

HOUSE BILL NO. 474

INTRODUCED BY FABREGA, B. BROWN, SIVERTSEN

IN THE HOUSE

January 24, 1981	Introduced and referred to Committee on Taxation.
January 28, 1981	Fiscal note requested.
February 2, 1981	Fiscal note returned.
February 9, 1981	Committee recommend bill do pass. Report adopted.
February 10, 1981	Bill printed and placed on members' desks.
February 11, 1981	Second reading, do pass.
February 12, 1981	Considered correctly engrossed.
February 13, 1981	Third reading, passed. Ayes, 90; Noes, 4. Transmitted to Senate.

IN THE SENATE

February 14, 1981	Introduced and referred to committee on Taxation.
April 21, 1981	Committee recommend bill be concurred in. Report adopted.
April 22, 1981	Second reading, concurred in. On motion rules suspended. Bill placed on calendar for third reading this day. Third reading, concurred in. Ayes, 44; Noes, 1.

IN THE HOUSE

April 23, 1981

Returned from Senate.
Concurred in. Sent to
enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 474

INTRODUCED BY Rep. Bob Brown

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED SCHEDULE FOR THE TAX RATE APPLICABLE TO IMPROVEMENTS ON REAL PROPERTY; PROVIDING FOR LOCAL GOVERNMENT APPROVAL IN THEIR JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

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

(ii) those specifically included in another class;

(d) the first \$35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not

exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

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

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

(iii) 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;

(e) all golf courses, including land and improvements actually and necessarily used for that purpose, that:

(i) consist of at least 9 holes and not less than 3,000 lineal yards; and

(ii) were used as a golf course on January 1, 1979, and were owned by a nonprofit Montana corporation.

(2) Class four property is taxed as follows:

(a) Property ~~except as provided in [section 2],~~ property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage established in

LC 2124/01

1 subsection (2)(a), or 4.275%."

2 NEW SECTION. Section 2. Remodeling of homes,
3 buildings, or structures -- assessment provisions. (1)
4 Remodeling of existing buildings or structures may receive
5 tax benefits during the construction period and for the
6 following 5 years in accordance with the following schedule.
7 The percentages shall be applied to any increase in taxable
8 value caused by the remodeling:

9	Construction period	0%
10	First year following construction	20%
11	Second year following construction	40%
12	Third year following construction	60%
13	Fourth year following construction	80%
14	Fifth year following construction	100%
15	Following years	100%

16 (2) In order to receive the tax benefits described in
17 subsection (1), the governing body of a county or
18 incorporated city or town must have approved by resolution
19 the use of the schedule provided for in subsection (1) for
20 their respective jurisdiction.

21 Section 3. Effective date. This act is effective on
22 passage and approval and applies to taxable years beginning
23 after December 31, 1980.

-End-

STATE OF MONTANA

REQUEST NO. 239-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 28, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 474 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

An act to provide a graduated schedule for tax rate applicable to improvements on real property; providing for local government approval in each jurisdiction.

FISCAL IMPACT

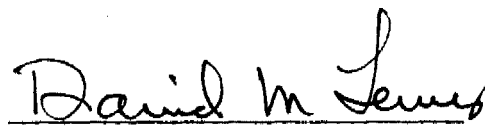
No data on the increases in assessed values due to remodeling are available to estimate the fiscal impact of this proposal. The actual revenue impact will ultimately depend on a taxing jurisdiction's (city or county) decision to implement the incentive.

In order to illustrate the level of impact, suppose that a city with improvements to real property appraised at \$300M implemented the proposal and that during the first year \$1M in remodeling was done. Disregarding the effect that reappraisal would have and the effect of remodeling in subsequent years, and assuming that the remodeling was all in process the first year, the proposal would have the following effect on the city's tax base:

<u>YEAR</u>	<u>TAXABLE VALUE - PRESENT LAW</u>	<u>TAXABLE VALUE - PROPOSAL</u>	<u>DIFFERENCE</u>
1	25.650M + NC(1) + R(1)	\$ 25.650M + NC(1)	R(1)
2	25.7355M + NC(2)	\$ 25.6671M + NC(2)	\$ 68,400
3	25.7355M + NC(3)	\$ 25.6842M + NC(3)	\$ 51,300
4	25.7355M + NC(4)	\$ 25.7013M + NC(4)	\$ 34,200
5	25.7355M + NC(5)	\$ 25.7184M + NC(5)	\$ 17,100
6	25.7355M + NC(6)	\$ 25.7355M + NC(6)	\$ -0-

Where NC(Y) is the total taxable value of new construction in the years up to and including year Y, and R(1) is the taxable value of partially completed remodeling picked up in the year of construction.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-2-81

Approved by Committee
on Taxation

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Bob Brown

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7 JURISDICTION; AMENDING SECTION 15-6-134, MCA; PROVIDING AN
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
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13 taxable percentage. (1) Class four property includes:
14 (a) all land except that specifically included in
15 another class;
16 (b) all improvements except those specifically
17 included in another class;
18 (c) all trailers and mobile homes used as permanent
19 dwellings except:
20 (i) those held by a distributor or dealer of trailers
21 or mobile homes as his stock in trade; and
22 (ii) those specifically included in another class;
23 (d) the first \$35,000 or less of the market value of
24 any improvement on real property or a trailer or mobile home
25 used as a permanent dwelling and appurtenant land not

1 exceeding 5 acres owned or under contract for deed and
2 actually occupied for at least 10 months a year as the
3 primary residential dwelling of:
4 (i) a widow or widower 62 years of age or older who
5 qualifies under the income limitations of (iii) of this
6 subsection;
7 (ii) a widow or widower of any age with dependent
8 children who qualifies under the income limitations of (iii)
9 of this subsection; or
10 (iii) a recipient or recipients of retirement or
11 disability benefits whose total income from all sources is
12 not more than \$7,000 for a single person or \$8,000 for a
13 married couple;
14 (e) all golf courses, including land and improvements
15 actually and necessarily used for that purpose, that:
16 (i) consist of at least 9 holes and not less than
17 3,000 lineal yards; and
18 (ii) were used as a golf course on January 1, 1979, and
19 were owned by a nonprofit Montana corporation.
20 (2) Class four property is taxed as follows:
21 (a) Property except as provided in [section 2],
22 property described in subsections (1)(a) through (1)(c) is
23 taxed at 8.55% of its market value.
24 (b) Property described in subsection (1)(d) and (1)(e)
25 is taxed at one-half the taxable percentage established in

1 subsection (2)(a), or 4.275%."

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