

SENATE BILL NO. 483

INTRODUCED BY SENATE COMMITTEE ON TAXATION

GOODOVER, TOWE, NORMAN, NORDTVEDT, SIVERTSEN, TURNAGE

BY REQUEST OF THE SENATE COMMITTEE ON TAXATION

IN THE SENATE

February 14, 1981	Introduced and referred to Committee on Taxation. Fiscal note requested.
February 20, 1981	Fiscal note returned.
February 21, 1981	Committee recommend bill do pass as amended. Report adopted. Statement of intent attached.
February 23, 1981	Bill printed and placed on members' desks.
February 24, 1981	Motion pass consideration.
February 25, 1981	Second reading, do pass. On motion rules suspended. Bill placed on calendar for third reading this day. Third reading, passed. Ayes, 38; Noes, 11. Transmitted to House.

IN THE HOUSE

March 3, 1981	Introduced and referred to Committee on Taxation.
April 3, 1981	Committee recommend bill be concurred in as amended. Report adopted.

April 6, 1981

Second reading, concurred in as amended.

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

Third reading, concurred in as amended. Ayes, 63; Noes, 31.

IN THE SENATE

April 7, 1981

Returned from House with amendments.

April 10, 1981

Second reading, amendments not concurred in.

April 11, 1981

On motion Conference Committee requested and appointed.

April 16, 1981

Conference Committee reported.

April 17, 1981

Second reading, Conference Committee report adopted.

Third reading, Conference Committee report adopted. Ayes, 46; Noes, 2.

Conference Committee dissolved.

April 21, 1981

On motion new Conference Committee requested and appointed.

April 23, 1981

Conference Committee dissolved.

On motion new Free Conference Committee requested and appointed.

Free Conference Committee reported.

Second reading, Free Conference Committee report adopted.

April 23, 1981

Third reading, Free Conference Committee report adopted. Ayes, 44; Noes, 4.

On motion Free Conference Committee be dissolved and Senate concur in House amendments. Motion adopted. Transmitted to House.

IN THE HOUSE

April 23, 1981

Free Conference Committee report adopted.

IN THE SENATE

April 23, 1981

Returned from House. Sent to enrolling.

Reported correctly enrolled.

1 *Senate* BILL NO. *483*
 2 INTRODUCED BY *Committee on Senate Taxation*

3 BY REQUEST OF THE SENATE COMMITTEE ON TAXATION
Barbara Davis Nonnen

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE
 5 CLASSIFICATION OF LANDS AND IMPROVEMENTS FOR PURPOSES OF
 6 PROPERTY TAXATION; ADDING CLASSES FOR RESIDENTIAL PROPERTY,
 7 COMMERCIAL AND INDUSTRIAL PROPERTY, AND OTHER REAL PROPERTY
 8 AND IMPROVEMENTS AND A RESIDUAL CLASS FOR PROPERTY NOT
 9 OTHERWISE COVERED; CLARIFYING THE ROLE OF THE DEPARTMENT OF
 10 REVENUE IN THE CLASSIFICATION AND APPRAISAL PROCESS;
 11 AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-133, 15-6-134,
 12 15-6-140, 15-6-151, 15-7-101 THROUGH 15-7-103, 15-8-111,
 13 15-24-1102, AND 15-24-1103, MCA; AND PROVIDING AN
 14 APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 16

17 Section 1. Section 15-1-101, MCA, is amended to read:

18 "15-1-101. Definitions. (1) When terms mentioned in
 19 this section are used in connection with taxation, they are
 20 defined in the following manner:
 21

22 (a) The term "agricultural" refers to the raising of
 23 livestock, swine, poultry, field crops, fruit, and other
 24 animal and vegetable matter for food or fiber.

25 (b) The term "assessed value" means the value of

1 property as defined in 15-8-111.

2 (c) The term "credit" means solvent debts, secured or
 3 unsecured, owing to a person.

4 (d) The term "improvements" includes all buildings,
 5 structures, fixtures, fences, and improvements situated
 6 upon, erected upon, or affixed to land. When the department
 7 of revenue or its agent determines that the permanency of
 8 location of a mobile home or housetrailer has been
 9 established, the mobile home or housetrailer is presumed to
 10 be an improvement to real property. If the mobile home or
 11 housetrailer is an improvement located on land not owned by
 12 the owner of such improvement, the improvement is assessed
 13 as a leasehold improvement to real property and delinquent
 14 taxes can be a lien only on the leasehold improvement.

15 (e) The term "mobile home" means forms of housing
 16 known as "trailers", "housetrailers", or "trailer coaches",
 17 exceeding 8 feet in width or 32 feet in length, designed to
 18 be moved from one place to another by an independent power
 19 connected to them.

20 (f) The term "personal property" includes everything
 21 that is the subject of ownership but that is not included
 22 within the meaning of the terms "real estate" and
 23 "improvements".

24 (g) The term "poultry" includes all chickens, turkeys,
 25 geese, ducks, and other birds raised in domestication to

1 produce food or feathers.

2 (h) The term "property" includes moneys, credits,
3 bonds, stocks, franchises, and all other matters and things,
4 real, personal, and mixed, capable of private ownership.
5 This definition must not be construed to authorize the
6 taxation of the stocks of any company or corporation when
7 the property of such company or corporation represented by
8 the stocks is within the state and has been taxed.

9 (i) The term "real estate" includes:

10 (i) the possession of, claim to, ownership of, or
11 right to the possession of land;

12 (ii) all mines, minerals, and quarries in and under the
13 land subject to the provisions of 15-23-501 and 15-23-801;
14 all timber belonging to individuals or corporations growing
15 or being on the lands of the United States; and all rights
16 and privileges appertaining thereto.

17 (j) The term "taxable value" means the percentage of
18 market or assessed value as provided for in ~~15-6-131 through~~
19 ~~15-6-140 Title 15, chapter 6, part 1.~~

20 (2) The phrase "municipal corporation" or
21 "municipality" or "taxing unit" shall be deemed to include a
22 county, city, incorporated town, township, school district,
23 irrigation district, drainage district, or any person,
24 persons, or organized body authorized by law to establish
25 tax levies for the purpose of raising public revenue.

1 (3) The term "state board" or "board" when used
2 without other qualification shall mean the state tax appeal
3 board."

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

8 (2) For the purpose of taxation, the taxable property
9 in the state shall be classified in accordance with 15-6-131
10 through 15-6-141 ~~and [sections 6 through 9]."~~

11 Section 3. Section 15-6-133, MCA, is amended to read:

12 "15-6-133. Class three property -- description --
13 taxable percentage. (1) Class three property includes:

- 14 (a) agricultural land as defined in 15-7-202; and
- 15 (b) ~~improvements to agricultural land.~~

16 (2) Class three property is taxed as follows:

17 (a) ~~Property described in subsection (1)(a) is taxed~~
18 at 30% of its productive capacity.

