

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

IN THE SENATE

| | |
|------------------|---|
| January 26, 1981 | Introduced and referred to Committee on Taxation. |
| | Fiscal note requested. |
| January 30, 1981 | Fiscal note returned. |
| March 25, 1981 | Committee recommend bill do pass as amended. Report adopted. |
| | On motion taken from Committee on Bills and Journals and rereferred to Committee on Taxation. Motion adopted. |
| March 28, 1981 | Committee recommend bill do pass as amended. Report adopted. |
| March 30, 1981 | Bill printed and placed on members' desks. |
| April 1, 1981 | Second reading, do pass. |
| April 2, 1981 | Correctly engrossed. |
| April 3, 1981 | Third reading, passed. Ayes, 43; Noes, 5. Transmitted to House. |

IN THE HOUSE

| | |
|----------------|---|
| April 4, 1981 | Introduced and referred to Committee on Taxation. |
| April 17, 1981 | Committee recommend bill be concurred in. Report adopted. |
| April 21, 1981 | Second reading, concurred in as amended. |

April 21, 1981

On motion rules suspended and bill placed on third reading this day.

Third reading, concurred in as amended. Ayes, 89; Noes, 8.

IN THE SENATE

April 22, 1981

Returned from House with amendments.

Second reading, amendments concurred in.

On motion rules suspended. Bill placed on calendar for third reading this day.

Third reading, amendments concurred in. Ayes, 44; Noes, 0. Sent to enrolling.

Reported correctly enrolled.

1 ~~SENATE~~ BILL NO. 283
2 INTRODUCED BY Christ

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS
5 INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136,
6 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING
7 SECTIONS 15-24-402 AND 15-24-403, MCA."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 15-6-136, MCA, is amended to read:

11 "15-6-136. Class six property -- description --
12 taxable percentage. (1) Class six property includes*

13 ~~{a}--business--inventories--as--defined--in--this--section}~~

14 {b} all unprocessed agricultural products on the farm
15 or in storage except:

16 {+}{a} all perishable fruits and vegetables in farm
17 storage and owned by the producer; and

18 {+}{b} livestock and poultry and the unprocessed
19 products of both.

20 ~~{2}--"Business inventories"--includes goods intended for
21 sale--or--lease--in--the--ordinary--course--of--business--and--raw
22 materials--and--work--in--progress--with--respect--to--such--goods
23 Business inventories--do--not--include--goods--leased--or--rented
24 or--mobile--homes--held--by--a--dealer--or--distributor--as--part--of
25 his--stock--in--trade--The--market--value--of--business~~

1 ~~inventories, for property tax purposes, is the cost--to--the
2 person--subject--to--the--inventory--tax~~

3 ~~{3}{2} Class six property is taxed at 4% of its market
4 value."~~

5 Section 2. Section 15-6-202, MCA, is amended to read:

6 "15-6-202. Freeport merchandise and business
7 inventories exemption. (1) Freeport merchandise ~~is~~ and
8 business inventories are exempt from taxation.

9 (2) Freeport merchandise means those stocks of
10 merchandise manufactured or produced outside this state
11 which are in transit through this state and consigned to a
12 warehouse or other storage facility, public or private,
13 within this state for storage in transit prior to shipment
14 to a final destination outside the state and which have
15 acquired a taxable situs within the state.

16 (3) Stocks of merchandise do not lose their status as
17 freeport merchandise because while in the storage facility
18 they are assembled, bound, joined, processed, disassembled,
19 divided, cut, broken in bulk, relabeled, or repackaged.

20 (4) Any person or other group seeking to qualify its
21 property for inclusion in ~~this~~ the freeport merchandise
22 class shall make application to the department of revenue in
23 such manner or form as may be required by the department.

24 {5} "Business inventories" includes goods intended for
25 sale or lease in the ordinary course of business and raw

1 materials and work in progress with respect to such goods.
2 Business inventories do not include goods leased or rented
3 or mobile homes held by a dealer or distributor as part of
4 his stock in trade."

