

HOUSE BILL 821

IN THE HOUSE

February 15, 1979	Introduced and referred to Committee on Taxation.
March 24, 1979	Committee recommend bill, as amended.
March 26, 1979	Printed and placed on members' desks.
March 27, 1979	Second reading, as amended. Considered correctly engrossed. Third reading, passed.

IN THE SENATE

March 27, 1979	Introduced and referred to Committee on Taxation.
April 20, 1979	Died in Committee.

1 *House* Bill NO. *821*
 2 INTRODUCED BY *McBride, Cooper, Hammett, Baith,*
 3 *Manning, Brown, Johnston, Johnston, Quirk, Wagoner,*
 4 *Harty*

4 BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A SPECIAL
 5 PROPERTY TAX CLASS FOR NEW SMALL BUSINESS PROPERTY LOCATED
 6 IN AN ECONOMICALLY DEPRESSED AREA; SETTING A LOWER TAXABLE
 7 PERCENTAGE FOR THIS CLASS; AMENDING SECTIONS 15-6-101 AND
 8 15-8-111, MCA."

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

11 NEW SECTION. Section 1. Class twenty-one property --
 12 description -- taxable percentage. (1) Class twenty-one
 13 property includes new small business property located in an
 14 economically depressed area.

15 (2) (a) "New small business property" means all
 16 property, including land, improvements, furniture and
 17 fixtures, and business inventory, that is used by a small
 18 business during the first 5 years of its operation.

19 (b) "Small business" includes corporations,
 20 partnerships, or sole proprietorships that are:

21 (i) organized to sell any type of goods or services at
 22 wholesale or retail prices; and

23 (ii) subject to taxation under Title 15, chapter 30,
 24 including those small businesses defined in 15-31-201.

25 (c) "Economically depressed area" means any county

1 that has experienced an unemployment rate exceeding 8% for
 2 the 3 years prior to the opening of the business, as
 3 reported by the Montana department of labor and industry,
 4 employment security division.

5 (3) An owner of a new small business must apply for
 6 this classification to the department on forms it provides
 7 by March 1 of the year for which the classification is
 8 sought. The department may require such information on the
 9 application as it considers necessary to determine the
 10 applicant's eligibility.

11 (4) Once new small business property has qualified for
 12 this classification, it may not be placed in another class
 13 until:

- 14 (a) it is no longer used by the new small business; or
- 15 (b) it has been so classified for 5 years.

16 (5) Class twenty-one property is taxed at 2.8% of its
 17 market value.

18 Section 2. Section 15-6-101, MCA, is amended to read:
 19 "15-6-101. Property subject to taxation --
 20 classification. (1) All property in this state is subject to
 21 taxation, except as provided otherwise.

22 (2) For the purpose of taxation, the taxable property
 23 in the state shall be classified in accordance with 15-6-102
 24 through 15-6-121 and [section 1]."

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

-2- *HB 821*
 INTRODUCED BILL

1 "15-8-111. Assessment -- market value standard --
2 exceptions. (1) All taxable property must be assessed at
3 100% of its market value except as provided in subsection
4 (5) of this section and in 15-7-111 through 15-7-114.

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

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

15 (4) The taxable value for all property in class one,
16 and classes seven through eighteen, ~~class twenty, and class~~
17 ~~twenty-one~~ is the percentage of market value established for
18 each class of property in 15-6-102, and 15-6-108 through
19 15-6-119, ~~15-6-121, and [section 1]~~.

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

22 (a) Property in 15-6-106, under class five, is
23 assessed at 100% of book value by the method established in
24 15-6-106 and the sections cited therein.

25 (b) Properties in 15-6-103, under class two, are

1 assessed at 100% of the annual net proceeds after deducting
2 the expenses specified and allowed by 15-23-503.

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

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

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

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

15 (b) the taxpayer makes a written request; or

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

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

-End-

STATE OF MONTANA

REQUEST NO. 400-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 79, there is hereby submitted a Fiscal Note for House Bill 821 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

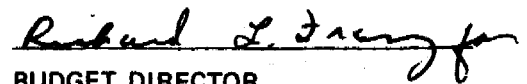
This proposed bill establishes a special property tax class for new small business property located in an economically depressed area; sets a lower taxable percentage for this class.

FISCAL IMPACT

It is not possible to estimate the fiscal impact of the proposed law with any precision, since there are no data available regarding new small business property located in economically depressed counties.