19 (b) ~~Property described in subsection (1)(b) is taxed~~
20 ~~at 8.55% of its market value."~~

21 Section 4. Section 15-6-134, MCA, is amended to read:

22 "15-6-134. Class four property -- description --
23 taxable percentage. (1) Class four property includes:

- 24 (a) ~~all land except that specifically included in~~
25 ~~another class~~

1 ~~(b) all improvements except those specifically~~
2 ~~included in another class~~

3 ~~(c) (a)~~ all trailers and mobile homes used as permanent
4 dwellings except:

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

7 (ii) those specifically included in another class;

8 ~~(d) (b)~~ the first \$35,000 or less of the market value
9 of any improvement on real property or a trailer or mobile
10 home used as a permanent dwelling and appurtenant land not
11 exceeding 5 acres owned or under contract for deed and
12 actually occupied for at least 10 months a year as the
13 primary residential dwelling of:

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

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

20 (iii) a recipient or recipients of retirement or
21 disability benefits whose total income from all sources is
22 not more than \$7,000 for a single person or \$8,000 for a
23 married couple;

24 ~~(e) (c)~~ all golf courses, including land and
25 improvements actually and necessarily used for that purpose,

1 that:

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

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

6 (2) Class four property is taxed as follows:

7 (a) Property described in ~~subsections~~ subsection
8 (1)(a) ~~through (f)~~ is taxed at 8.55% of its market value.

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

12 Section 5. Section 15-6-140, MCA, is amended to read:

13 "15-6-140. Class ten property -- description --
14 taxable percentage. (1) Class ten property includes:

15 (a) radio and television broadcasting and transmitting
16 equipment;

17 (b) cable television systems;

18 (c) centrally assessed utility allocations after
19 deductions of locally assessed properties, except as
20 provided in:

21 (i) class five for cooperative rural electrical and
22 cooperative rural telephone associations; and

23 (ii) class seven for rural telephone and electrical
24 organizations;

25 (d) coal and ore haulers;

1 (e) trucks weighing more than 1 1/2 tons, including
2 those prorated under 15-24-102;

3 (f) trailers, except those included in classes five,
4 eight, or nine, including those prorated under 15-24-102;
5 and

6 (g) theater projectors and sound equipment~~†-and~~
7 ~~(h) --all-other-property-not-included-in--the--preceding~~
8 ~~nine-classes.~~

9 (2) Class ten property is taxed at 16% of its market
10 value."

11 NEW SECTION. Section 6. Class twelve property --
12 description -- taxable percentage. (1) Except for property
13 specifically contained in a prior class, class twelve
14 property includes land, improvements, or land and
15 improvements primarily used for residential purposes by
16 three or fewer families.

17 (2) Class twelve property is taxed at 8.55% of its
18 market value.

19 NEW SECTION. Section 7. Class thirteen property --
20 description -- taxable percentage. (1) Except for property
21 specifically contained in a prior class, class thirteen
22 property includes land, improvements, or land and
23 improvements primarily used for commercial or industrial
24 purposes.

25 (2) Class thirteen property is taxed at 8.55% of its

1 market value.

2 NEW SECTION. Section 8. Class fourteen property --
3 description -- taxable percentage. (1) Class fourteen
4 property includes land, improvements, or land and
5 improvements not specifically contained in a prior class.

6 (2) Class fourteen property is taxed at 8.55% of its
7 market value.

8 NEW SECTION. Section 9. Class twenty property --
9 description -- taxable percentage. (1) Class twenty property
10 includes all property not contained in the prior classes.

11 (2) Class twenty property is taxed at 16% of its
12 market value.

13 Section 10. Section 15-6-151, MCA, is amended to read:

14 *15-6-151. Application for class five and certain
15 class four classifications. (1) A person applying for
16 classification of property described in subsection (1)(c) of
17 15-6-135 or subsection (1)(d)(ii) of 15-6-134 shall make an
18 affidavit to the department of revenue, on a form provided
19 by the department without cost, stating:

- 20 (a) his income;
- 21 (b) his retirement benefits;
- 22 (c) his marital status;
- 23 (d) the fact that he maintains the land and
24 improvements as his primary residential dwelling, where
25 applicable; and

1 (e) such other information as is relevant to the
2 applicant's eligibility.

3 (2) This application must be made before March 1 of
4 the year after the applicant becomes eligible.

5 (3) The affidavit is sufficient if the applicant signs
6 a statement affirming the correctness of the information
7 supplied, whether or not the statement is signed before a
8 person authorized to administer oaths, and mails the
9 application and statement to the department of revenue.
10 This signed statement shall be treated as a statement under
11 oath or equivalent affirmation for the purposes of 45-7-202,
12 relating to the criminal offense of false swearing."

13 Section 11. Section 15-7-101, MCA, is amended to read:

14 "15-7-101. Classification and appraisal -- duties of
15 the department of revenue. (1) It is the duty of the
16 department of revenue to accomplish the following:

17 ~~(a) the classification of~~ classify and appraise all
18 taxable lands;

19 ~~(b) the appraisal of all taxable city and town lots;~~

20 ~~(c) the appraisal of all taxable rural and urban~~
21 improvements.

22 (2) A record thereof must be kept upon such maps,
23 plats, and forms and entered in such books of record as may
24 be prescribed by the department. Such maps, plats, forms,
25 and books of record shall be official records of the state.

1 A certified copy of all such records as may be desired shall
2 be furnished to the department.

3 ~~(3) It shall be the duty of the department to maintain~~
4 ~~current the classification of all taxable lands and~~
5 ~~appraisal of city and town lots and rural and urban~~
6 ~~improvements, as provided for herein."~~

7 Section 12. Section 15-7-102, MCA, is amended to read:

8 "15-7-102. Notice of classification and appraisal to
9 owners -- appeals. (1) It shall be the duty of the
10 department of revenue to cause to be mailed to each owner a
11 notice of the classification and appraisal of the land owned
12 by him and the appraisal of the improvements thereon.

13 (2) If the owner of any land and improvements is
14 dissatisfied with the appraisal or classification of his
15 land or improvements, he may submit his objection in writing
16 to the department's agent. The department shall give
17 reasonable notice to such taxpayer of the time and place of
18 hearing and hear any testimony or other evidence which the
19 taxpayer may desire to produce at such time and afford the
20 opportunity to other interested persons to produce evidence
21 at such hearing. Thereafter, the department shall determine
22 the true and correct appraisal and classification of such
23 land or improvements and forthwith notify the taxpayer of
24 its determination. In the notification, the department must
25 state its reasons for revising the classification or

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1 appraisal. When so determined, the land or improvements
2 shall be classified and improvements appraised in the manner
3 ordered by the department.

