HOUSE BILL 433

IN THE HOUSE

January 27, 1979	Introduced and referred to Committee on Taxation.	
February 6, 1979	Committee recommend bill, do not pass.	
February 7, 1979	Report adopted.	

House BILL NO 133

2 INTRODUCED BY Harrington Lovery Kankert

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION 15-6-119, MCA; PROVIDING THAT A DWELLING HOUSE AND THE LOT ON WHICH IT IS ERECTED, OWNED, AND ECCUPIED BY AN ACTIVE MEMBER OF A VOLUNTEER FIRE COMPANY IS CLASSIFIED AS CLASS EIGHTEEN PROPERTY FOR PROPERTY TAX PURPOSES; AND PROVIDING AN EFFECTIVE DATE."

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

12 Section 1. Section 15-6-119, MCA, is amended to read:
13 *15-6-119. Class eighteen property -- description -14 taxable percentage. (1) Class eighteen property includes:

- (a) a dwelling house and the lot on which it is erected, owned and occupied by a resident of the state who:
- (i) has been honorably discharged from active service in any branch of the armed services; and fifty is rated 100% disabled due to a service-connected disability by the United States veterans, administration or its successor. In the event of the veteran's death, the dwelling house and the lot on which it is erected shall remain in this class as long as the surviving spouse remains unmarried and the owner and occupant of the property.
 - (ii) is rated an active member of a volunteer fire

company organized and existing under Title 7. chapter 33.

part 23. in an unincorporated area or in an area

incorporated by reason of merger or consolidation of

governmental units or by adoption of a charter or other form

of government having the effect of combining former

covernmental units:

- 7 (b) all property used and owned by cooperative rural 8 electrical and cooperative rural telephone associations as 9 provided in (2)(a) of this section;
- 10 (c) air pollution control equipment as defined in this 11 section; and
- 12 (d) new industrial property as defined in this
 13 section.
- 14 (2) (a) The property of all cooperative rural
 15 electrical and cooperative rural telephone associations
 16 organized under the laws of Montana is included in this
 17 class, except that when less than 95% of the electricity
 18 consumers or telephone users within the incorporated limits
 19 of a city or town are served by the cooperative
 20 organization, the property is included in class eighteen.
- 21 (b) "Air pollution control equipment" means
 22 facilities, machinery, or equipment, attached or unattached
 23 to real property, utilized to reduce, eliminate, control, or
 24 prevent air pollution. The department of health and
 25 environmental sciences determines if such utilization is

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being made.

- (c) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, except mobile machinery, which is used by a new industry during the first 3 years of its operation. The property may not have been assessed prior to July 1, 1961, within the state of Montana.
- 8 (i) New industrial property is limited to industries
 9 that:
- 10 (A) manufacture, mill, mine, produce, process, or 11 fabricate materials;
 - (8) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or
 - (C) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.
 - (ii) New industrial property does not include:
 - (A) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions;

1 (8) a plant that will create adverse impact on 2 existing state: county: or municipal services; or

3 (C) property used or employed in any industrial plant
4 that has been in operation in this state for 3 years or
5 longer.

(d) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant or plants in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry or industries.

(3) The department of revenue shall promulgate rules for the determination of what constitutes an adverse impact, taking into consideration the number of people to be employed and the size of the community in which the location is contemplated. Any person, firm, or other group seeking to qualify its property for inclusion in this class shall make application to the department in such a manner and form as the department requires. Once the department has made an initial determination that the industrial facility qualifies as new industrial property, the department shall then, upon proper notice, hold a hearing to determine if the new industrial classification should be retained by the property. The local taxing authority may appear at the hearing and may waive its objection to retention of the second state of the community of the second state of the community of the hearing and may waive its objection to retention of the second state of the community of the second state of the community of the second state of the community of the second state of the se

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1 classification if the industry agrees to the prepayment of taxes sufficient to satisfy tax requirements created by the location and construction of the facility during the 3 construction period. When a prepayment of taxes is required. the maximum amount of prepayment shall be the amount of tax the industry would have paid without the application of the 6 7 class seven percentage to such property.

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- (4) If a major new industrial facility qualifies under class eighteen, the reduction of its yearly payment of property taxes for reimbursement of its prepaid taxes as provided for in 15-16-201 does not begin until the class eighteen qualification expires.
- (5) Class eighteen property shall be taxed at 2.8% of its market value or, in the case of property classified under (1)(a) of this section, so much of 2.8% as is determined under 15-7-121, whichever is less."
- 17 Section 2. Effective date and applicability. This act 18 is effective on passage and approval and applies to taxable years after December 31, 1978. 19

-End-

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FISCAL NOTE

Form BD-15

In compliance with a written request received <u>January 30</u>, 19 79, there is hereby submitted a Fiscal Note for <u>House Bill 433</u> 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 that a dwelling house and the lot on which it is erected, owned, and occupied by an active member of a volunteer fire company is classified as class eighteen property for property tax purposes; and providing an effective date.

ASSUMPTIONS

- 1) There are 2,500 volunteer fire fighters that will take advantage of the provision.
- 2) The average appraised value of a dwelling house and lot is \$21,000.
- 3) The tax rate under current law is 8.55%.
- 4) The proposed tax rate is 2.8%.
- 5) A statewide local levy of 200 mills.
- 6) A university levy of 6 mills.
- 7) Effective date applies to taxable years after December 31, 1978.

FISCAL IMPACT

	FY 80	FY 81
University Mill Levy (6 mills)	by the second	
under current law	\$26,932	\$26,932
under proposed law	8,820	8,820
Estimated Decrease	(\$18,112)	(\$18,112)

FUND INFORMATION

under current law	\$26,932	\$26,932
under proposed law	8,820	8,820
Estimated Decrease	$(\underbrace{\$18,112})$	(\$18,112)

EFFECT ON LOCAL COVERNMENTS

This legislation would decrease revenues to local governments by approximately \$603,750 per year for both FY80 and FY81.

LONG-RANGE EFFECTS

Providing no other changes, it should decrease revenues to local governments by about \$600,000 per year for the next few years.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/2/79

PREPARED BY DEPARTMENT OF REVENUE