5 Section 3. Section 15-8-104, MCA, is amended to read:
6 "15-8-104. Department audit of taxable value --
7 penalty for underreporting -- costs of audit paid by
8 department. (1) When in the judgment of the director of
9 revenue it is necessary, audits may be made for the purpose
10 of determining the taxable value of net proceeds of mines
11 and oil and gas wells, ~~business inventories,~~ and all other
12 types of property subject to ad valorem taxation.

13 ~~{2}--The taxable value of any underreported portion of~~
14 ~~any business inventory found as a result of an audit to have~~
15 ~~been underreported by the owner shall be increased by 25% as~~
16 ~~a penalty for underreporting.~~

17 ~~{3}--The 25% penalty may be waived by the department if~~
18 ~~reasonable cause for failure to report the total value of a~~
19 ~~business inventory is provided to the department.~~

20 ~~{4}{2}~~ The cost of the audit shall be paid by the
21 department."

22 Section 4. Section 15-24-301, MCA, is amended to read:
23 "15-24-301. Personal property brought into the state
24 -- assessment -- exceptions -- custom combine equipment. (1)
25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
2 which it is located:

3 (a) any personal property (including livestock)
4 brought, driven, or coming into this state at any time
5 during the year that is used in the state for hire,
6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
10 the general property of the state.

11 (2) The taxes on this property are levied in the same
12 manner and to the same extent, except as otherwise provided,
13 as though the property had been in the county on the regular
14 assessment date, provided that the property has not been
15 regularly assessed for the year in some other county of the
16 state.

17 (3) Nothing in this section shall be construed to levy
18 a tax against a merchant or dealer within this state on
19 goods, wares, or merchandise brought into the county to
20 replenish the stock of the merchant or dealer ~~in addition to~~
21 ~~the tax levied against the inventory of said merchant or~~
22 ~~dealer on the regular assessment date.~~

23 (4) This section does not apply to any motor vehicle
24 brought, driven, or coming into this state by any
25 nonresident person temporarily employed in Montana for a

1 period not exceeding 90 days if the motor vehicle is used
2 exclusively for transportation of such person.

3 (5) Agricultural harvesting machinery classified under
4 class eight, licensed in other states, and operated on the
5 lands of persons other than the owner of the machinery under
6 contracts for hire shall be subject to a fee in lieu of
7 taxation of \$35 per machine for a 60-day period. The
8 machines shall be subject to taxation under class eight only
9 if they are sold in Montana."

10 Section 5. Repealer. Sections 15-24-402 and 15-24-403,
11 MCA, are repealed.

12 Section 6. Applicability. This act applies to taxable
13 years beginning after December 31, 1981.

-End-

STATE OF MONTANA

REQUEST NO. 232-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, 19 81, there is hereby submitted a Fiscal Note for SENATE BILL 283 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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 exempt business inventories from taxation.

ASSUMPTIONS

1. Proposed legislation is effective for tax year 1982 - no fiscal impact for FY 82.
2. Tax Year 1980 - Taxable value of business inventories - \$33,025,511.
3. Taxable value of business inventories tax year 1982 - at least \$33,000,000. Fiscal Impact - FY 83.
4. University Levy - 6 mills.
5. Average statewide levy - 220 mills.
6. Fiscal note relates only to the exemption of business inventories from property taxation.

FISCAL IMPACT

| | | |
|--------------------|-----------|-------------|
| University Levy | FY 82 | FY 83 |
| Under current law | | \$198,000 |
| Under proposed law | NO EFFECT | <u>0</u> |
| Estimated Decrease | | (\$198,000) |

EFFECT ON LOCAL GOVERNMENT

The proposed legislation should decrease revenues to local governments on a statewide basis by at least \$7,260,000 per year.

LONG RANGE EFFECTS

The proposed legislation should decrease revenues from the university levy by at least \$198,000 per year. Local governments should lose at least \$7,260,000 in each subsequent fiscal year.