4 (3) Whether a hearing as provided in subsection (2) is
5 held or not, the department or its agent may not adjust an
6 appraisal or classification upon taxpayer's objection
7 unless:

8 (a) the taxpayer has submitted his objection in
9 writing; and

10 (b) the department or its agent has stated its reason
11 in writing for making the adjustment.

12 (4) A taxpayer's written objection to a classification
13 or appraisal and the department's notification to the
14 taxpayer of its determination and the reason for that
15 determination are public records. Each county appraiser
16 shall make such records available for inspection during
17 regular office hours.

18 (5) If any property owner shall feel aggrieved at the
19 classification and/or the appraisal so made by the
20 department, he shall have the right to appeal to the county
21 ~~tax appeal board~~ and then to the state tax appeal board,
22 whose findings shall be final subject to the right of review
23 in the proper court or courts."

24 Section 13. Section 15-7-103, MCA, is amended to read:

25 "15-7-103. Classification and appraisal -- general and

1 uniform methods. (1) It is the duty of the department of
2 revenue to implement the provisions of 15-7-101 through
3 15-7-103 by providing:

4 (a) for a general and uniform method of classifying
5 lands and improvements in the state for the purpose of
6 securing an equitable and uniform basis of assessment of
7 ~~said lands~~ for taxation purposes;

8 (b) for a general and uniform method of appraising
9 ~~city-and-town-lots;~~

10 ~~(c) for a general and uniform method of appraising~~
11 ~~rural-and-urban~~ classified lands and improvements;

12 ~~(d)(c)~~ for a general and uniform method of appraising
13 timberlands.

14 (2) All agricultural lands shall be ~~classified~~
15 subclassified according to their use or uses and graded
16 within each class according to soil and productive capacity.
17 In such ~~classification~~ subclassification work, use shall be
18 made of soil surveys and maps and all other pertinent
19 available information.

20 (3) All lands must be classified by 40-acre tracts or
21 fractional lots.

22 (4) All agricultural lands must be classified and
23 appraised as agricultural lands without regard to the best
24 and highest value use of adjacent or neighboring lands.

25 ~~(5) in any periodic reevaluation of taxable property~~

1 completed under the provisions of 15-7-111 after January 1,
2 1979, all property classified in [15-6-112] must be
3 appraised on its market value in the same year. The
4 department must publish a rule specifying the year used in
5 the appraisal."

6 Section 14. 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 subsection (1)(a) of 15-6-131, and
19 subsection (1)(b) of 15-6-133, 15-6-134 through 15-6-140,
20 and [sections 6 through 9]. For purposes of taxation,
21 assessed value is the same as appraised value.

22 (4) The taxable value for all property in subsection
23 (1)(a) of 15-6-131 and classes four through ten [class
24 twenty and class twenty-one] classified under the
25 provisions of Title 15, chapter 6, part 1, is the percentage

1 of market value or assessed value, as appropriate,
2 established for each class of property in subsection (2)(a)
3 of 15-6-131 and 15-6-134 through 15-6-141 [and 15-6-121] in
4 Title 15, chapter 6, part 1.

5 (5) The assessed value of properties in subsection
6 (1)(b) of 15-6-131, 15-6-132, and subsection (1)(a) of
7 15-6-133 is as follows:

8 (a) Properties in subsection (1)(b) of 15-6-131, under
9 class one, are assessed at 100% of the annual net proceeds
10 after deducting the expenses specified and allowed by
11 15-23-503.

12 (b) Properties in 15-6-132 under class two are
13 assessed at 100% of the annual gross proceeds.

14 (c) Properties in subsection (1)(a) of 15-6-133, under
15 class three, are assessed at 100% of the productive capacity
16 of the lands when valued for agricultural purposes. All
17 lands that meet the qualifications of 15-7-202 are valued as
18 agricultural lands for tax purposes.

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

21 (a) ownership of the improvements is different from
22 ownership of the land;

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

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

25 (7) The taxable value of all property in subsection

1 ~~(1)(b) of 15-6-131 and classes two and three is the~~
 2 ~~percentage of assessed value established in 15-6-131(2)(b),~~
 3 ~~15-6-132, and 15-6-133 [and 15-6-120] for each class of~~
 4 ~~property."~~

5 Section 15. Section 15-24-1102, MCA, is amended to
 6 read:

7 "15-24-1102. Federal property held under contract of
 8 sale. When the property is held under a contract of sale or
 9 other agreement whereby upon payment the legal title is or
 10 may be acquired by the person, the real property shall be
 11 assessed and taxed as defined in ~~15-6-131 through 15-6-140~~
 12 Title 15, chapter 6, part 1, and 15-8-111 without deduction
 13 on account of the whole or any part of the purchase price or
 14 other sum due on the property remaining unpaid. The lien for
 15 the tax may not attach to, impair, or be enforced against
 16 any interest of the United States in the real property."

17 Section 16. Section 15-24-1103, MCA, is amended to
 18 read:

19 "15-24-1103. Federal property held under lease. When
 20 the property is held under lease, other interest, or estate
 21 ~~therein less than the fee, except under contract of sale,~~
 22 the property shall be assessed and taxed as for the value,
 23 as defined in ~~15-6-131 through 15-6-140~~ Title 15, chapter 6,
 24 part 1, of such leasehold, interest, or estate in the
 25 property and the lien for the tax shall attach to and be

1 enforced against only the leasehold, interest, or estate in
 2 the property. When the United States authorizes the taxation
 3 of the property for the full assessed value of the fee
 4 thereof, the property shall be assessed for full assessed
 5 value as defined in 15-8-111."

6 Section 17. Codification instruction. Sections 6
 7 through 9 are intended to be codified as an integral part of
 8 Title 15, chapter 6, part 1, and the provisions of Title 15,
 9 chapter 6, part 1, apply to sections 6 through 9.

10 Section 18. Applicability. This act applies to tax
 11 years beginning after December 31, 1980.

12 Section 19. Effective date. This act is effective on
 13 passage and approval.

-End-

STATE OF MONTANA

REQUEST NO. 385-81

FISCAL NOTE

Form BD-15

In compliance with a written request received February 18, , 19 81 , there is hereby submitted a Fiscal Note for SENATE BILL 483 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

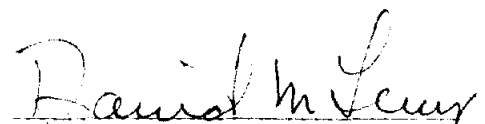
This proposal sets up separate classes within the property classification system for residential and for commercial and industrial real property. It also adds separate classes for real property not included in any other real property class and other property not included in any other class.

