

1 Senate BILL NO. 351
 2 INTRODUCED BY Boyer
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING CERTAIN
 5 AGRICULTURAL PRODUCTS FROM TAXATION WHEN THE PRICE RECEIVED
 6 BY THE PRODUCER FALLS BELOW SPECIFIED LEVELS; AMENDING
 7 SECTION 84-202, R.C.M. 1947."
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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
 13 property of the United States, the state, counties, cities,
 14 towns, school districts, municipal corporations, public
 15 libraries, buildings with land they occupy and furnishings
 16 therein owned by a church and used for actual religious
 17 worship and for residences of the clergy, together with
 18 adjacent land reasonably necessary for convenient use of
 19 such buildings owned by a church, such other property as is
 20 used exclusively for agricultural and horticultural
 21 societies, for educational purposes, hospitals and places of
 22 burial not 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 (d) Wheat sold by the original producer for less than
15 \$4 a bushel or held by the original producer for more than 7
16 months following harvest when the prevailing market price to
17 the producer remains less than \$4 a bushel throughout such
18 additional period.

19 (e) Cattle sold or held by the original producer when
20 the prevailing market price to the producer is less than 60
21 cents a pound for such cattle.

22 (f) Swine sold or held by the original producer when
23 the prevailing market price to the producer is less than 60
24 cents a pound for such swine.

25 (g) Sheep sold or held by the original producer when

1 the prevailing market price to the producer is less than 90
2 cents a pound for such sheep.

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

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

-End-

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STATE OF MONTANA

REQUEST NO. 314-77

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 351 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 exempts certain agricultural products from taxation when the price received by the producer falls below specified levels.

ASSUMPTIONS

1. FY 78 will be unaffected because of the effective date of this legislation.
2. The state levy will be 6 mills on all property, an additional 15.5 mills on sheep and 20 mills on other livestock will be levied.
3. The local government levy will be 133 mills.
4. According to the December 22, 1976 Chase Econometrics Agricultural Model Forecasts the price of cattle will be well below 60¢/lb., swine will be well below 60¢/lb., sheep will be well below 90¢/lb., and wheat will be well below \$4/bushel throughout 1978. This means that cattle, sheep, swine and wheat will be exempt from taxation in FY 79.
5. The taxable value of livestock and agricultural products in storage will remain at current levels in FY 79.
6. 75% of all agricultural products in storage is wheat.

FISCAL IMPACT

The state of Montana will lose \$1,652,689 in property tax revenue from taxation of wheat, cattle, swine and sheep in FY 79 under the proposed legislation. There will be no loss in FY 78 because of the effective date.

EFFECT ON LOCAL GOVERNMENT REVENUE

In FY 79 local governments could lose more than \$8.5 million, mostly in the rural sections of the state.

LONG-RANGE EFFECT

Losses to state revenue could be even greater than in FY 79. The prices of all commodities exempted under this proposal could rise substantially before they again return to the tax base. Also, for example, state revenues would either tax cattle in any particular year or not tax cattle, revenues could fluctuate dramatically.

PREPARED BY DEPARTMENT OF REVENUE

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Date: 2-2-77