PREPARED BY THE DEPARTMENT OF REVENUE

David M Lewis

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-29-81

Approved by Committee
on Taxation

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA."

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

Section 1. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes*

~~(a) business inventories as defined in this section~~

~~(b) all unprocessed agricultural products on the farm or in storage except:~~

~~((a) all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~((b) livestock and poultry and the unprocessed products of both.~~

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods.~~

~~Business inventories do not include goods leased or rented~~

~~or mobile homes held by a dealer or distributor as part of his stock in trade; the market value of business~~

~~inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3) (2) Class six property is taxed at 4% of its market value."~~

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business

inventories exemption. (1) Freeport merchandise ~~is~~ and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its property for inclusion in this the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw

1 materials and work in progress with respect to such goods.
 2 Business inventories do not include goods leased or rented
 3 or mobile homes held by a dealer or distributor as part of
 4 his stock in trade."

5 Section 3. Section 15-8-104, MCA, is amended to read:
 6 "15-8-104. Department audit of taxable value --
 7 penalty for underreporting -- costs of audit paid by
 8 department. (1) When in the judgment of the director of
 9 revenue it is necessary, audits may be made for the purpose
 10 of determining the taxable value of net proceeds of mines
 11 and oil and gas wells, ~~business inventories,~~ and all other
 12 types of property subject to ad valorem taxation.

13 ~~(2) -- The taxable value of any underreported portion of~~
 14 ~~any business inventory found as a result of an audit to have~~
 15 ~~been underreported by the owner shall be increased by 25% as~~
 16 ~~a penalty for underreporting.~~

17 ~~(3) -- The 25% penalty may be waived by the department if~~
 18 ~~reasonable cause for failure to report the total value of a~~
 19 ~~business inventory is provided to the department.~~

20 ~~(4)~~(2) The cost of the audit shall be paid by the
 21 department."

22 Section 4. Section 15-24-301, MCA, is amended to read:

23 "15-24-301. Personal property brought into the state
 24 -- assessment -- exceptions -- custom combine equipment. (1)
 25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
 2 which it is located:

3 (a) any personal property (including livestock)
 4 brought, driven, or coming into this state at any time
 5 during the year that is used in the state for hire,
 6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
 8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
 10 the general property of the state.

11 (2) The taxes on this property are levied in the same
 12 manner and to the same extent, except as otherwise provided,
 13 as though the property had been in the county on the regular
 14 assessment date, provided that the property has not been
 15 regularly assessed for the year in some other county of the
 16 state.

17 (3) Nothing in this section shall be construed to levy
 18 a tax against a merchant or dealer within this state on
 19 goods, wares, or merchandise brought into the county to
 20 replenish the stock of the merchant or dealer ~~in addition to~~
 21 ~~the tax levied against the inventory of said merchant or~~
 22 ~~dealer on the regular assessment date.~~

23 (4) This section does not apply to any motor vehicle
 24 brought, driven, or coming into this state by any
 25 nonresident person temporarily employed in Montana for a

1 period not exceeding 90 days if the motor vehicle is used
2 exclusively for transportation of such person.

3 (5) Agricultural harvesting machinery classified under
4 class eight, licensed in other states, and operated on the
5 lands of persons other than the owner of the machinery under
6 contracts for hire shall be subject to a fee in lieu of
7 taxation of \$35 per machine for a 60-day period. The
8 machines shall be subject to taxation under class eight only
9 if they are sold in Montana."