FISCAL IMPACT

The proposal would not have any fiscal impact. The purpose of the legislation is to clarify the classification system in order to assure that generally accepted methods may be used to value real property and improvements.

There are three basic indicators of value for improvements to real property: cost of replacement, depreciated; comparative sales; and, capitalized income. Each indicator is appropriate to certain types of property but none is suitable for use with all improvements. Present law places all real property and improvements (with certain exceptions, e.g.: agricultural land) in the same class. The new classes in this proposal will allow the proper valuation technique to be used without the prospect of litigation over whether there is discriminatory treatment among property in the same class.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-20-81

1 STATEMENT OF INTENT

1 21st day of February, 1981.

2 SENATE BILL 483

3 Senate Taxation Committee

4

5 The legislature is cognizant of the substantial
6 litigation concerning the valuation of residential property
7 and commercial and industrial property, the so-called "34%
8 cases". Such protracted litigation and related proceedings
9 are not in the interest of the taxpayer or the taxing
10 authority. In order to eliminate similar litigation, the
11 legislature considers it advisable to create separate
12 classes of property for residential land and improvements
13 and commercial and industrial land and improvements. By so
14 doing the legislature intends to recognize that residential
15 properties are typically held and exchanged as family
16 dwelling units, while commercial and industrial properties
17 are typically held and exchanged on the basis of their
18 income-generating characteristics. These disparate uses
19 prompt different appraisal considerations when estimating
20 market value as provided in Section 15-8-111, MCA.

21 The legislature intends to leave the valuation of
22 agricultural land unchanged from the present law. The
23 percentages that convert productive capacity to taxable
24 value remain unchanged.

25 First adopted by the Senate Taxation Committee on the

Approved by Committee
on Taxation

1 SENATE BILL NO. 483

2 INTRODUCED BY SENATE COMMITTEE ON TAXATION

3 GOODOVER, TOME, NORMAN, NORDVEDT, SIVERTSEN, TURNAGE

4 BY REQUEST OF THE SENATE COMMITTEE ON TAXATION

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16 APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."
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18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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23 within the meaning of the terms "real estate" and
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25 (g) The term "poultry" includes all chickens, turkeys,

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8 the property of such company or corporation represented by
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10 (i) The term "real estate" includes:

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12 right to the possession of land;

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14 land subject to the provisions of 15-23-501 and 15-23-801;
15 all timber belonging to individuals or corporations growing
16 or being on the lands of the United States; and all rights
17 and privileges appertaining thereto.

18 (j) The term "taxable value" means the percentage of
19 market or assessed value as provided for in ~~15-6-131 through~~
20 ~~15-6-140~~ Title 15, chapter 6, part 1.

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22 "municipality" or "taxing unit" shall be deemed to include a
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24 irrigation district, drainage district, or any person,
25 persons, or organized body authorized by law to establish

1 tax levies for the purpose of raising public revenue.

2 (3) The term "state board" or "board" when used
3 without other qualification shall mean the state tax appeal
4 board."

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13 "15-6-133. Class three property -- description --
14 taxable percentage. (1) Class three property includes:

15 (a) agricultural land as defined in 15-7-202; and
16 (b) improvements to agricultural land.

17 (2) Class three property is taxed as follows:

18 (a) Property described in subsection (1)(a) is taxed
19 at 30% of its productive capacity.

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1 ~~another class~~
 2 ~~(b) all improvements except those specifically~~
 3 ~~included in another class~~
 4 ~~(c)(a)~~ all trailers and mobile homes used as permanent
 5 dwellings except:
 6 (i) those held by a distributor or dealer of trailers
 7 or mobile homes as his stock in trade; and
 8 (ii) those specifically included in another class;
 9 ~~(c)(b)~~ the first \$35,000 or less of the market value
 10 of any improvement on real property or a trailer or mobile
 11 home used as a permanent dwelling and appurtenant land not
 12 exceeding 5 acres owned or under contract for deed and
 13 actually occupied for at least 10 months a year as the
 14 primary residential dwelling of:
 15 (i) a widow or widower 62 years of age or older who
 16 qualifies under the income limitations of (iii) of this
 17 subsection;
 18 (ii) a widow or widower of any age with dependent
 19 children who qualifies under the income limitations of (iii)
 20 of this subsection; or
 21 (iii) a recipient or recipients of retirement or
 22 disability benefits whose total income from all sources is
 23 not more than \$7,000 for a single person or \$8,000 for a
 24 married couple;
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1 improvements actually and necessarily used for that purpose,
 2 that:
 3 (i) consist of at least 9 holes and not less than
 4 3,000 lineal yards; and
 5 (ii) were used as a golf course on January 1, 1979, and
 6 were owned by a nonprofit Montana corporation.
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 9 (1)(a) through (1)(c) is taxed at 8.55% of its market value.
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2 (e) trucks weighing more than 1 1/2 tons, including
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7 (g) theater projectors and sound equipment ~~and~~
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9 ~~nine classes.~~

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15 "15-7-101. Classification and appraisal -- duties of
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17 department of revenue to accomplish the following:

18 (a) ~~the classification of~~ classify and appraise all
19 taxable lands;

20 (b) ~~the appraisal of all taxable city and town lots;~~

21 (c) ~~the appraisal of all taxable rural and urban~~
22 improvements.

23 (2) A record thereof must be kept upon such maps,
24 plats, and forms and entered in such books of record as may
25 be prescribed by the department. Such maps, plats, forms,

1 and books of record shall be official records of the state.
2 A certified copy of all such records as may be desired shall
3 be furnished to the department.

4 ~~(3) It shall be the duty of the department to maintain~~
5 ~~current the classification of all taxable lands and~~
6 ~~appraisal of city and town lots and rural and urban~~
7 ~~improvements, as provided for herein."~~

8 Section 12. Section 15-7-102, MCA, is amended to read:

9 "15-7-102. Notice of classification and appraisal to
10 owners -- appeals. (1) It shall be the duty of the
11 department of revenue to cause to be mailed to each owner a
12 notice of the classification and appraisal of the land owned
13 by him and ~~the appraisal of the~~ improvements thereon.

14 (2) If the owner of any land and improvements is
15 dissatisfied with the appraisal or classification of his
16 land or improvements, he may submit his objection in writing
17 to the department's agent. The department shall give
18 reasonable notice to such taxpayer of the time and place of
19 hearing and hear any testimony or other evidence which the
20 taxpayer may desire to produce at such time and afford the
21 opportunity to other interested persons to produce evidence
22 at such hearing. Thereafter, the department shall determine
23 the true and correct appraisal and classification of such
24 land or improvements and forthwith notify the taxpayer of
25 its determination. In the notification, the department must

1 state its reasons for revising the classification or
 2 appraisal. When so determined, the land or improvements
 3 shall be classified and improvements appraised in the manner
 4 ordered by the department.

