

1 *Senate* BILL NO. 251  
 2 INTRODUCED BY *Manly* \_\_\_\_\_  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLERS  
 5 IN THE LIST OF IRRIGATION AND DRAINAGE FACILITIES WHICH ARE  
 6 TAXED AS LIKE FACILITIES OF THE FEDERAL AND STATE  
 7 GOVERNMENTS; AMENDING SECTION 84-206, R.C.M. 1947."  
 8

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

10 Section 1. Section 84-206, R.C.M. 1947, is amended to  
 11 read as follows:

12 "84-206. Irrigation and drainage facilities taxable.  
 13 All irrigation and drainage facilities including bonds,  
 14 rights of way, ditches, flumes, pipelines, sprinklers, dams,  
 15 water rights, reservoirs and other property of like  
 16 character shall be taxed as like facilities of the federal  
 17 and state government; in cases where property taxes apply,  
 18 and where an increase in land value results, such facilities  
 19 shall be taxed as such land is improved, and such land shall  
 20 be classified for tax purposes as the tax classification law  
 21 provides."

-End-

*SB251*

INTRODUCED BILL

## STATE OF MONTANA

REQUEST NO. 191-77

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 25, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 251 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 sprinklers in the list of irrigation and drainage facilities which are taxed as like facilities on the federal and state governments.

ASSUMPTIONS

- Scenario A. Department of Revenue legal interpretation.
1. 84-206, R.C.M. 1947, pertains to property belonging to organized irrigation districts.
  2. There are no sprinklers belonging to irrigation districts which are currently being taxed.
- Scenario B. Alternative interpretation of 84-206, R.C.M. 1947.
1. 84-206, R.C.M. 1947, pertains to all "Irrigation and Drainage Facilities", regardless of ownership.
  2. There are 3,400 private individuals who own sprinkler systems which have an average assessed value of \$10,000 each, and which are currently classified as Class 2 property (20% class).
  3. 6 mills state levy.
  4. 133 mills local levy (assuming that the property is in rural areas, not included in cities & towns).

FISCAL IMPACT

	FY 78 & 79 Under <u>Current Law</u>	FY 78 & 79 Under <u>Proposed Law</u>	<u>Decrease</u>
State property tax on sprinklers - Scenario A	<u>\$40,800</u>	<u>\$40,800</u>	<u>\$ 0</u>
State property tax on sprinklers - Scenario B	<u>\$40,800</u>	<u>\$ 0</u>	<u>\$40,800</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE

Scenario A. No change

Scenario B. \$904,400 in property taxes on sprinklers would not be collected.

(Continued on page 2)

\_\_\_\_\_  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: \_\_\_\_\_

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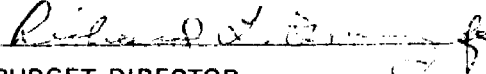
LONG-RANGE EFFECT

Approximately 0.5% of the tax base would be exempted from taxation under Scenario B.

TECHNICAL NOTE

There is a court case now pending which will determine which of the above scenarios would apply, should the proposed law be enacted.

PREPARED BY DEPARTMENT OF REVENUE

  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/26/77

Approved by Committee  
on Taxation

SENATE BILL NO. 251  
INTRODUCED BY MANLEY

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLERS  
~~SPRINKLER IN-THE-LIST-OF~~ IRRIGATION ~~AND-DRAINAGE~~ FACILITIES  
~~WHICH-ARE WITH PROPERTIES~~ TAXED ~~AS-LIKE--FACILITIES--OF--THE~~  
~~FEDERAL--AND--STATE--GOVERNMENTS~~ UNDER CLASS SEVEN; AMENDING  
SECTION ~~84-206~~ 84-301, R.C.M. 1947."

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

Refer to Introduced Bill

(Strike everything after the enacting clause and insert:)

SECTION 1. SECTION 84-301, R.C.M. 1947, IS AMENDED TO

READ AS FOLLOWS:

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

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

remains in another, the state department of revenue shall  
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  
than ~~one-and-one-quarter--{1 1/4}~~ miles.

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

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) All sprinkler irrigation systems, including all  
 10 pipes, hoses, rollers, spray attachments, connectors, pumps,  
 11 and other items integral to the functioning of a sprinkler  
 12 irrigation system, installed and used on a farm, or ranch,  
 13 but excluding underground water distribution lines and other  
 14 elements of a system sufficiently affixed to land that they  
 15 become real property.

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

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

25 ~~(d)(e)~~ A capital investment in a recognized nonfossil

1 form of energy generation, to the extent provided under  
 2 section 84-7403.

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

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

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

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

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

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

1 94-7-203, R.C.M. 1947, relating to the criminal offense of  
 2 false swearing.

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

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

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

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

-End-



1 SENATE BILL NO. 251  
 2 INTRODUCED BY MANLEY  
 3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLERS  
 5 ~~SPRINKLER~~ IN-THE-LIST-OF IRRIGATION AND-DRAINAGE FACILITIES  
 6 WHICH-ARE WITH PROPERTIES TAXED AS-LIKE--FACILITIES--OF--THE  
 7 FEDERAL--AND-STATE-GOVERNMENTS UNDER-CLASS-SEVEN EXEMPT FROM  
 8 TAXATION; AMENDING SECTION 84-206 ~~84-201~~ 84-202, R.C.M.  
 9 1947."

10  
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 12 Refer to Second Reading Bill

13 (Strike everything after the enacting clause and insert:)

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

16 "84-202. Exemptions from taxation. (1) (a) The  
 17 property of the United States, the state, counties, cities,  
 18 towns, school districts, municipal corporations, public  
 19 libraries, buildings with land they occupy and furnishings  
 20 therein owned by a church and used for actual religious  
 21 worship and for residences of the clergy, together with  
 22 adjacent land reasonably necessary for convenient use of  
 23 such buildings owned by a church, such other property as is  
 24 used exclusively for agricultural and horticultural  
 25 societies, for educational purposes, hospitals and places of

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

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

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

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

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

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

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

1 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 or form as may be  
 5 required by the department.

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

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

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

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

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

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

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

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

-End-

April 7, 1977

in the third reading copy as follows:

1. Amend title, page 1, line 8.

Following: "TAXATION;"

Insert: "ASSESSING THE LAND SO IRRIGATED ON A PRODUCTIVITY BASIS;"

Following: "AMENDING"

Strike: "SECTION"

Insert: "SECTIONS"

Following: "84-202,"

Insert: "AND 84-429.7,"

2. Amend page 4, Section 1 (8), line 24.

Following: "connectors,"

Strike: "pumps,"

3. Amend page 5, section 1(8), line 1.

Following: "system,"

Insert: "except pumps,"

4. Amend page 5, line 4.

Following: line 4

Insert: "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.