10 SECTION 5. COORDINATION INSTRUCTION. SENATE BILL 47,
11 INTRODUCED IN THE 47TH LEGISLATURE, REMOVES LIVESTOCK,
12 POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS
13 SEVEN AND PLACES THEM IN CLASS SIX FOR PURPOSES OF PROPERTY
14 TAXATION. IF SENATE BILL 47 IS PASSED AND APPROVED, THEN
15 SECTION 1 OF THIS ACT IS TO BE REPLACED WITH THE FOLLOWING
16 SECTION:

17 SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:

18 "15-6-136. Class six property -- description --
19 taxable percentage. (1) Class six property includes:

20 (a) ~~business-inventories-as-defined-in-this-section~~
21 livestock and poultry and the unprocessed products of both;

22 (b) all unprocessed agricultural products on the farm
23 or in storage except;

24 ~~(c) all perishable fruits and vegetables in farm~~
25 ~~storage and owned by the producer and~~

1 ~~(c) livestock and poultry and the unprocessed~~
2 ~~products of both.~~

3 ~~(2) "Business inventories" includes goods intended for~~
4 ~~sale or lease in the ordinary course of business and raw~~
5 ~~materials and work-in-progress with respect to such goods.~~
6 ~~Business inventories do not include goods leased or rented~~
7 ~~or mobile homes held by a dealer as part of his stock in~~
8 ~~trade. The market value of business inventories for~~
9 ~~property tax purposes is the cost to the person subject to~~
10 ~~the inventory tax.~~

11 ~~(3) (2) Class six property is taxed at 4% of its market~~
12 ~~value."~~

13 Section 6. Repealer. Sections 15-24-402 and 15-24-403,
14 MCA, are repealed.

15 Section 7. Applicability. This act applies to taxable
16 years beginning after December 31, 1981.

-End-

SENATE BILL NO. 283
INTRODUCED BY ELLIOTT

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS INVENTORIES FROM TAXATION; AMENDING SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA; AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA."

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

Section 1. Section 15-6-136, MCA, is amended to read:

"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:

~~(a) business inventories as defined in this section;~~

(b) all unprocessed agricultural products on the farm or in storage except:

~~(i) all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~(ii) livestock and poultry and the unprocessed products of both.~~

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods.~~

~~Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business~~

~~inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3) Class six property is taxed at 4% of its market value."~~

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption. (1) Freeport merchandise is and business inventories are exempt from taxation.

(2) Freeport merchandise means those stocks of merchandise manufactured or produced outside this state which are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and which have acquired a taxable situs within the state.

(3) Stocks of merchandise do not lose their status as freeport merchandise because while in the storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

(4) Any person or other group seeking to qualify its property for inclusion in this the freeport merchandise class shall make application to the department of revenue in such manner or form as may be required by the department.

(5) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw

1 materials and work in progress with respect to such goods.
 2 Business inventories do not include goods leased or rented
 3 or mobile homes held by a dealer or distributor as part of
 4 his stock in trade."

5 Section 3. Section 15-8-104, MCA, is amended to read:
 6 "15-8-104. Department audit of taxable value --
 7 penalty for underreporting -- costs of audit paid by
 8 department. (1) When in the judgment of the director of
 9 revenue it is necessary, audits may be made for the purpose
 10 of determining the taxable value of net proceeds of mines
 11 and oil and gas wells, ~~business inventories,~~ and all other
 12 types of property subject to ad valorem taxation.

13 ~~(2)--the-taxable-value-of-any-underreported-portion--of~~
 14 ~~any-business-inventory-found-as-a-result-of-an-audit-to-have~~
 15 ~~been-underreported-by-the-owner-shall-be-increased-by-25%--as~~
 16 ~~a-penalty-for-underreporting.~~

17 ~~(3)--the-25%--penalty--may--be--waived--by--the--department--if~~
 18 ~~reasonable--cause--for--failure--to--report--the--total--value--of--a~~
 19 ~~business-inventory-is-provided-to-the-department.~~

20 ~~(4)~~(2) The cost of the audit shall be paid by the
 21 department."