5 (3) Whether a hearing as provided in subsection (2) is
 6 held or not, the department or its agent may not adjust an
 7 appraisal or classification upon taxpayer's objection
 8 unless:

9 (a) the taxpayer has submitted his objection in
 10 writing; and

11 (b) the department or its agent has stated its reason
 12 in writing for making the adjustment.

13 (4) A taxpayer's written objection to a classification
 14 or appraisal and the department's notification to the
 15 taxpayer of its determination and the reason for that
 16 determination are public records. Each county appraiser
 17 shall make such records available for inspection during
 18 regular office hours.

19 (5) If any property owner shall feel aggrieved at the
 20 classification and/or the appraisal so made by the
 21 department, he shall have the right to appeal to the county
 22 tax appeal board and then to the state tax appeal board,
 23 whose findings shall be final subject to the right of review
 24 in the proper court or courts."

25 Section 13. Section 15-7-103, MCA, is amended to read:

1 "15-7-103. Classification and appraisal -- general and
 2 uniform methods. (1) It is the duty of the department of
 3 revenue to implement the provisions of 15-7-101 through
 4 15-7-103 by providing:

5 (a) for a general and uniform method of classifying
 6 lands and improvements in the state for the purpose of
 7 securing an equitable and uniform basis of assessment of
 8 ~~said lands~~ for taxation purposes;

9 (b) for a general and uniform method of appraising
 10 ~~city-and-town-lots~~

11 ~~(c)--for--a--general--and--uniform--method--of--appraising~~
 12 ~~rural--and--urban~~ classified lands and improvements;

13 ~~(d)(c)~~ for a general and uniform method of appraising
 14 timberlands.

15 (2) All agricultural lands shall be ~~classified~~
 16 subclassified according to their use or uses and graded
 17 within each class according to soil and productive capacity.
 18 In such ~~classification~~ subclassification work, use shall be
 19 made of soil surveys and maps and all other pertinent
 20 available information.

21 (3) All lands must be classified by 40-acre tracts or
 22 fractional lots.

23 (4) All agricultural lands must be classified and
 24 appraised as agricultural lands without regard to the best
 25 and highest value use of adjacent or neighboring lands.

~~(5) in any periodic revaluation of taxable property completed under the provisions of 15-7-111 after January 1, 1979, all property classified in [15-6-112] must be appraised on its market value in the same year. The department must publish a rule specifying the year used in the appraisal.~~

Section 14. Section 15-8-111, MCA, is amended to read:

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

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

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in subsection (1)(a) of 15-6-131, and subsection (1)(b) of 15-6-133, 15-6-134 through 15-6-140, and [sections 6 through 9]. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in ~~subsection (1)(a) of 15-6-131 and classes four through ten [class~~

~~twenty, and class twenty-one] classified under the provisions of Title 15, chapter 6, part 1, is the percentage of market value or assessed value, as appropriate, established for each class of property in subsection (2)(a) of 15-6-131 and 15-6-134 through 15-6-141 [and 15-6-121] in Title 15, chapter 6, part 1.~~

(5) The assessed value of properties in subsection (1)(b) of 15-6-131, 15-6-132, and subsection (1)(a) of 15-6-133 is as follows:

(a) Properties in subsection (1)(b) of 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132 under class two are assessed at 100% of the annual gross proceeds.

(c) Properties in subsection (1)(a) of 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

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

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

(b) the taxpayer makes a written request; or

1 (c) the land is outside an incorporated city or town.
 2 ~~(7) The taxable value of all property in subsection~~
 3 ~~(1)(b) of 15-6-131 and classes two and three is the~~
 4 ~~percentage of assessed value established in 15-6-131(2)(b),~~
 5 ~~15-6-132, and 15-6-133 [and 15-6-120] for each class of~~
 6 ~~property.~~

7 (7) IN APPRAISING ANY CLASS OF PROPERTY, THE
 8 DEPARTMENT OF REVENUE MAY USE A MANUAL TO DETERMINE THE
 9 VALUE IN EACH CLASS PROVIDED IT IS UNIFORMLY APPLIED IN EACH
 10 CLASS."

11 Section 15. Section 15-24-1102, MCA, is amended to
 12 read:

13 "15-24-1102. Federal property held under contract of
 14 sale. When the property is held under a contract of sale or
 15 other agreement whereby upon payment the legal title is or
 16 may be acquired by the person, the real property shall be
 17 assessed and taxed as defined in 15-6-131 through 15-6-140
 18 Title 15, chapter 6, part 1, and 15-8-111 without deduction
 19 on account of the whole or any part of the purchase price or
 20 other sum due on the property remaining unpaid. The lien for
 21 the tax may not attach to, impair, or be enforced against
 22 any interest of the United States in the real property."

23 Section 16. Section 15-24-1103, MCA, is amended to
 24 read:

25 "15-24-1103. Federal property held under lease. When

1 the property is held under lease, other interest, or estate
 2 therein less than the fee, except under contract of sale,
 3 the property shall be assessed and taxed as for the value,
 4 as defined in 15-6-131 through 15-6-140 Title 15, chapter 6,
 5 part 1, of such leasehold, interest, or estate in the
 6 property and the lien for the tax shall attach to and be
 7 enforced against only the leasehold, interest, or estate in
 8 the property. When the United States authorizes the taxation
 9 of the property for the full assessed value of the fee
 10 thereof, the property shall be assessed for full assessed
 11 value as defined in 15-8-111."

12 Section 17. Codification instruction. Sections 6
 13 through 9 are intended to be codified as an integral part of
 14 Title 15, chapter 6, part 1, and the provisions of Title 15,
 15 chapter 6, part 1, apply to sections 6 through 9.

16 Section 18. Applicability. This act applies to tax
 17 years beginning after December 31, 1980.

18 Section 19. Effective date. This act is effective on
 19 passage and approval.

-End-

1 STATEMENT OF INTENT

2 SENATE BILL 483

3 Senate Taxation Committee

1 21st day of February, 1981.

4
5 The legislature is cognizant of the substantial
6 litigation concerning the valuation of residential property
7 and commercial and industrial property, the so-called "34%
8 cases". Such protracted litigation and related proceedings
9 are not in the interest of the taxpayer or the taxing
10 authority. In order to eliminate similar litigation, the
11 legislature considers it advisable to create separate
12 classes of property for residential land and improvements
13 and commercial and industrial land and improvements. By so
14 doing the legislature intends to recognize that residential
15 properties are typically held and exchanged as family
16 dwelling units, while commercial and industrial properties
17 are typically held and exchanged on the basis of their
18 income-generating characteristics. These disparate uses
19 prompt different appraisal considerations when estimating
20 market value as provided in Section 15-8-111, MCA.

