt from taxation, but no more land than is necessary for such purpose is exempt.

(b) As used in this subsection, the term "institutions of purely public charity" shall include organizations owning and operating facilities for the care of the retired or aged or chronically ill which are not operated for gain or profit; and the terms "public art galleries and public observatories" shall mean only such art galleries and observatories whether of public or private ownership, as are open to the public, without charge or fee at all reasonable hours, and are used for the purpose of education only.

(2) When a clubhouse or building erected by or belonging to any society or organization of honorably discharged United States soldiers, sailors or marines who served in army or navy of United States, is used exclusively for educational, fraternal, benevolent or purely public charitable purposes, rather than for gain or profit, together with the library and furniture necessarily used in any such building, such property is exempt from taxation, and all property, real or personal, in the possession of legal guardians of incompetent veterans of the World War or minor dependents of such veterans, where such property

April 14, 1977

Page 2

House Bill No. 434

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

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

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

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

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

(5) [The following agricultural products are exempt from taxation:]

(a) All unprocessed, perishable fruits and vegetables in farm storage and owned by the producer are exempt from taxation.

(b) All nonperishable unprocessed agricultural products except livestock, held in possession of the original producer for less than ~~seven-(7)~~ months following harvest.

(c) Livestock, defined as cattle, sheep, horses, or mules, which have not attained the age of ~~nine-(9)~~ months as of the last day of any month.

(6) Moneys and credits are exempt from taxation.

(7) A capital investment in a recognized nonfossil form of energy generation is exempt to the extent provided under section 84-7403.

(8) Sprinkler irrigation systems are exempt from taxation. Such systems include all pipes, hoses, rollers, spray attachments,

connectors, and other items integral to the functioning of a sprinkler irrigation system, except pumps, installed and used on a farm or ranch, but exclude underground water distribution lines and other elements of the system sufficiently affixed to land that they become real property."

Section 2. Section 84-429.7, R.C.M. 1947, is amended to read as follows:

"84-429.7. Classification and appraisal - duties of the department of revenue. (1) It is hereby made the duty of the state department of revenue to accomplish the following:

- (a) The classification of all taxable lands.
- (b) The appraisal of all taxable city and town lots.
- (c) The appraisal of all taxable rural and urban improvements.

A record thereof must be kept upon such maps, plats and forms, and entered in such books of record as may be prescribed by the state department of revenue. Such maps, plats, forms and books of record shall be official records of the state. A certified copy of all such records as may be desired shall be furnished to the state department of revenue.

It shall be the duty of the state department of revenue to maintain current, the classification of all taxable lands and appraisal of city and town lots, and rural and urban improvements, as provided for herein.

(2) The department shall continue to assess, without consideration of any increase in productivity resulting from the introduction of a sprinkler-type an irrigation system other than a sprinkler type irrigation system, at the current rate all nonirrigated farm land and nonirrigated continuously cropped farm land for a period of ~~three~~-(3) years after introduction to the land of a sprinkler type irrigation system.

The records of this assessment shall be maintained in the office of the agent of the department in each county of this state and a copy sent to the department."

connectors, and other items integral to the functioning of a sprinkler irrigation system, except pumps, installed and used on a farm or ranch, but exclude underground water distribution lines and other elements of the system sufficiently affixed to land that they become real property."

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The records of this assessment shall be maintained in the office of the agent of the department in each county of this state and a copy sent to the department."

1 HOUSE BILL NO. 434

2 INTRODUCED BY WILLIAMS, GERKE, SEVERSON,
3 WYRICK, DAY, BENGTSO, AAGESON, SIVERTSEN
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLER
6 IRRIGATION SYSTEMS ~~IN CLASS SEVEN FOR 3 YEARS AFTER THEIR~~
7 ~~PURCHASE; AMENDING SECTION 84-301, R.C.M., 1947.~~" WITH
8 PROPERTIES EXEMPT FROM TAXATION; ASSESSING THE LAND SO
9 IRRIGATED ON A PRODUCTIVITY BASIS; AMENDING SECTIONS 84-202
10 AND 84-429,7, R.C.M., 1947."
11

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

13 Refer to Third Reading Bill

14 (Strike everything after enacting clause and insert)

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

17 "84-202. Exemptions from taxation. (1) (a) The
18 property of the United States, the state, counties, cities,
19 towns, school districts, municipal corporations, public
20 libraries, buildings with land they occupy and furnishings
21 therein owned by a church and used for actual religious
22 worship and for residences of the clergy, together with
23 adjacent land reasonably necessary for convenient use of
24 such buildings owned by a church, such other property as is
25 used exclusively for agricultural and horticultural

1 societies, for educational purposes, hospitals and places of
2 burial not used or held for private or corporate profit, and
3 institutions of purely public charity, evidence of debt
4 secured by mortgages of record upon real or personal
5 property in the state of Montana, and public art galleries
6 and public observatories not used or held for private or
7 corporate profit, are exempt from taxation, but no more land
8 than is necessary for such purpose is exempt.

