Senate Bill 102

In The Senate

January 12, 1981	Introduced and referred to Committee on Taxation.
	Fiscal note requested.
January 17, 1981	Fiscal note returned.
March 11, 1981	Committee recommend bill do pass as amended.
March 12, 1981	Bill printed and placed on members' desks.
March 13, 1981	Second reading pass consideration.
March 14, 1981	Second reading pass consideration.
March 16, 1981	Second reading do pass.
March 17, 1981	Correctly engrossed.
March 18, 1981	Third reading passed.

In The House

March 19, 1981	Introduced and referred to Committee on Taxation.
April 11, 1981	Committee recommend bill concurred as amended.
April 13, 1981	Second reading not concurred.

In The Senate

April 14, 1981	Returned from House not concurred.

Senate BILL NO. 102

INTRODUCED BY Himsl Severson Bob Brown Hager Kolstad AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED TAX ON PROPERTY FOR CERTAIN LOW INCOME AND ELDERLY PERSONS AND TO ADJUST UPWARD CERTAIN INCOME QUALIFICATIONS FOR ASSESSMENT OF PROPERTY TAX; AMENDING SECTIONS 15-6-134, 15-6-135, AND 15-6-211, MCA."

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~~ Montana resident 60 years of age or older ~~who-qualifies-under-the-income--limitations--of (iii)--of--this--subsection~~ whose annual income from all sources is not more than $12,000 for a single person and $15,000 for a married couple; or

(ii) a ~~widow--or--widower~~ person of any age with dependent children ~~who---qualifies---under---the---income limitations--of--(iii)--of--this--subsection;-or~~ whose total annual income from all sources is not more than $12,000;

~~(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 described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

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(b) Property described in subsection (1)(d) is taxed at 8.55% of its declared market value multiplied by a percentage figure based on a declared annual income from all sources as determined by the following table:

Total Annual Income Single Person	Total Annual Income Married Couple	Percentage Multiplier
$ 0 - $ 3,000	$ 0 - $ 6,000	0
3,000 - 6,000	6,000 - 8,000	30%
6,000 - 8,000	8,000 - 10,000	45%
8,000 - 10,000	10,000 - 12,000	60%
10,000 - 12,000	12,000 - 15,000	90%

~~(b)~~(c) Property described in subsection ~~(1)(d)--and~~ (1)(e) is taxed at one-half the taxable percentage established in subsection (2)(a), or 4.275%."

Section 2. Section 15-6-135, MCA, is amended to read:

"15-6-135. Class five property -- description -- taxable percentage. (1) Class five property includes:

(a) all property used and owned by cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of 15-6-137;

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

(c) truck campers, motor homes, and camping and travel

trailers, including fifth-wheel trailers, owned by and actually used primarily by a person 60 years of age or older who:

(i) is retired from full employment; and

(ii) whose total income from all sources is not more than ~~$7,000~~ $12,000 for a single person or ~~$8,000~~ $15,000 for a married couple;

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

(e) any personal or real property used primarily in the production of gasohol during construction and for the first 3 years of its operation.

(2) (a) "Air and water pollution equipment" means facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall determine if such utilization is being made.

(b) The department's determination [as to air pollution equipment] may be appealed to the board of health and environmental sciences and may not be appealed to either a county tax appeal board or the state tax appeal board. However, the appraised value of the equipment as determined by the department of revenue may be appealed to the county tax appeal board and the state tax appeal board.

(3) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

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

(b) New industry includes only those industries that:

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

(ii) 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

(iii) 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.

(5) 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.

(6) Class five property is taxed at 3% of its market value."

Section 3. Section 15-6-211, MCA, is amended to read:

"15-6-211. Certain disabled veterans' residences exempt. (1) A residence, including the lot on which it is built, owned and occupied by a disabled veteran is exempt from property taxation under the following conditions. The owner must:

(a) have been honorably discharged from active service in any branch of the armed services;

(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than ~~$7,000~~ $12,000 for a single person and ~~$8,000~~ $15,000 for a married couple.

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(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

(c) has a total annual income from all sources of not more than ~~$7,000~~ $12,000."

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. 84-81

Form BD-15

In compliance with a written request received ~~January 13~~, 19 ~~81~~, there is hereby submitted a Fiscal Note for Senate Bill 102 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.

ASSUMPTIONS (continued)

10. indicate. No estimate is attempted.