21 The legislature intends to leave the valuation of
22 agricultural land unchanged from the present law. The
23 percentages that convert productive capacity to taxable
24 value remain unchanged.

25 First adopted by the Senate Taxation Committee on the

SENATE BILL NO. 483

INTRODUCED BY SENATE COMMITTEE ON TAXATION

GODDOVER, TOWE, NORMAN, NORDTVEDT, SIVERTSEN, TURNAGE

BY REQUEST OF THE SENATE COMMITTEE ON TAXATION

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE CLASSIFICATION OF LANDS AND IMPROVEMENTS FOR PURPOSES OF PROPERTY TAXATION; ADDING CLASSES FOR RESIDENTIAL PROPERTY, COMMERCIAL AND INDUSTRIAL PROPERTY, AND OTHER REAL PROPERTY AND IMPROVEMENTS AND A RESIDUAL CLASS FOR PROPERTY NOT OTHERWISE COVERED; CLARIFYING THE ROLE OF THE DEPARTMENT OF REVENUE IN THE CLASSIFICATION AND APPRAISAL PROCESS; AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-133, 15-6-134, 15-6-140, 15-6-151, 15-7-101 THROUGH 15-7-103, 15-8-111, 15-24-1102, AND 15-24-1103, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-1-101, MCA, is amended to read:

"15-1-101. Definitions. (1) When terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to the raising of livestock, swine, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber.

(b) The term "assessed value" means the value of property as defined in 15-8-111.

(c) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(d) The term "improvements" includes all buildings, structures, fixtures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. If the mobile home or housetrailer is an improvement located on land not owned by the owner of such improvement, the improvement is assessed as a leasehold improvement to real property and delinquent taxes can be a lien only on the leasehold improvement.

(e) The term "mobile home" means forms of housing known as "trailers", "housetrailer", or "trailer coaches", exceeding 8 feet in width or 32 feet in length, designed to be moved from one place to another by an independent power connected to them.

(f) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(g) The term "poultry" includes all chickens, turkeys,

1 geese, ducks, and other birds raised in domestication to
2 produce food or feathers.

3 (h) The term "property" includes moneys, credits,
4 bonds, stocks, franchises, and all other matters and things,
5 real, personal, and mixed, capable of private ownership.
6 This definition must not be construed to authorize the
7 taxation of the stocks of any company or corporation when
8 the property of such company or corporation represented by
9 the stocks is within the state and has been taxed.

10 (i) The term "real estate" includes:

11 (i) the possession of, claim to, ownership of, or
12 right to the possession of land;

13 (ii) all mines, minerals, and quarries in and under the
14 land subject to the provisions of 15-23-501 and 15-23-801;
15 all timber belonging to individuals or corporations growing
16 or being on the lands of the United States; and all rights
17 and privileges appertaining thereto.

18 (j) The term "taxable value" means the percentage of
19 market or assessed value as provided for in ~~15-6-131 through~~
20 15-6-140 Title 15, Chapter 6, part 1.

21 (2) The phrase "municipal corporation" or
22 "municipality" or "taxing unit" shall be deemed to include a
23 county, city, incorporated town, township, school district,
24 irrigation district, drainage district, or any person,
25 persons, or organized body authorized by law to establish

1 tax levies for the purpose of raising public revenue.

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23 the true and correct appraisal and classification of such
24 land or improvements and forthwith notify the taxpayer of
25 its determination. In the notification, the department must

1 state its reasons for revising the classification or
2 appraisal. When so determined, the land or improvements
3 shall be classified and ~~improvements~~ appraised in the manner
4 ordered by the department.

5 (3) Whether a hearing as provided in subsection (2) is
6 held or not, the department or its agent may not adjust an
7 appraisal or classification upon taxpayer's objection
8 unless:

9 (a) the taxpayer has submitted his objection in
10 writing; and

11 (b) the department or its agent has stated its reason
12 in writing for making the adjustment.

13 (4) A taxpayer's written objection to a classification
14 or appraisal and the department's notification to the
15 taxpayer of its determination and the reason for that
16 determination are public records. Each county appraiser
17 shall make such records available for inspection during
18 regular office hours.

19 (5) If any property owner shall feel aggrieved at the
20 classification and/or the appraisal so made by the
21 department, he shall have the right to appeal to the county
22 tax appeal board and then to the state tax appeal board,
23 whose findings shall be final subject to the right of review
24 in the proper court or courts."

25 Section 13. Section 15-7-103, MCA, is amended to read:

1 "15-7-103. Classification and appraisal -- general and
2 uniform methods. (1) It is the duty of the department of
3 revenue to implement the provisions of 15-7-101 through
4 15-7-103 by providing:

5 (a) for a general and uniform method of classifying
6 lands and improvements in the state for the purpose of
7 securing an equitable and uniform basis of assessment of
8 ~~said lands~~ for taxation purposes;

9 (b) for a general and uniform method of appraising
10 ~~city-and-town-lots~~

11 ~~(c) for a general and uniform method of appraising~~
12 ~~rural-and-urban~~ classified lands and improvements;

13 ~~(d)~~ (c) for a general and uniform method of appraising
14 timberlands.

15 (2) All agricultural lands shall be ~~classified~~
16 subclassified according to their use or uses and graded
17 within each class according to soil and productive capacity.
18 In such ~~classification~~ subclassification work, use shall be
19 made of soil surveys and maps and all other pertinent
20 available information.

21 (3) All lands must be classified by 40-acre tracts or
22 fractional lots.

23 (4) All agricultural lands must be classified and
24 appraised as agricultural lands without regard to the best
25 and highest value use of adjacent or neighboring lands.

1 ~~{5}--in-any-periodic-revaluation--of--taxable--property~~
 2 ~~completed--under-the-provisions-of-15-7-111-after-January-1-~~
 3 ~~1979,--all--property--classified--in--[15-6-112]---must---be~~
 4 ~~appraised--on--its--market--value--in--the--same--year.---The~~
 5 ~~department--must--publish--a--rate--specifying--the--year--used--in~~
 6 ~~the--appraisal."~~

7 Section 14. Section 15-8-111, MCA, is amended to read:

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

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

17 (3) The department of revenue or its agents may not
 18 adopt a lower or different standard of value from market
 19 value in making the official assessment and appraisal of the
 20 value of property in subsection (1)(a) of 15-6-131, and
 21 subsection (1)(b) of 15-6-133, 15-6-134 through 15-6-140,
 22 and [sections 6 through 9]. For purposes of taxation,
 23 assessed value is the same as appraised value.