9 (b) As used in this subsection, the term "institutions
10 of purely public charity" shall include organizations owning
11 and operating facilities for the care of the retired or aged
12 or chronically ill which are not operated for gain or
13 profit; and the terms "public art galleries and public
14 observatories" shall mean only such art galleries and
15 observatories whether of public or private ownership, as are
16 open to the public, without charge or fee at all reasonable
17 hours, and are used for the purpose of education only.

18 (2) When a clubhouse or building erected by or
19 belonging to any society or organization of honorably
20 discharged United States soldiers, sailors or marines who
21 served in army or navy of United States, is used exclusively
22 for educational, fraternal, benevolent or purely public
23 charitable purposes, rather than for gain or profit,
24 together with the library and furniture necessarily used in
25 any such building, such property is exempt from taxation,

REFERENCE BILL

1 and all property, real or personal, in the possession of
 2 legal guardians of incompetent veterans of the World War or
 3 minor dependents of such veterans, where such property is
 4 funds or derived from funds received from the United States
 5 as pension, compensation, insurance, adjusted compensation,
 6 or gratuity, shall be exempt from all taxation as property
 7 of the United States while held by the guardian, but not
 8 after title passes to the veteran or minor in his or her own
 9 right on account of removal of legal disability.

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

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

23 Stocks of merchandise do not lose their status as
 24 freeport merchandise because while in the storage facility
 25 they are assembled, bound, joined, processed, disassembled,

1 divided, cut, broken in bulk, relabeled or repackaged.

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

7 (5) [The following agricultural products are exempt
 8 from taxation:]

9 (a) All unprocessed, perishable fruits and vegetables
 10 in farm storage and owned by the producer are exempt from
 11 taxation.

12 (b) All nonperishable unprocessed agricultural
 13 products except livestock, held in possession of the
 14 original producer for less than seven-~~(7)~~ months following
 15 harvest.

16 (c) Livestock, defined as cattle, sheep, horses, or
 17 mules, which have not attained the age of nine-~~(9)~~ months as
 18 of the last day of any month.

19 (6) Moneys and credits are exempt from taxation.

20 (7) A capital investment in a recognized nonfossil
 21 form of energy generation is exempt to the extent provided
 22 under section 84-7403.

23 ~~(8) Sprinkler irrigation systems are exempt from~~
 24 ~~taxation. Such systems include all pipes, hoses, rollers,~~
 25 ~~spray attachments, connectors, and other items integral to~~

1 the functioning of a sprinkler irrigation system, except
 2 pumps, installed and used on a farm or ranch, but exclude
 3 underground water distribution lines and other elements of
 4 the system sufficiently affixed to land that they become
 5 real property."

6 Section 2. Section 84-429.7, R.C.M. 1947, is amended
 7 to read as follows:

8 "84-429.7. Classification and appraisal -- duties of
 9 the department of revenue. (1) It is hereby made the duty
 10 of the state department of revenue to accomplish the
 11 following:

- 12 (a) The classification of all taxable lands.
 13 (b) The appraisal of all taxable city and town lots.
 14 (c) The appraisal of all taxable rural and urban
 15 improvements.

16 A record thereof must be kept upon such maps, plats and
 17 forms, and entered in such books of record as may be
 18 prescribed by the state department of revenue. Such maps,
 19 plats, forms and books of record shall be official records
 20 of the state. A certified copy of all such records as may
 21 be desired shall be furnished to the state department of
 22 revenue.

23 It shall be the duty of the state department of revenue
 24 to maintain current, the classification of all taxable lands
 25 and appraisal of city and town lots, and rural and urban

1 improvements, as provided for herein.

2 (2) The department shall continue to assess, without
 3 consideration of any increase in productivity resulting from
 4 the introduction of a ~~sprinkler-type~~ an irrigation system
 5 ~~other than a sprinkler type irrigation system~~, at the
 6 current rate all nonirrigated farm land and nonirrigated
 7 continuously cropped farm land for a period of ~~three~~ {3}
 8 years after introduction to the land of a sprinkler type
 9 irrigation system.

10 The records of this assessment shall be maintained in
 11 the office of the agent of the department in each county of
 12 this state and a copy sent to the department."

-End-