However, it is conceivable that there might be 5000 eligible business taxpayers, about half of which will lease their business premises. A typical small business might utilize the following kinds and values of business property: land - \$3000, improvements - \$50,000, business inventory - \$10,000, furniture and fixtures - \$5,000. Under the above assumptions the statewide 6 mill levy for support of the Montana University System would produce about \$93 thousand less revenue, and local governments would lose about \$3.9 million, annually.

PREPARED BY DEPARTMENT OF REVENUE


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/21/79

STATE OF MONTANA

REQUEST NO. 400-79 Amended

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 79, there is hereby submitted a Fiscal Note for Amended House Bill 821 ^(Third Reading Version) 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.

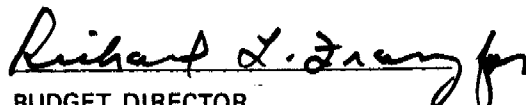
DESCRIPTION

This proposed bill establishes a special property tax class for new small business property located in an economically depressed area; sets a lower taxable percentage for this class.

FISCAL IMPACT

It is not possible to estimate the fiscal impact of the proposed law with any precision, since there are no data available regarding new small business property located in economically depressed counties.

(Prepared by the Department of Revenue)


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 4/3/79

Approved by Committee
on Taxation

HOUSE BILL NO. 821

INTRODUCED BY McBRIDE, COONEY, HARRINGTON, BAETH, MANNING,
BRAND, JOHNSTON, HEMSTAD, QUILICI, MAGONE, DAILY

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A SPECIAL
PROPERTY TAX CLASS FOR NEW SMALL BUSINESS PROPERTY LOCATED
IN AN ECONOMICALLY DEPRESSED AREA; SETTING A LOWER TAXABLE
PERCENTAGE FOR THIS CLASS; AMENDING SECTIONS 15-6-101 AND
15-8-111, MCA."

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

NEW SECTION. Section 1. Class twenty-one property --
description -- taxable percentage. (1) Class twenty-one
property includes new small business property located in an
economically depressed area.

(2) (a) "New small business property" means all
property, including land, improvements, furniture and
fixtures, and business inventory, that is used by a small
business during the first 5 years of its operation.

(b) "~~Small~~ NEW SMALL business" includes corporations,
partnerships, or sole proprietorships that are:

(i) organized to sell any type of goods or services at
wholesale or retail prices OR TO MANUFACTURE GOODS AS
DEFINED IN 15-6-119(2)(C)(I)(C); and

(ii) subject to taxation under Title 15, chapter 30,

including those small businesses defined in 15-31-201; AND
IIII ESTABLISHED IN AN ECONOMICALLY DEPRESSED AREA AS
A NEW BUSINESS ENDEAVOR AS DISTINGUISHED FROM A MERE
EXPANSION, REORGANIZATION, MERGER, OR CHANGE IN OWNERSHIP OF
AN EXISTING SMALL BUSINESS.

(c) "Economically depressed area" means any county
that has experienced an unemployment rate exceeding 8% for
the 3 years prior to the opening of the business, as
reported by the Montana department of labor and industry,
employment security division.

(3) An owner of a new small business must apply for
this classification to the department on forms it provides
by March 1 of the year for which the classification is
sought. The department may require such information on the
application as it considers necessary to determine the
applicant's eligibility.

(4) Once new small business property has qualified for
this classification, it may not be placed in another class
until:

- (a) it is no longer used by the new small business; or
- (b) it has been so classified for 5 years.

(5) Class twenty-one property is taxed at 2.8% of its
market value.

Section 2. Section 15-6-101, MCA, is amended to read:
"15-6-101. Property subject to taxation --

1 classification. (1) All property in this state is subject to
2 taxation, except as provided otherwise.

3 (2) For the purpose of taxation, the taxable property
4 in the state shall be classified in accordance with 15-6-102
5 through 15-6-121 and ~~[section 1].~~"

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

7 "15-8-111. Assessment -- market value standard --
8 exceptions. (1) All taxable property must be assessed at
9 100% of its market value except as provided in subsection
10 (5) of this section and in 15-7-111 through 15-7-114.