24 (4) The taxable value for all property in ~~subsection~~
 25 ~~{1}(a) of 15-6-131 and classes four through ten [class~~

1 ~~twenty--and--class--twenty-one] classified under the~~
 2 ~~provisions of Title 15, chapter 6, part 1, is the percentage~~
 3 ~~of market value or assessed value, as appropriate,~~
 4 ~~established for each class of property in subsection (2)(a)~~
 5 ~~of 15-6-131 and 15-6-134 through 15-6-141 [and 15-6-121] in~~
 6 Title 15, chapter 6, part 1.

7 (5) The assessed value of properties in subsection
 8 (1)(b) of 15-6-131, 15-6-132, and subsection (1)(a) of
 9 15-6-133 is as follows:

10 (a) Properties in subsection (1)(b) of 15-6-131, under
 11 class one, are assessed at 100% of the annual net proceeds
 12 after deducting the expenses specified and allowed by
 13 15-23-503.

14 (b) Properties in 15-6-132 under class two are
 15 assessed at 100% of the annual gross proceeds.

16 (c) Properties in subsection (1)(a) of 15-6-133, under
 17 class three, are assessed at 100% of the productive capacity
 18 of the lands when valued for agricultural purposes. All
 19 lands that meet the qualifications of 15-7-202 are valued as
 20 agricultural 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

1 (c) the land is outside an incorporated city or town.
 2 ~~{7}--The taxable value of all property in subsection~~
 3 ~~{1}{b}--of--15-6-131--and--classes--two--and--three--is--the~~
 4 ~~percentage of assessed value established in--15-6-131{2}{b}v~~
 5 ~~15-6-132,--and--15-6-133--[and--15-6-120]--for each class of~~
 6 ~~property.~~

7 {7} IN APPRAISING ANY CLASS OF PROPERTY, THE
 8 DEPARTMENT OF REVENUE MAY USE A MANUAL TO DETERMINE THE
 9 VALUE IN EACH CLASS PROVIDED IT IS UNIFORMLY APPLIED IN EACH
 10 CLASS."

11 Section 15. Section 15-24-1102, MCA, is amended to
 12 read:

13 "15-24-1102. Federal property held under contract of
 14 sale. When the property is held under a contract of sale or
 15 other agreement whereby upon payment the legal title is or
 16 may be acquired by the person, the real property shall be
 17 assessed and taxed as defined in 15-6-131 through 15-6-140
 18 Title 15, chapter 6, part 1, and 15-8-111 without deduction
 19 on account of the whole or any part of the purchase price or
 20 other sum due on the property remaining unpaid. The lien for
 21 the tax may not attach to, impair, or be enforced against
 22 any interest of the United States in the real property."

23 Section 16. Section 15-24-1103, MCA, is amended to
 24 read:

25 "15-24-1103. Federal property held under lease. When

1 the property is held under lease, other interest, or estate
 2 therein less than the fee, except under contract of sale,
 3 the property shall be assessed and taxed as for the value,
 4 as defined in 15-6-131 through 15-6-140 Title 15, chapter 6,
 5 part 1, of such leasehold, interest, or estate in the
 6 property and the lien for the tax shall attach to and be
 7 enforced against only the leasehold, interest, or estate in
 8 the property. When the United States authorizes the taxation
 9 of the property for the full assessed value of the fee
 10 thereof, the property shall be assessed for full assessed
 11 value as defined in 15-8-111."

12 Section 17. Codification instruction. Sections 6
 13 through 9 are intended to be codified as an integral part of
 14 Title 15, chapter 6, part 1, and the provisions of Title 15,
 15 chapter 6, part 1, apply to sections 6 through 9.

16 Section 18. Applicability. This act applies to tax
 17 years beginning after December 31, 1980.

18 Section 19. Effective date. This act is effective on
 19 passage and approval.

-End-

1 STATEMENT OF INTENT

2 SENATE BILL 483

3 Senate Taxation Committee

1 21st day of February 1981.

4
5 The legislature is cognizant of the substantial
6 litigation concerning the valuation of residential property
7 and commercial and industrial property, the so-called "34%
8 cases". Such protracted litigation and related proceedings
9 are not in the interest of the taxpayer or the taxing
10 authority. In order to eliminate similar litigation, the
11 legislature considers it advisable to create separate
12 classes of property for residential land and improvements
13 and commercial and industrial land and improvements. By so
14 doing the legislature intends to recognize that residential
15 properties are typically held and exchanged as family
16 dwelling units, while commercial and industrial properties
17 are typically held and exchanged on the basis of their
18 income-generating characteristics. These disparate uses
19 prompt different appraisal considerations when estimating
20 market value as provided in Section 15-6-111, MCA.

21 The legislature intends to leave the valuation of
22 agricultural land unchanged from the present law. The
23 percentages that convert productive capacity to taxable
24 value remain unchanged.

25 First adopted by the Senate Taxation Committee on the

1 SENATE BILL NO. 483

2 INTRODUCED BY SENATE COMMITTEE ON TAXATION

3 GOODOVER, TOWE, NORMAN, NORDTVEDT, SIVERTSEN, TURNAGE

4 BY REQUEST OF THE SENATE COMMITTEE ON TAXATION

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLARIFY THE
7 CLASSIFICATION OF LANDS AND IMPROVEMENTS FOR PURPOSES OF
8 PROPERTY TAXATION; ADDING CLASSES FOR RESIDENTIAL PROPERTY,
9 COMMERCIAL AND INDUSTRIAL PROPERTY, AND OTHER REAL PROPERTY
10 AND IMPROVEMENTS AND A RESIDUAL CLASS FOR PROPERTY NOT
11 OTHERWISE COVERED; CLARIFYING THE ROLE OF THE DEPARTMENT OF
12 REVENUE IN THE CLASSIFICATION AND APPRAISAL PROCESS;
13 AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-133, 15-6-134,
14 15-6-140, 15-6-151, 15-7-101 THROUGH 15-7-103, 15-8-111,
15 15-24-1102, AND 15-24-1103, MCA; AND PROVIDING AN
16 APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

17
18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

19 Section 1. Section 15-1-101, MCA, is amended to read:

20 "15-1-101. Definitions. (1) When terms mentioned in

21 this section are used in connection with taxation, they are
22 defined in the following manner:

23 (a) The term "agricultural" refers to the raising of
24 livestock, swine, poultry, field crops, fruit, and other
25 animal and vegetable matter for food or fiber.

1 (b) The term "assessed value" means the value of
2 property as defined in 15-8-111.

3 (c) The term "credit" means solvent debts, secured or
4 unsecured, owing to a person.

5 (d) The term "improvements" includes all buildings,
6 structures, fixtures, fences, and improvements situated
7 upon, erected upon, or affixed to land. When the department
8 of revenue or its agent determines that the permanency of
9 location of a mobile home or housetrailer has been
10 established, the mobile home or housetrailer is presumed to
11 be an improvement to real property. If the mobile home or
12 housetrailer is an improvement located on land not owned by
13 the owner of such improvement, the improvement is assessed
14 as a leasehold improvement to real property and delinquent
15 taxes can be a lien only on the leasehold improvement.

