HOUSE BILL 744

IN THE HOUSE

February 10, 1979	Introduced and referred to Committee on Taxation.

~~House~~ BILL NO. 744

INTRODUCED BY [illegible] [illegible] Marks

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THAT THE PROPERTY TAX RATES FOR CERTAIN REAL PROPERTY BE LOWERED FOR INCREASES IN MARKET VALUE DETERMINED IN A REVALUATION PROGRAM; REVISING THE PROCEDURES GOVERNING REVALUATION PROGRAMS; AMENDING SECTIONS 15-6-112, 15-6-116, 15-6-119, AND 15-7-111, MCA; AND REPEALING SECTIONS 15-7-121 AND 15-7-122, MCA."

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

Section 1. Section 15-6-112, MCA, is amended to read:

"15-6-112. Class eleven property -- description -- taxable percentage. (1) Class eleven property includes:

(a) all land except agricultural land meeting the qualification of 15-7-202;

(b) all improvements except those included in classes fifteen and eighteen;

(c) all trailers affixed to land owned, leased, or under contract for purchase by the trailer owner; and

(d) all mobile homes except:

(i) those held by a distributor or dealer of mobile homes as part of his stock-in-trade; and

(ii) those included in class fifteen.

(2) Class eleven property is taxed at ~~12%~~ <u>8.55%</u> of its market value or ~~so-much-of-12%~~ <u>at an adjusted tax rate</u> ~~as-is~~ determined under ~~15-7-121~~ <u>[section 5]</u>, whichever is less."

Section 2. Section 15-6-116, MCA, is amended to read:

"15-6-116. Class fifteen property -- description -- taxable percentage. (1) Class fifteen property includes so much of the market value of any improvement on real property, a trailer affixed to land, or mobile home and appurtenant land not exceeding 5 acres as does not exceed $35,000, when such dwelling and land are owned or under contract for deed and are actually occupied for at least 10 months per year as the primary residential dwelling of:

(a) a widow or widower 62 years of age or older who qualifies under the income limitations of (c) of this subsection;

(b) a widow or widower of any age with dependent children who qualifies under the income limitations of (c) of this subsection; or

(c) a recipient or recipients of retirement or disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple.

(2) (a) A person applying for classification of property under this class must make an affidavit to the department of revenue on a form provided by the department

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without cost as to:

(i) his income, if applicable;

(ii) his retirement benefits, if applicable;

(iii) his marital status, if applicable;

(iv) the fact that he maintains the land and improvements as his primary residential dwellings; and

(v) such other information as is relevant to the applicant's eligibility.

(b) This application must be made before March 1 of the year after the applicant becomes eligible under this classification.

(c) For the purpose of the affidavit required for classification of property under this class, it shall be sufficient if the applicant signs a statement swearing to or affirming the correctness of the information supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the application and statement to the department of revenue. This signed statement shall be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

(3) Class fifteen property is taxed at ~~6%~~ 4.275% of its market value or ~~so-much-of-6%~~ at an adjusted tax rate ~~as is~~ determined under ~~15-7-121~~ [section 5], whichever is less."

Section 3. Section 15-6-119, MCA, is amended to read:

"15-6-119. Class eighteen property -- description -- 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

(ii) 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.

(b) all property used and owned by cooperative rural electrical and cooperative rural telephone associations as provided in (2)(a) of this section;

(c) air pollution control equipment as defined in this section; and

(d) new industrial property as defined in this section.

(2) (a) The property of all cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana is included in this class, except that when less than 95% of the electricity consumers or telephone users within the incorporated limits

of a city or town are served by the cooperative organization, the property is included in class eighteen.

(b) "Air pollution control equipment" means facilities, machinery, or equipment, attached or unattached to real property, utilized to reduce, eliminate, control, or prevent air pollution. The department of health and environmental sciences determines if such utilization is 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.

(i) New industrial property is limited to industries that:

(A) manufacture, mill, mine, produce, process, or fabricate materials;

(B) 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;

(B) a plant that will create adverse impact on existing state, county, or municipal services; or

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

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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 this 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 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 class seven percentage to such property.

(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) (a) Class eighteen property listed in subsection (1)(a) shall be taxed at ~~2.0%~~ 1.995% of its market value~~, in the case of property classified under (1)(e) of this section, so much of 2.0% as is~~ at an adjusted tax rate determined under ~~15-7-121~~ [section 5], whichever is less.

(b) Class eighteen property listed in subsection

(1)(b) through (1)(d) shall be taxed at 2.8% of market value."

Section 4. Section 15-7-111, MCA, is amended to read:

"15-7-111. Periodic revaluation of taxable property. (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within the state at least every 5 years. ~~A comprehensive written plan of rotation shall be promulgated by the department fixing the order of revaluation of property in each county on the basis of the last revaluation of taxable property in each county prior to July 1, 1974, in order to adjust the disparities therein between the counties. The plan of rotation so adopted shall provide that all property in each county shall be revalued at least every 5 years or that no less than 20% of the property in each county shall be revalued in each year. The department shall furnish a copy of the plan and all amendments thereto to each county assessor and the board of county commissioners in each county.~~

(2) The appraised value of property classified under 15-6-112, 15-6-116, and 15-6-119(1)(a) determined during a revaluation program may not be used in calculating property tax due in any year on the property until:

(a) the revaluation program is complete;

(b) the new appraised value of all property throughout the state in these classes revalued during a revaluation program is placed on assessment rolls; and

(c) the tax rates of these classes have been adjusted as required in [section 5]."

NEW SECTION. Section 5. Adjustment of tax rates on certain real property after periodic revaluation. (1) After a periodic revaluation of property has been completed, the director of the department of revenue shall adjust the tax rates according to the procedure provided in subsections (2) through (4).

(2) To determine the adjusted tax rate for property classified under 15-6-112:

(a) the total market value of all property in that class in the state prior to revaluation is divided by the total market value of all property in that class in the state as determined in the revaluation program; and

(b) this quotient is multiplied by the existing tax rate for the property in that class.

(3) The adjusted tax rate for property classified under 15-6-116 is one-half the adjusted tax rate established for property classified under 15-6-112.

(4) The adjusted tax rate for property classified under 15-6-119(1)(a) is seven-thirtieths of the adjusted tax rate established for property classified under 15-6-112.

(5) The director shall:

(a) notify the governor of the adjusted tax rates for each class of property; and

(b) publish an administrative rule stating these adjusted tax rates.

(6) The adjusted tax rates for each class so established shall be used in determining the taxable value of property in that class until a further revaluation program is completed and the tax rates adjusted as required in [section 4].

Section 6. Repealer. Sections 15-7-121 and 15-7-122, MCA, are repealed.

-End-

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STATE OF MONTANA

REQUEST NO. 353-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 13, 19 79, there is hereby submitted a Fiscal Note for House Bill 744 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 proposed bill requires that the property tax rates for certain real property be lowered for increases in market value determined in a revaluation program; revising the procedures governing revaluation programs.

FISCAL IMPACT

No Fiscal Impact.

EFFECT ON LOCAL GOVERNMENT

If the change in the technical note is made there should be no fiscal impact on local governments.

LONG-RANGE EFFECTS

The effect of reappraisal will be tempered by the reduction formula in this proposal.

TECHNICAL NOTE

In section 3, paragraph 5 (a), line 21, page 7, should be changed from 1.995% to 2.0% if it is desired to codify the existing percentage.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Dravy for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/17/79