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

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

21 (4) The taxable value for all property in class one,
22 and classes seven through eighteen, ~~class twenty, and class~~
23 ~~twenty-one~~ is the percentage of market value established for
24 each class of property in 15-6-102, end 15-6-108 through
25 15-6-119, ~~15-6-121, and [section 1].~~

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

3 (a) Property in 15-6-106, under class five, is
4 assessed at 100% of book value by the method established in
5 15-6-106 and the sections cited therein.

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

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

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

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

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

21 (b) the taxpayer makes a written request; or

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

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

-End-

HOUSE BILL NO. 821

INTRODUCED BY McBRIDE, COONEY, HARRINGTON, BAETH, MANNING,
BRAND, JOHNSTON, HEMSTAD, QUILICI, MAGONE, DAILY

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A SPECIAL
PROPERTY TAX CLASS FOR NEW SMALL BUSINESS PROPERTY LOCATED
IN AN ECONOMICALLY DEPRESSED AREA; SETTING A LOWER TAXABLE
PERCENTAGE FOR THIS CLASS; AMENDING SECTIONS 15-6-101 AND
15-8-111, MCA."

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

NEW SECTION. Section 1. Class twenty-one property --
description -- taxable percentage. (1) Class twenty-one
property includes new small business property located in an
economically depressed area.

(2) (a) "New small business property" means all
property, including land, improvements, furniture and
fixtures, and business inventory, that is used by a small
business during the first 5 years of its operation.

(b) "Small ~~NEW SMALL~~ business" includes corporations,
partnerships, or sole proprietorships that are:

(i) organized to sell any type of goods or services at
wholesale or retail prices OR TO MANUFACTURE GOODS AS
DEFINED IN 15-6-119(2)(C)(I)(C); and

(ii) subject to taxation under Title 15, chapter 30,

including those small businesses defined in 15-31-201; AND
(III) ESTABLISHED IN AN ECONOMICALLY DEPRESSED AREA AS
A NEW BUSINESS ENDEAVOR AS DISTINGUISHED FROM A MERGE
EXPANSION, REORGANIZATION, MERGER, OR CHANGE IN OWNERSHIP OF
AN EXISTING SMALL BUSINESS.

(c) "Economically depressed area" means any county
that has experienced an unemployment rate exceeding 8% for
the 3 years prior to the opening of the business, as
reported by the Montana department of labor and industry,
employment security division.

(3) An owner of a new small business must apply for
this classification to the department on forms it provides
by March 1 of the year for which the classification is
sought. The department may require such information on the
application as it considers necessary to determine the
applicant's eligibility.

(4) Once new small business property has qualified for
this classification, it may not be placed in another class
until:

(a) it is no longer used by the new small business; or
(b) it has been so classified for 5 years.

(5) NEW SMALL BUSINESS PROPERTY LOCATED IN AN URBAN
RENEWAL AREA SUBJECT TO TAX INCREMENT PROVISIONS, AS DEFINED
IN 7-15-4203, IS NOT ELIGIBLE FOR CLASSIFICATION IN THIS
CLASS.

1 ~~(5)~~(6) Class twenty-one property is taxed at 2.8% of
2 its market value.

3 Section 2. Section 15-6-101, MCA, is amended to read:
4 "15-6-101. Property subject to taxation --
5 classification. (1) All property in this state is subject to
6 taxation, except as provided otherwise.

7 (2) For the purpose of taxation, the taxable property
8 in the state shall be classified in accordance with 15-6-102
9 through 15-6-121 and [section 1]."

10 Section 3. Section 15-8-111, MCA, is amended to read:
11 "15-8-111. Assessment -- market value standard --
12 exceptions. (1) All taxable property must be assessed at
13 100% of its market value except as provided in subsection
14 (5) of this section and in 15-7-111 through 15-7-114.

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

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

25 (4) The taxable value for all property in class one,

1 ~~and classes seven through eighteen, class twenty, and class~~
2 ~~twenty-one~~ is the percentage of market value established for
3 each class of property in 15-6-102, and 15-6-108 through
4 15-6-119, 15-6-121, and [section 1].

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

7 (a) Property in 15-6-106, under class five, is
8 assessed at 100% of book value by the method established in
9 15-6-106 and the sections cited therein.

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

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

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

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

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

25 (b) the taxpayer makes a written request; or

HB 0821/03

1 (c) the land is outside an incorporated city or town.
2 (7) The taxable value of all property in classes two
3 through six is the percentage of assessed value established
4 in 15-6-103 through 15-6-107 for each class of property."

-End-