22 Section 4. Section 15-24-301, MCA, is amended to read:
 23 "15-24-301. Personal property brought into the state
 24 -- assessment -- exceptions -- custom combine equipment. (1)
 25 Property in the following cases is subject to taxation and

1 assessment for all taxes levied that year in the county in
 2 which it is located:

3 (a) any personal property (including livestock)
 4 brought, driven, or coming into this state at any time
 5 during the year that is used in the state for hire,
 6 compensation, or profit;

7 (b) property whose owner or user is engaged in gainful
 8 occupation or business enterprise in the state; or

9 (c) property which comes to rest and becomes a part of
 10 the general property of the state.

11 (2) The taxes on this property are levied in the same
 12 manner and to the same extent, except as otherwise provided,
 13 as though the property had been in the county on the regular
 14 assessment date, provided that the property has not been
 15 regularly assessed for the year in some other county of the
 16 state.

17 (3) Nothing in this section shall be construed to levy
 18 a tax against a merchant or dealer within this state on
 19 goods, wares, or merchandise brought into the county to
 20 replenish the stock of the merchant or dealer ~~in addition to~~
 21 ~~the tax levied against the inventory of said merchant or~~
 22 ~~dealer on the regular assessment date.~~

23 (4) This section does not apply to any motor vehicle
 24 brought, driven, or coming into this state by any
 25 nonresident person temporarily employed in Montana for a

1 period not exceeding 90 days if the motor vehicle is used
2 exclusively for transportation of such person.

3 (5) Agricultural harvesting machinery classified under
4 class eight, licensed in other states, and operated on the
5 lands of persons other than the owner of the machinery under
6 contracts for hire shall be subject to a fee in lieu of
7 taxation of \$35 per machine for a 60-day period. The
8 machines shall be subject to taxation under class eight only
9 if they are sold in Montana."

10 SECTION 5. COORDINATION INSTRUCTION. SENATE BILL 47,
11 INTRODUCED IN THE 47TH LEGISLATURE, REMOVES LIVESTOCK,
12 POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS
13 SEVEN AND PLACES THEM IN CLASS SIX FOR PURPOSES OF PROPERTY
14 TAXATION. IF SENATE BILL 47 IS PASSED AND APPROVED, THEN
15 SECTION 1 OF THIS ACT IS TO BE REPLACED WITH THE FOLLOWING
16 SECTION:

17 SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:

18 "15-6-136. Class six property -- description --
19 taxable percentage. (1) Class six property includes:

20 (a) ~~business inventories as defined in this section~~
21 livestock and poultry and the unprocessed products of both;

22 (b) all unprocessed agricultural products on the farm
23 or in storage except:

24 ~~(1) all perishable fruits and vegetables in farm~~
25 ~~storage and owned by the producers; and~~

1 ~~(1) livestock and poultry and the unprocessed~~
2 ~~products of both.~~

3 ~~(2) "Business inventories" includes goods intended for~~
4 ~~sale or lease in the ordinary course of business and raw~~
5 ~~materials and work in progress with respect to such goods.~~
6 ~~Business inventories do not include goods leased or rented~~
7 ~~or mobile homes held by a dealer as part of his stock in~~
8 ~~trade. The market value of business inventories for~~
9 ~~property tax purposes is the cost to the person subject to~~
10 ~~the inventory tax.~~

11 ~~(3) (2)~~ Class six property is taxed at 4% of its market
12 value."

13 Section 6. Repealer. Sections 15-24-402 and 15-24-403,
14 MCA, are repealed.

15 Section 7. Applicability. This act applies to taxable
16 years beginning after December 31, 1981.

-End-

1 SENATE BILL NO. 283

2 INTRODUCED BY ELLIOTT

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT BUSINESS
5 INVENTORIES FROM TAXATION; PROVIDING TAX CREDITS FOR
6 BUSINESS INVENTORY TAXES PAID PRIOR TO EXEMPTION; AMENDING
7 SECTIONS 15-6-136, 15-6-202, 15-8-104, AND 15-24-301, MCA;
8 AND REPEALING SECTIONS 15-24-402 AND 15-24-403, MCA; AND
9 PROVIDING EFFECTIVE DATES."