FISCAL IMPACT

University Levy	FY 82	FY 83
Senior Citizens		
Under current law	NONE	$384,425
Under proposed law		184,443
Estimated Decrease		($199,982)
Veterans		
Under current law	NONE	$ 7,323
Under proposed law		2,569
Estimated Decrease		($ 4,754)
Total Revenue		
Under current law	NONE	$391,748
Under proposed law		187,012
Estimated Decrease		($204,736)

EFFECT ON LOCAL GOVERNMENTS

The proposal would decrease county tax revenue by $9,495,432 in FY 83 ignoring the effects of single persons with dependents. (current - $16,177,591, under proposal - $6,853,999)

LONG RANGE EFFECTS

Increases in the aged population would increase the fiscal impact over time all things being equal.

Increases in nominal income would tend to lessen the fiscal impact all things being equal.

TECHNICAL NOTE

The meaning of person with dependent children needs to be defined more to avoid potential problems.

PREPARED BY THE DEPARTMENT OF REVENUE

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-16-81

STATE OF MONTANA

REQUEST NO. 84-81

FISCAL NOTE

Form BD-15

In compliance with a written request received ~~January 13~~, 19 81, there is hereby submitted a Fiscal Note for Senate Bill 102 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 tax on property for certain low income and elderly persons and to adjust upward certain income qualifications for assessment of property tax.

ASSUMPTIONS

1. There are 120,559 individuals aged 60 years and over in the state. Of these there are 34,600 single and 42,979 independent family units (2 per family).
2. All the aged homeowners who meet the income requirements fall under the special property class (i.e., taxable value equals 4.275 percent of assessed).
3. There are 500 veterans who wou'd recieve benefits under the proposal.
4. These veterans do not recieve the benefits of the special property class now because of the low income requirements (i.e., taxable value is 8.55% of assessed value).
5. Of the above families (34,600 + 42,979 + 500), 64 percent are homeowners, or 27,506 aged married homeowners, 22,144 aged single homeowners & 320 veteran homeowners.
6. The average assessed home value is $28,552.
7. The mill levy that applies is 220 mills for the counties and 6 mills for the state (university levy).
8. The following income distribution applies to the aged.

INCOME GROUP	NUMBER MARRIED	INCOME GROUP	NUMBER SINGLE
$ 0 - 6,000	7207	$ 0 - $3,000	7463
6,000 - 8,000	3603	3,000 - 6,000	9920
8,000 - 10,000	3768	6,000 - 8,000	1794
10,000 - 12,000	2943	8,000 - 10,000	974
12,000 - 15,000	3273	10,000 - 12,000	819

9. All of the veterans will receive benefits under the proposal. (taxable value is 3 percent of assessed.)
10. No data are available on the number of single individuals who have dependent children or their income. There are approximately 7300 families receiving ADC payments. Of these families roughly 13% own their own homes. It is felt that many more individuals would receive benefits under the proposal than these figures

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: ______________________

STATE OF MONTANA

REQUEST NO. 84-81REVISED

FISCAL NOTE

Form BD-15

In compliance with a written request received January 13, 19 81, there is hereby submitted a Fiscal Note for SENATE BILL 102 (AMENDED) 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.

FISCAL IMPACT

University Levy	FY 82	FY 83
Senior Citizens		
Under current law	NONE	$161,681
Under proposed law		74,797
Estimated Decrease		($ 86,884)
Veterans		
Under current law	NONE	$ 1,900
Under proposed law		667
Estimated Decrease		($ 1,233)
Total Revenue		
Under current law	NONE	$163,581
Under proposed law		75,464
Estimated Decrease		($ 88,117)

EFFECTS ON LOCAL GOVERNMENT

The proposal would decrease county tax revenue by $3,012,152 in FY 83 ignoring the effects of single persons with dependents. (current - $6,000,749; under proposal - $2,988,597.)

LONG RANGE EFFECTS

Increases in the aged population would increase the fiscal impact over time all things being equal.

Increases in nominal income would tend to lessen the fiscal impact all things being equal.

TECHNICAL NOTE

The meaning of person with dependent children needs to be defined more to avoid potential problems.

PREPARED BY THE DEPARTMENT OF REVENUE

David M. Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-3-81

STATE OF MONTANA

REQUEST NO. 84-81 REV]

FISCAL NOTE

Form BD-15

In compliance with a written request received ~~January 13~~, 19 81, there is hereby submitted a Fiscal Note for SENATE BILL 102 (Revised) 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 tax on property for certain low income and elderly persons and to adjust upward certain income qualifications for assessment of property tax.

ASSUMPTIONS

1. There are 120,599 individuals aged 60 years and over in the state. Of these there are 34,600 single and 42,979 independent family units (2 per family).
2. All the aged homeowners who meet the income requirements fall under the special property class (i.e., taxable value equals 4.275 percent of assessed.)
3. There are 500 veterans who would receive benefits under the proposal.
4. These veterans do not receive the benefits of the special property class now because of the low income requirements (i.e., taxable value is 8.55% of assessed value).
5. Of the above families (34,600 + 42,979 + 500), 64 percent are homeowners or 27,506 aged married homeowners, 22,144 aged single homeowners and 320 veteran homeowners.
6. The average assessed home value is $11,584 (estimated from sample of taxpayers in class 4).
7. The mill levy that applies is 220 mills for the counties and 6 mills for the state (university levy).
8. The following income distribution applies to the aged.

