

1 House BILL NO. 817
 2 INTRODUCED BY League, Miloy
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE
 5 AD VALOREM TAX ON SHARES OF BANK STOCK AND THE MONEYED
 6 CAPITAL OF BUILDING AND LOAN OR SAVINGS AND LOAN
 7 ASSOCIATIONS WITH AN AD VALOREM TAX ON BANK DEPOSITS AND
 8 SAVINGS AND LOAN OR BUILDING AND LOAN ASSOCIATION
 9 WITHDRAWABLE SHARES; AMENDING SECTIONS 84-301, 84-302, AND
 10 84-401, R.C.M. 1947; REPEALING SECTIONS 84-304, 84-305,
 11 84-307, 84-308, 84-4601 THROUGH 84-4606 AND 84-7601, R.C.M.
 12 1947; AND PROVIDING AN EFFECTIVE DATE."

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

15 Section 1. Tax on deposits and withdrawable shares --
 16 assessment -- tax rate. (1) Every bank or banking
 17 corporation located and doing business in this state is
 18 subject to an ad valorem tax on demand and time deposits.
 19 Each building and loan or savings and loan association
 20 located and doing business in this state is subject to an
 21 ad valorem tax on withdrawable shares. The tax on deposits
 22 and withdrawable shares is in addition to any tax assessed
 23 on real estate and personal property owned or controlled by
 24 each organization.

25 (2) The tax rate on deposits and withdrawable shares

1 is 0.93% of their true and full value.
 2 (3) The cashier or secretary of each organization
 3 subject to this act shall furnish to the department of
 4 revenue by January 5 of each year a statement, verified by
 5 oath, of all deposits or withdrawable shares existing as of
 6 the close of business on December 31 of the preceding year.
 7 If the cashier or secretary of any organization fails to
 8 make the required statement, the department of revenue may
 9 examine the books of the organization to determine the
 10 amount of deposits or withdrawable shares.

11 (4) Any bank, building and loan, or savings and loan
 12 association with offices in more than one county shall be
 13 assessed for the real estate, personal property, and
 14 deposits or withdrawable shares in the county in which each
 15 office is located.

16 Section 2. Section 84-301, R.C.M. 1947, is amended to
 17 read as follows:

18 "84-301. Classification of property for taxation. For
 19 the purpose of taxation the taxable property in the state
 20 shall be classified as follows:

21 Class One. The annual net proceeds of all mines and
 22 mining claims, except coal mines, after deducting only the
 23 expenses specified and allowed by section 84-5403; also
 24 where the right to enter upon land, to explore or prospect,
 25 or dig for oil, gas, coal or mineral is reserved in land or

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1 received by mesne conveyance (exclusive of leasehold
2 interests), devise or succession by any person or
3 corporation, the surface title to which has passed to or
4 remains in another, the state department of revenue shall
5 determine the value of the right to enter upon said tract of
6 land for the purpose of digging, exploring, or prospecting
7 for gas, oil, coal or minerals, and the same shall be placed
8 in this classification for the purpose of taxation.

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

25 Class Three. Livestock, poultry, and unprocessed

1 products of both; furniture and fixtures used in commercial
2 activities; the annual gross proceeds of underground coal
3 mines; and all office or hotel furniture and fixtures,
4 except improvements included in Class Nine.

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

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

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

1 and as to the property enumerated in this sub-section (a)
 2 within incorporated limits of a city or town in which less
 3 than ninety-five per cent (95%) of the electric consumers or
 4 users will be served by a co-operative organization, such
 5 property shall be put in Class Two.

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

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

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

25 Class Six. Property formerly included in this class is

1 ~~now classified by section 84-209, R.C.M., 1947 exempt.~~

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

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

21 In the event of a prepayment of taxes, the maximum
 22 amount of prepayment shall be the amount without the
 23 application of the Class 7 (a) to such property.

24 If a major new industrial facility qualifies under
 25 Class 7 (a) the reduction of its yearly payment of property

1 taxes for reimbursement of its prepaid taxes as provided for
 2 in section 84-41-105, R.C.M. 1947, shall not begin until the
 3 Class 7 qualification expires. And provided further, that
 4 new industrial property shall not be included to mean
 5 property which is used or employed in any industrial plant
 6 which has been in operation in this state for three (3)
 7 years or longer. Any person, corporation, firm, partnership,
 8 association or other group seeking to qualify its property
 9 for inclusion in this class shall make application to the
 10 state department of revenue in such manner and form as may
 11 be required by said department.

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

19 (c) Air pollution control equipment as defined in
 20 section 69-3923.