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

12 Section 1. Section 15-6-136, MCA, is amended to read:

13 "15-6-136. Class six property -- description --
14 taxable percentage. (1) Class six property includes*

15 ~~+(a) business inventories as defined in this section~~

16 ~~+(b) all unprocessed agricultural products on the farm~~
17 ~~or in storage except:~~

18 ~~++(a) all perishable fruits and vegetables in farm~~
19 ~~storage and owned by the producer; and~~

20 ~~+++ (b) livestock and poultry and the unprocessed~~
21 ~~products of both.~~

22 ~~+(2) "Business inventories" includes goods intended for~~
23 ~~sale or lease in the ordinary course of business and raw~~
24 ~~materials and work in progress with respect to such goods.~~
25 ~~Business inventories do not include goods leased or rented~~

1 ~~or mobile homes held by a dealer or distributor as part of~~
2 ~~his stock in trade; the market value of business~~
3 ~~inventories for property tax purposes, is the cost to the~~
4 ~~person subject to the inventory tax.~~

5 ~~+(2) Class six property is taxed at 4% of its market~~
6 ~~value."~~

7 Section 2. Section 15-6-202, MCA, is amended to read:

8 "15-6-202. Freeport merchandise and business
9 inventories exemption. (1) Freeport merchandise is and
10 business inventories are exempt from taxation.

11 (2) Freeport merchandise means those stocks of
12 merchandise manufactured or produced outside this state
13 which are in transit through this state and consigned to a
14 warehouse or other storage facility, public or private,
15 within this state for storage in transit prior to shipment
16 to a final destination outside the state and which have
17 acquired a taxable situs within the state.

18 (3) Stocks of merchandise do not lose their status as
19 freeport merchandise because while in the storage facility
20 they are assembled, bound, joined, processed, disassembled,
21 divided, cut, broken in bulk, relabeled, or repackaged.

22 (4) Any person or other group seeking to qualify its
23 property for inclusion in this the freeport merchandise
24 class shall make application to the department of revenue in
25 such manner or form as may be required by the department.

1 (5) "Business inventories" includes goods intended for
 2 sale or lease in the ordinary course of business and raw
 3 materials and work in progress with respect to such goods.
 4 Business inventories do not include goods leased or rented
 5 or mobile homes held by a dealer or distributor as part of
 6 his stock in trade."

7 Section 3. Section 15-8-104, MCA, is amended to read:

8 "15-8-104. Department audit of taxable value --
 9 penalty for underreporting -- costs of audit paid by
 10 department. (1) When in the judgment of the director of
 11 revenue it is necessary, audits may be made for the purpose
 12 of determining the taxable value of net proceeds of mines
 13 and oil and gas wells, ~~business inventories~~ and all other
 14 types of property subject to ad valorem taxation.

15 ~~(2) -- The taxable value of any underreported portion of~~
 16 ~~any business inventory found as a result of an audit to have~~
 17 ~~been underreported by the owner shall be increased by 25% as~~
 18 ~~a penalty for underreporting.~~

19 ~~(3) -- The 25% penalty may be waived by the department if~~
 20 ~~reasonable cause for failure to report the total value of a~~
 21 ~~business inventory is provided to the department.~~

22 ~~(4) (2)~~ The cost of the audit shall be paid by the
 23 department."

24 Section 4. Section 15-24-301, MCA, is amended to read:

25 "15-24-301. Personal property brought into the state

1 -- assessment -- exceptions -- custom combine equipment. (1)
 2 Property in the following cases is subject to taxation and
 3 assessment for all taxes levied that year in the county in
 4 which it is located:

5 (a) any personal property (including livestock)
 6 brought, driven, or coming into this state at any time
 7 during the year that is used in the state for hire,
 8 compensation, or profit;

9 (b) property whose owner or user is engaged in gainful
 10 occupation or business enterprise in the state; or

11 (c) property which comes to rest and becomes a part of
 12 the general property of the state.