INCOME GROUP	NUMBER MARRIED	INCOME GROUP	NUMBER SINGLE
$ 0 - 6,000	7207	$ 0 - 3,000	7463
6,000 - 8,000	3603	3,000 - 6,000	9920
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9. All of the veterans will receive benefits under the proposal. (taxable value is 3 percent of assessed.)
10. No data are available on the number of single individuals who have dependent children or their income. There are approximately 7300 families receiving ADC payments. Of these families roughly 13% own their own homes. It is felt that many more individuals would receive benefits under the proposal than these figures indicate. No estimate is attempted.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: ____________

Approved by Committee on Taxation

SENATE BILL NO. 102

INTRODUCED BY HIMSL, SEVERSON, B. BROWN, HAGER, KOLSTAD, AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A GRADUATED TAX ON PROPERTY FOR CERTAIN LOW INCOME AND ELDERLY PERSONS AND TO ADJUST UPWARD CERTAIN INCOME QUALIFICATIONS FOR ASSESSMENT OF PROPERTY TAX; AMENDING SECTIONS 15-6-134, 15-6-135, AND 15-6-211, MCA."

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

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(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~~ Montana resident 60 years of age or older ~~who-qualifies-under-the-income--limitations--of (iii)--of--this--subsection~~ whose annual income from all sources is not more than $12,000 for a single person and $15,000 for a married couple; or

(ii) a ~~widow--or--widower~~ person of any age with ~~dependent-children~~ DEPENDENTS AS DEFINED IN 15-30-113 ~~who qualifies--under--the--income--limitations--of-(iii)-of-this subsection;-or~~ whose total annual income from all sources is not more than $12,000;

~~(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:

SECOND READING

(a) 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) is taxed at 8.55% of its declared market value multiplied by a percentage figure based on a declared annual income from all sources as determined by the following table:

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~~(b)~~(c) Property described in subsection ~~(1)(d)--and~~ (1)(e) is taxed at one-half the taxable percentage established in subsection (2)(a), or 4.275%."

Section 2. Section 15-6-135, MCA, is amended to read:

"15-6-135. Class five property -- description -- taxable percentage. (1) Class five property includes:

(a) all property used and owned by cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of 15-6-137;

(b) air and water pollution control equipment as

defined in this section;

(c) truck campers, motor homes, and camping and travel trailers, including fifth-wheel trailers, owned by and actually used primarily by a person 60 years of age or older who:

(i) is retired from full employment; and

(ii) whose total income from all sources is not more than ~~$7,000~~ $12,000 for a single person or ~~$8,000~~ $15,000 for a married couple;

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

(e) any personal or real property used primarily in the production of gasohol during construction and for the first 3 years of its operation.

(2) (a) "Air and water pollution equipment" means facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall determine if such utilization is being made.

(b) The department's determination [as to air pollution equipment] may be appealed to the board of health and environmental sciences and may not be appealed to either a county tax appeal board or the state tax appeal board.

However, the appraised value of the equipment as determined by the department of revenue may be appealed to the county tax appeal board and the state tax appeal board.

(3) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

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

(b) New industry includes only those industries that:

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

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Industrial Classification Manual prepared by the United States office of management and budget.

(5) 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

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Section 3. Section 15-6-211, MCA, is amended to read:

"15-6-211. Certain disabled veterans' residences exempt. (1) A residence, including the lot on which it is built, owned and occupied by a disabled veteran is exempt from property taxation under the following conditions. The owner must:

(a) have been honorably discharged from active service in any branch of the armed services;

(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than ~~$7,000~~ $12,000 for a single person and ~~$8,000~~ $15,000 for a married couple.

(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

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SENATE BILL NO. 102

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(ii) a ~~widow--or--widower~~ <u>person</u> of any age with ~~dependent-children~~ <u>DEPENDENTS AS DEFINED IN 15-30-113</u> ~~who qualifies--under--the--income--limitations--of-(iii)-of-this subsection;-or~~ <u>whose total annual income from all sources is not more than $12,000;</u>

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(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than ~~$7,000~~ $12,000 for a single person and ~~$8,000~~ $15,000 for a married couple.

(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

(c) has a total annual income from all sources of not more than ~~$7,000~~ $12,000."

-End-

April 10, 1981

HOUSE OF REPRESENTATIVES
COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 102:

1. Page 3, line 9.
Following: "$6,000"
Strike: "0"
Insert: "15%"