

1 *Senate* BILL NO. 350
 2 INTRODUCED BY STEPHENS - Kolstad

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE
 5 ESTABLISHMENT OF FULL MARKET VALUE OF NEW OR EXPANDED
 6 BUSINESS REAL PROPERTY OVER A PERIOD OF 5 YEARS."

7
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Appraisal of commercial or industrial
 10 improvements. (1) Any improvements to real property which
 11 are used principally for business purposes and for which the
 12 construction, expansion, or remodeling is completed
 13 subsequent to July 1, 1977, shall be appraised at 20% of
 14 full market value for the year in which the construction,
 15 expansion, or improvement is completed. Thereafter the
 16 improvements on such real property shall be appraised at 40%
 17 of full market value for the second year, 60% of full market
 18 value for the third year, 80% of full market value for the
 19 fourth year, and for the fifth year and thereafter it shall
 20 be appraised in the same manner as all other property in the
 21 same class.

22 (2) Appraised values determined under this section are
 23 then subject to the assessment percentage provided in
 24 84-401.

SB 350

-End-

INTRODUCED BILL

STATE OF MONTANA

REQUEST NO. 315-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 1, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 350 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

This bill provides for the establishment of full market value of new or expanded business real property over a period of 5 years.

ASSUMPTIONS

1. FY 78 will be unaffected because of the effective date.
2. The taxable value of business construction, remodeling and expansion would be approximately \$9 million in FY 79 under current law.
3. The calculations are based on the assumption that the tax break applies only to the value of the remodeling or expansion, not to the entire building (see technical note).
4. To illustrate the maximum effect in FY 79 it is assumed that all business remodeling, expansion, and new construction receive favorable treatment under this bill.
5. The state levy is 6 mills.
6. The local government levy is 193 mills.
7. Administrative costs will be unchanged.

FISCAL IMPACT

Under the proposed legislation the state of Montana would have a maximum loss of \$43,200 in FY 79. There would be no loss in FY 78 due to the effective date.

EFFECT ON LOCAL REVENUE

The maximum loss to local governments would be \$1.4 million in FY 79.

LONG-RANGE EFFECT

The state would lose little revenue in the future because the state receives only a small portion of property tax revenues.

TECHNICAL NOTE

The way the bill is currently worded it appears that by remodeling a portion of a business building or adding onto the building qualifies the entire building for favorable tax treatment. This bill could possibly include a statement that the tax break applies only to the value of the remodeling or addition. Also the bill could have a specific definition of remodeling.

Richard L. Zang
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-77

PREPARED BY DEPARTMENT OF REVENUE

Approved by Committee
on Taxation

SENATE BILL NO. 350

INTRODUCED BY STEPHENS, KOLSTAD

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF FULL MARKET VALUE OF NEW OR EXPANDED RESIDENTIAL OR BUSINESS REAL PROPERTY OVER A PERIOD OF 5 YEARS."

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

Section 1. Appraisal of commercial or industrial improvements. (1) Any ~~NEWLY CONSTRUCTED~~ improvements to real property ~~NOT CLASSIFIED UNDER CLASS 7, AND LOCATED WITHIN AN AREA ZONED FOR INDUSTRIAL OR COMMERCIAL USES BY ORDINANCE OF A CITY OR TOWN ADOPTED PRIOR TO JANUARY 1, 1977,~~ which are used principally for business purposes and for which the construction, expansion, or remodeling is completed ~~COMMENCED~~ subsequent to ~~July~~ JANUARY 1, 1977, shall be appraised at 20% of full market value for the year in which the construction, expansion, or improvement is completed. Thereafter the improvements on such real property shall be appraised at 40% of full market value for the second year, 60% of full market value for the third year, 80% of full market value for the fourth year, and for the fifth year and thereafter it shall be appraised in the same manner as all other property in the same class.

~~(2) NEWLY CONSTRUCTED IMPROVEMENTS TO REAL PROPERTY USED WITHIN THE BOUNDARIES OF AN INCORPORATED MUNICIPALITY PRINCIPALLY FOR RESIDENTIAL PURPOSES, CONSTRUCTION OF WHICH COMMENCES AFTER JANUARY 1, 1977, SHALL BE APPRAISED AT 20% OF FULL MARKET VALUE FOR THE YEAR THE CONSTRUCTION IS COMPLETED. THEREAFTER SUCH IMPROVEMENTS SHALL BE APPRAISED AT 40% OF FULL MARKET VALUE FOR THE SECOND YEAR, 60% OF FULL MARKET VALUE THE THIRD YEAR, 80% OF FULL MARKET VALUE THE FOURTH YEAR, AND THEREAFTER AT FULL MARKET VALUE.~~

~~(2)(3)~~ Appraised values determined under this section are then subject to the assessment percentage provided in 84-401.

-End-

1 SENATE BILL NO. 350
 2 INTRODUCED BY STEPHENS, KOLSTAD

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 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE
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 19 the construction, expansion, or improvement is completed.
 20 Thereafter the improvements on such real property shall be
 21 appraised at 40% of full market value for the second year,
 22 60% of full market value for the third year, 80% of full
 23 market value for the fourth year, and for the fifth year and
 24 thereafter it shall be appraised in the same manner as all
 25 other property in the same class.

1 ~~(2) NEWLY CONSTRUCTED IMPROVEMENTS TO REAL PROPERTY~~
 2 ~~USED WITHIN THE BOUNDARIES OF AN INCORPORATED MUNICIPALITY~~
 3 ~~PRINCIPALLY FOR RESIDENTIAL PURPOSES, CONSTRUCTION OF WHICH~~
 4 ~~COMMENCES AFTER JANUARY 1, 1977, SHALL BE APPRAISED AT 20%~~
 5 ~~OF FULL MARKET VALUE FOR THE YEAR THE CONSTRUCTION IS~~
 6 ~~COMPLETED. THEREAFTER SUCH IMPROVEMENTS SHALL BE APPRAISED~~
 7 ~~AT 40% OF FULL MARKET VALUE FOR THE SECOND YEAR, 60% OF FULL~~
 8 ~~MARKET VALUE THE THIRD YEAR, 80% OF FULL MARKET VALUE THE~~
 9 ~~FOURTH YEAR, AND THEREAFTER AT FULL MARKET VALUE.~~

10 ~~(2)(3)~~ Appraised values determined under this section
 11 are then subject to the assessment percentage provided in
 12 84-401.

-End-