13 (2) The taxes on this property are levied in the same
 14 manner and to the same extent, except as otherwise provided,
 15 as though the property had been in the county on the regular
 16 assessment date, provided that the property has not been
 17 regularly assessed for the year in some other county of the
 18 state.

19 (3) Nothing in this section shall be construed to levy
 20 a tax against a merchant or dealer within this state on
 21 goods, wares, or merchandise brought into the county to
 22 replenish the stock of the merchant or dealer ~~in addition to~~
 23 ~~the tax levied against the inventory of said merchant or~~
 24 ~~dealer on the regular assessment date.~~

25 (4) This section does not apply to any motor vehicle

1 brought, driven, or coming into this state by any
 2 nonresident person temporarily employed in Montana for a
 3 period not exceeding 90 days if the motor vehicle is used
 4 exclusively for transportation of such person.

5 (5) Agricultural harvesting machinery classified under
 6 class eight, licensed in other states, and operated on the
 7 lands of persons other than the owner of the machinery under
 8 contracts for hire shall be subject to a fee in lieu of
 9 taxation of \$35 per machine for a 60-day period. The
 10 machines shall be subject to taxation under class eight only
 11 if they are sold in Montana."

12 SECTION 5. COORDINATION INSTRUCTION. SENATE BILL 47,
 13 INTRODUCED IN THE 47TH LEGISLATURE, REMOVES LIVESTOCK,
 14 POULTRY, AND THE UNPROCESSED PRODUCTS OF BOTH FROM CLASS
 15 SEVEN AND PLACES THEM IN CLASS SIX FOR PURPOSES OF PROPERTY
 16 TAXATION. IF SENATE BILL 47 IS PASSED AND APPROVED, THEN
 17 SECTION 1 OF THIS ACT IS TO BE REPLACED WITH THE FOLLOWING
 18 SECTION:

19 SECTION 1. SECTION 15-6-136, MCA, IS AMENDED TO READ:
 20 "15-6-136. Class six property -- description --
 21 taxable percentage. (1) Class six property includes:

22 (a) ~~business-inventories-as-defined-in-this-section~~
 23 livestock and poultry and the unprocessed products of both;

24 (b) all unprocessed agricultural products on the farm
 25 or in storage except*;

1 ~~††~~ all perishable fruits and vegetables in farm
 2 storage and owned by the producer† and
 3 ~~†††~~ ~~livestock and poultry~~ ~~and the unprocessed~~
 4 ~~products of both.~~

5 ~~†2~~ ~~"Business inventories"~~ ~~includes goods intended for~~
 6 ~~sale or lease in the ordinary course of business and raw~~
 7 ~~materials and work-in-progress with respect to such goods.~~
 8 ~~Business inventories do not include goods leased or rented~~
 9 ~~or mobile homes held by a dealer as part of his stock in~~
 10 ~~trade. The market value of business inventories, for~~
 11 ~~property tax purposes, is the cost to the person subject to~~
 12 ~~the inventory tax.~~

13 ~~†3~~ ~~(2)~~ Class six property is taxed at 4% of its market
 14 value."

15 Section 6. Repealer. Sections 15-24-402 and 15-24-403,
 16 MCA, are repealed.

17 SECTION 7. BUSINESS INVENTORY CREDIT. (1) FOR TAXABLE
 18 YEARS BEGINNING AFTER DECEMBER 31, 1980 AND BEFORE JANUARY
 19 1, 1983, THERE IS ALLOWED AS A CREDIT AGAINST THE TAXES
 20 IMPOSED BY 15-30-103, 15-31-101, 15-31-121, AND 15-31-122 A
 21 CREDIT EQUAL TO THE AMOUNT OF THE BUSINESS INVENTORY TAX
 22 PAID UNDER 15-6-136 BY THE TAXPAYER IN THE TAXPAYER'S
 23 TAXABLE YEAR.

