

1 Senate BILL NO. 159  
 2 INTRODUCED BY Law  
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE

4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT ONE-HALF OF A  
 6 SMALL COAL PRODUCER'S GROSS PROCEEDS FROM PROPERTY  
 7 TAXATION."

8  
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

12 "84-202. Exemptions from taxation. (1) (a) The property  
 13 of the United States, the state, counties, cities, towns,  
 14 school districts, municipal corporations, public libraries,  
 15 buildings with land they occupy and furnishings therein  
 16 owned by a church and used for actual religious worship and  
 17 for residences of the clergy, together with adjacent land  
 18 reasonably necessary for convenient use of such buildings  
 19 owned by a church, such other property as is used  
 20 exclusively for agricultural and horticultural societies,  
 21 for educational purposes, hospitals and places of burial not  
 22 used or held for private or corporate profit, and  
 23 institutions of purely public charity, evidence of debt  
 24 secured by mortgages of record upon real or personal  
 25 property in the state of Montana, and public art galleries

1 and public observatories not used or held for private or  
 2 corporate profit, are exempt from taxation, but no more land  
 3 than is necessary for such purpose is exempt.

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

13 (2) When a clubhouse or building erected by or  
 14 belonging to any society or organization of honorably  
 15 discharged United States soldiers, sailors or marines who  
 16 served in army or navy of United States, is used exclusively  
 17 for educational, fraternal, benevolent or purely public  
 18 charitable purposes, rather than for gain or profit,  
 19 together with the library and furniture necessarily used in  
 20 any such building, such property is exempt from taxation,  
 21 and all property, real or personal, in the possession of  
 22 legal guardians of incompetent veterans of the World War or  
 23 minor dependents of such veterans, where such property is  
 24 funds or derived from funds received from the United States  
 25 as pension, compensation, insurance, adjusted compensation,

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

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

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

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

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

1 required by the department.

2 (5) ~~{The following agricultural products are exempt~~  
3 ~~from taxation:}~~

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

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

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

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

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

18 (8) One-half of the contract sales price of coal sold  
19 by a coal producer who extracts less than 20,000 tons of  
20 coal in a calendar year is exempt from taxation."

-End-

## STATE OF MONTANA

REQUEST NO. 129-77

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 21, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 159 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 exempts one-half of a small coal producer's gross proceeds from property taxation.

ASSUMPTIONS

1. The state will receive 4.4% of taxes levied on gross proceeds. This is currently the case.
2. Revenue from taxes on gross proceeds of coal mines that produce less than 20,000 tons/year would be reduced by 50%.
3. Total revenues generated from gross proceeds taxes on small coal producers would be \$11,000 in FY 78 and \$12,000 in FY 79.
4. Administrative costs would remain unaffected.

FISCAL IMPACT

	<u>FY 78</u>	<u>FY 79</u>
State tax collections from gross proceeds taxes on small coal producers under current law.	\$484	\$528
State tax collections from gross proceeds taxes on small coal producers under proposed law.	<u>\$242</u>	<u>\$264</u>
DECREASE IN TAX COLLECTIONS	<u>\$242</u>	<u>\$264</u>

EFFECT ON LOCAL REVENUE

Total local revenues will be reduced by approximately \$5,000-\$6,000 in each year the bill is in effect. Musselshell and Powder River are the only counties that would be affected.

LONG-RANGE EFFECT

The impact on state revenue would be negligible.

PREPARED BY DEPARTMENT OF REVENUE

*Richard L. Young*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-24-77

Approved by Committee  
on Taxation

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SECOND READING

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21 SECTION 2. FIRST APPLICATION. THIS ACT APPLIES TO  
22 TAXABLE YEARS COMMENCING AFTER DECEMBER 31, 1976 BASED ON  
23 COAL PRODUCTION FOR THE CALENDAR YEAR 1976.

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