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

24 Class Eight. (a) Any improvement on real property,
 25 trailers affixed to land or mobile home belonging to any

1 person who qualifies under any one or more of the
 2 hereinafter set forth categories, with appurtenant land not
 3 exceeding five (5) acres, which together have a market value
 4 of not more than twenty-seven thousand five hundred dollars
 5 (\$27,500), which dwelling is owned or under a contract for
 6 deed, and which is actually occupied for at least ten (10)
 7 months per year as the primary residential dwelling of:

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

17 (4) a recipient or recipients of retirement or
 18 disability benefits whose income from all sources is not
 19 more than six thousand dollars (\$6,000) for a single person
 20 and six thousand eight hundred dollars (\$6,800) for a
 21 married couple total per annum whether said dwelling is
 22 occupied by a single person or a married couple. Provided,
 23 further, that one who applies for classification of property
 24 under this class must make an affidavit to the state
 25 department of revenue on a form as may be provided by the

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

24 (b) A capital investment in a building for an energy
 25 conservation purpose, to the extent provided under section

1 84-7403.

2 Class Nine. The incremental increase in the value of
3 real estate attributable to repairing, maintaining or
4 improving existing improvements.

5 Class Ten. The annual gross proceeds of coal mines
6 using the strip mining method.

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

12 Section 3. Section 84-302, R.C.M. 1947, is amended to
13 read as follows:

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

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

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

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

25 Class 4. Thirty per cent (30%) of its true and full

1 value.

2 Class 5. Seven per cent (7%) of its true and full
3 value.

4 Class 6. ~~As specified in section 84-302, R.C.M. 1947~~
5 Property formerly included in this class is now exempt.

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

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

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

25 Class 10. Forty-five per cent (45%) of its true and

1 full value.

2 Class 11. Forty per cent (40%) of its true and full
3 value."

4 Section 4. Section 84-401, R.C.M. 1947, is amended to
5 read as follows:

6 *84-401. Property assessed at forty percent ~~(40%)~~ of
7 its full cash value — exceptions. All taxable real property
8 and improvements must be assessed at forty percent (40%) of
9 its full cash value except:

10 (1) Properties in section 84-301, under Class One,
11 shall be assessed at one hundred percent (100%) of full cash
12 value.

13 (2) The assessment of agricultural lands shall be
14 based upon the productive capacity of the lands when valued
15 for agricultural purposes. All lands shall be valued as
16 agricultural lands for tax purposes that meet the
17 qualifications of section 84-437.2, R.C.M. 1947. Land and
18 the improvements thereon shall be separately assessed when
19 any of the following conditions occur:

20 (a) when ownership of the improvements is different
21 from ownership of the land,

22 (b) when requested in writing by the taxpayer, or

23 (c) when the land is outside an incorporated city or
24 town.

25 The taxable value of all property shall be determined

1 by sections 84-301 and ~~84-368~~ [section 1 of this act]."

2 Section 5. Repealer. Sections 84-304, 84-305, 84-307,
3 84-308, 84-4601 through 84-4606 and 84-7601, R.C.M. 1947,
4 are repealed.

5 Section 6. Effective date. This act is effective
6 January 1, 1977.

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received February 22, 19 77, there is hereby submitted a Fiscal Note for House Bill 817 pursuant to Chapter 53, Session Laws - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Department of Administration, Budget Bureau, to members of the Legislative Assembly upon request.

DESCRIPTION

This bill replaces the ad valorem tax on shares of bank stock and the moneyed capital of building and loan or savings and loan associations with an ad valorem tax on bank deposits and savings and loan or building and loan association withdrawable shares; provides an effective date.

ASSUMPTIONS

An example comparing the effects of this bill had it been in effect in 1976 with current law should illustrate the fiscal impact of this bill. It is assumed, for this example, that the suggested amendment in the technical note is incorporated into the bill. The taxable value of bank stock and bank surplus was \$23,876,318. The taxable value of time and demand deposits plus withdrawable shares would have been \$29,640,331 had this bill been in effect. The difference is an increase in taxable value of \$5,764,013. Assuming a 6 mill state levy would generate an increase to the state of \$34,584 and assuming a 250 mill local levy would generate an increase to local governments of \$1,498,643.

EFFECT ON LOCAL REVENUES

There should be an increase in local government revenues from property taxation.

TECHNICAL NOTE

Section 1 subsection 2 should be amended to read "The taxable value of deposits and withdrawable shares is 0.93% of their true and full value."

PREPARED BY DEPARTMENT OF REVENUE

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