HOUSE BILL 523

IN THE HOUSE

February 2, 1979	Introduced and referred to Committee on Taxation.
February 15, 1979	Committee recommend bill, do not pass.
February 16, 1979	Report adopted.

House BILL NO. 523

INTRODUCED BY* Teague Lien Burnett
Iverson Ken Robbins

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT THE INCREMENTAL INCREASE IN THE VALUE OF IMPROVEMENTS PRODUCED BY REPAIRING, MAINTAINING, OR IMPROVING EXISTING IMPROVEMENTS FROM PROPERTY TAXATION FOR 3 YEARS; AMENDING SECTIONS 15-6-101, 15-8-111, AND 15-24-1311, MCA; REPEALING SECTION 15-6-114, MCA; AND PROVIDING EFFECTIVE AND APPLICABILITY DATES."

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

NEW SECTION. Section 1. Incremental increase exemption -- 3-year period. The incremental increase in the value of improvements produced by repairing, maintaining, or improving an existing improvement is tax exempt for 3 years after the completion of the repair, maintenance, or improvement of the existing improvement.

Section 2. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with 15-6-102 through 15-6-113 and 15-6-115 through 15-6-121."

Section 3. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in class one and classes seven through twelve and classes fourteen through eighteen. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in class one and classes seven through twelve and classes fourteen through eighteen is the percentage of market value established for each class of property in 15-6-102, ~~and~~ 15-6-108 through 15-6-113, and 15-6-115 through 15-6-119.

(5) The assessed value of properties in 15-6-103 through 15-6-107 and 15-6-120 is as follows:

(a) Property in 15-6-106, under class five, is assessed at 100% of book value by the method established in 15-6-106 and the sections cited therein.

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(b) Properties in 15-6-103, under class two, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(c) Properties in 15-6-104, 15-6-105, and 15-6-120, under classes three, four, and nineteen are assessed at 100% of the annual gross proceeds.

(d) Properties in 15-6-107, under class six, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(6) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(7) The taxable value of all property in classes two through six is the percentage of assessed value established in 15-6-103 through 15-6-107 for each class of property."

Section 4. Section 15-24-1311, MCA, is amended to read:

"15-24-1311. Remodeling of homes, buildings, or structures -- assessment provisions. ~~(1) Remodeling of existing buildings or structures shall receive tax benefits~~

~~in lieu of those provided under 15-6-114, during the construction period and for the following 5 years in accordance with the following schedule. These percentages shall be applied to any increase in taxable value caused by the remodeling:~~

~~Construction period------------------------0%------------~~
~~First year following construction------------20%------------~~
~~Second year following construction-----------40%------------~~
~~Third year following construction------------60%------------~~
~~Fourth year following construction-----------80%------------~~
~~Fifth year following construction-----------100%------------~~
~~Following years----------------------------100%------------~~

~~(2)~~(1) If an existing home, building, or structure is not remodeled as defined in this chapter within the 10 years following passage of this act, a 5% increase shall be added to its taxable value each year that the owner fails to remodel to a maximum of 50%. After a home, building, or structure has been remodeled, the provisions of this section shall be considered to be started again with the beginning of a new 10-year period.

~~(3)~~(2) The governing body shall waive the provisions of this section unless it can be demonstrated that lack of regular maintenance over a period of time has failed to maintain the value of the property and that depreciation has taken place to lower the value of the property more than

2 1/2%."

Section 5. Repealer. Section 15-6-114, MCA, is repealed.

Section 6. Effective and applicability dates. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1978.

-End-

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STATE OF MONTANA

REQUEST NO. 228-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 5, 19 79, there is hereby submitted a Fiscal Note for House Bill 523 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 the incremental increase in the value of improvements produced by repairing, maintaining, or improving existing improvements from property taxation for 3 years; and providing effective and applicability dates.

ASSUMPTIONS

1) The taxable value of improvements in this category was $108,687 in 1978.
2) A 5% increase per year would yield a taxable value of $114,121 in 1979 and $119,827 in 1980.
3) Revenues received in FY 80 apply to taxable year 1979 and those received in FY 81 apply to taxable year 1980.
4) Statewide mill levy of 200 mills.
5) University levy of 6 mills.
6) The effective date applies to taxable years beginning after December 31, 1978.

FISCAL IMPACT

	FY80	FY81
University Levy (6 mills)		
Effect of Proposed Legislation		
Estimated Decrease	($685)	($719)

Fund Information

University Levy		
Estimated Decrease	($685)	($719)

EFFECT ON LOCAL GOVERNMENT

This legislation would decrease revenues to local governments by approximately $23,000 in FY 80 and $24,000 in FY 81.

LONG-RANGE EFFECTS

The property that is exempt would become taxable after the 3 year exemption period, but would not significantly increase revenues.

(Prepared by the Department of Revenue)

Richard L. Dravy for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/8/79