24 (2) IN THE EVENT THAT THE CREDIT FOR BUSINESS
 25 INVENTORY TAX ALLOWED IN SUBSECTION (1) EXCEEDS THE

1 TAXPAYER'S TAX LIABILITY FOR THE TAXABLE YEAR, THE TAXPAYER
2 SHALL RECEIVE FROM THE STATE A TAX REFUND IN THE AMOUNT OF
3 THE EXCESS OF THE BUSINESS INVENTORY CREDIT OVER THE TOTAL
4 TAX LIABILITY.

5 (3) NO PART OF THE BUSINESS INVENTORY CREDIT MAY BE
6 CARRIED FORWARD OR CARRIED BACK TO TAXABLE YEARS OTHER THAN
7 THE TAXABLE YEAR IN WHICH THE TAXPAYER PAID A BUSINESS
8 INVENTORY TAX UNDER 15-6-136.

9 (4) NO BUSINESS INVENTORY TAX CREDIT IS ALLOWED IN THE
10 TAXPAYER'S TAXABLE YEAR UNDER SUBSECTION (1) IF THE TAXPAYER
11 CLAIMS A DEDUCTION IN THE TAXABLE YEAR FOR THE BUSINESS
12 INVENTORY TAX UNDER 15-30-121 AND 15-31-144.

13 Section 8. Applicability. This act applies (1)
14 SECTIONS 1 THROUGH 6 APPLY to taxable years beginning after
15 December 31, 1981 1982.

16 (2) SECTION 7 APPLIES TO TAXABLE YEARS BEGINNING AFTER
17 DECEMBER 31, 1980 AND BEFORE JANUARY 1, 1983.

18 SECTION 9. EFFECTIVE DATES. (1) SECTIONS 1 THROUGH 6
19 ARE EFFECTIVE JANUARY 1, 1983.

20 (2) SECTIONS 7 THROUGH 9 ARE EFFECTIVE ON PASSAGE AND
21 APPROVAL.

-End-

COMMITTEE OF THE WHOLE AMENDMENT

MR. CHAIRMAN: I MOVE TO AMEND HOUSE AMENDMENT TO:
Senate Bill 283

April 21, 1981
4 pm
Donaldson

1. Title, line 5.

Following: "TAXATION;"

Insert: "PROVIDING TAX CREDITS FOR BUSINESS INVENTORY TAXES PAID
PRIOR TO EXEMPTION;"

2. Title, line 7.

Following: "MCA"

Insert: "; AND PROVIDING EFFECTIVE DATES"

3. Page 6, line 14.

Following: line 14

Insert: "Section 7. Business inventory credit. (1) For taxable years beginning after December 31, 1980 and before January 1, 1983, there is allowed as a credit against the taxes imposed by 15-30-103, 15-31-101, 15-31-121, and 15-31-122 a credit equal to the amount of the business inventory tax paid under 15-6-136 by the taxpayer in the taxpayer's taxable year.

(2) In the event that the credit for business inventory tax allowed in subsection (1) exceeds the taxpayer's tax liability for the taxable year, the taxpayer shall receive from the state a tax refund in the amount of the excess of the business inventory credit over the total tax liability.

(3) No part of the business inventory credit may be carried forward or carried back to taxable years other than the taxable year in which the taxpayer paid a business inventory tax under 15-6-136.

(4) No business inventory tax credit is allowed in the taxpayer's taxable year under subsection (1) if the taxpayer claims a deduction in the taxable year for the business inventory tax under 15-30-121 and 15-31-144."

Renumber: subsequent sections

4. Page 6, line 15.

Strike: "This act applies"

Insert: "(1) Sections 1 through 6 apply"

5. Page 6, line 16.

Strike: "1981"

Insert: "1982"

6. Page 6.

Following: line 16

Insert: "(2) Section 7 applies to taxable years beginning after December 31, 1980 and before January 1, 1983.

Section 9. Effective dates. (1) Sections 1 through 6 are effective January 1, 1983.

(2) Sections 7 through 9 are effective on passage and approval."