16 (e) The term "mobile home" means forms of housing
17 known as "trailers", "housetrailers", or "trailer coaches",
18 exceeding 8 feet in width or 32 feet in length, designed to
19 be moved from one place to another by an independent power
20 connected to them.

21 (f) The term "personal property" includes everything
22 that is the subject of ownership but that is not included
23 within the meaning of the terms "real estate" and
24 "improvements".

25 (g) The term "poultry" includes all chickens, turkeys,

1 geese, ducks, and other birds raised in domestication to
2 produce food or feathers.

3 (h) The term "property" includes moneys, credits,
4 bonds, stocks, franchises, and all other matters and things,
5 real, personal, and mixed, capable of private ownership.
6 This definition must not be construed to authorize the
7 taxation of the stocks of any company or corporation when
8 the property of such company or corporation represented by
9 the stocks is within the state and has been taxed.

10 (i) The term "real estate" includes:

11 (i) the possession of, claim to, ownership of, or
12 right to the possession of, land;

13 (ii) all mines, minerals, and quarries in and under the
14 land subject to the provisions of 15-23-501 and 15-23-801;
15 all timber belonging to individuals or corporations growing
16 or being on the lands of the United States; and all rights
17 and privileges appertaining thereto.

18 (j) The term "taxable value" means the percentage of
19 market or assessed value as provided for in ~~15-6-131 through~~
20 ~~15-6-140~~ Title 15, chapter 6, part 1.

21 (2) The phrase "municipal corporation" or
22 "municipality" or "taxing unit" shall be deemed to include a
23 county, city, incorporated town, township, school district,
24 irrigation district, drainage district, or any person,
25 persons, or organized body authorized by law to establish

1 tax levies for the purpose of raising public revenue.

2 (3) The term "state board" or "board" when used
3 without other qualification shall mean the state tax appeal
4 board."

5 Section 2. Section 15-6-101, MCA, is amended to read:

6 "15-6-101. Property subject to taxation --
7 classification. (1) All property in this state is subject to
8 taxation, except as provided otherwise.

9 (2) For the purpose of taxation, the taxable property
10 in the state shall be classified in accordance with 15-6-131
11 through 15-6-141 and [sections 6 through 9]."

12 Section 3. Section 15-6-133, MCA, is amended to read:

13 "15-6-133. Class three property -- description --
14 taxable percentage. (1) (A) FOR THE PERIOD FROM JANUARY 1,
15 1981, TO DECEMBER 31, 1985, CLASS ~~Class~~ three property
16 includes:

17 ~~fb}(I)~~ agricultural land as defined in 15-7-202; and
18 ~~fb}(II)~~ improvements to agricultural land.

19 ~~fb}(B)~~ Class three property is taxed as follows:

20 ~~fb}(I)~~ Property described in subsection (1)(a)(I) is
21 taxed at 30% of its productive capacity.

22 ~~fb}(II)~~ Property described in subsection (1)(b)(A)(II)
23 is taxed at 8.55% of its market value.

24 (2) (A) AFTER DECEMBER 31, 1985, CLASS THREE PROPERTY
25 INCLUDES AGRICULTURAL LAND AS DEFINED IN 15-7-202.

1 (B) CLASS THREE PROPERTY IS TAXED AT 30% OF ITS
 2 PRODUCTIVE CAPACITY."

3 Section 4. Section 15-6-134, MCA, is amended to read:

4 "15-6-134. Class four property -- description --
 5 taxable percentage. (1) Class four property includes:

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

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

10 ~~(c)(a)~~ all trailers and mobile homes used as permanent
 11 dwellings except:

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

14 (ii) those specifically included in another class;

15 ~~(d)(b)~~ the first \$35,000 or less of the market value
 16 of any improvement on real property or a trailer or mobile
 17 home used as a permanent dwelling and appurtenant land not
 18 exceeding 5 acres owned or under contract for deed and
 19 actually occupied for at least 10 months a year as the
 20 primary residential dwelling of:

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

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

1 of this subsection; or

2 (iii) a recipient or recipients of retirement or
 3 disability benefits whose total income from all sources is
 4 not more than \$7,000 for a single person or \$8,000 for a
 5 married couple;

6 ~~(e)(c)~~ all golf courses, including land and
 7 improvements actually and necessarily used for that purpose,
 8 that:

9 (i) consist of at least 9 holes and not less than
 10 3,000 lineal yards; and

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

13 (2) Class four property is taxed as follows:

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

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

19 Section 5. Section 15-6-140, MCA, is amended to read:

20 "15-6-140. Class ten property -- description --
 21 taxable percentage. (1) Class ten property includes:

22 (a) radio and television broadcasting and transmitting
 23 equipment;

24 (b) cable television systems;

25 (c) centrally assessed utility allocations after

1 deductions of locally assessed properties, except as
2 provided in:

3 (i) class five for cooperative rural electrical and
4 cooperative rural telephone associations; and

5 (ii) class seven for rural telephone and electrical
6 organizations;

7 (d) coal and ore haulers;

8 (e) trucks weighing more than 1 1/2 tons, including
9 those prorated under 15-24-102;

10 (f) trailers, except those included in classes five,
11 eight, or nine, including those prorated under 15-24-102;
12 and

13 (g) theater projectors and sound equipment--and,

14 ~~(h) --all--other--property--not--included--in--the--preceding~~
15 ~~nine--classes.~~

16 (2) Class ten property is taxed at 16% of its market
17 value."

18 NEW SECTION. Section 6. Class twelve property --
19 description -- taxable percentage. (1) Except for property
20 specifically contained in a prior class, class twelve
21 property, FOR THE PERIOD FROM JANUARY 1, 1981, TO DECEMBER
22 31, 1985, includes land, improvements, or land and
23 improvements primarily used for residential purposes by
24 ~~three-or-fewer-families.~~

25 (2) Class twelve property is taxed at 8.55% of its

1 market value.

2 NEW SECTION. Section 7. Class thirteen property --
3 description -- taxable percentage. (1) Except for property
4 specifically contained in a prior class, class thirteen
5 property, FOR THE PERIOD FROM JANUARY 1, 1981, TO DECEMBER
6 31, 1985, includes land, improvements, or land and
7 improvements primarily used for commercial or industrial
8 purposes.

9 (2) Class thirteen property is taxed at 8.55% of its
10 market value.

11 NEW SECTION. Section 8. Class fourteen property --
12 description -- taxable percentage. (1) Class fourteen
13 property includes land, improvements, or land and
14 improvements not specifically contained in a prior class.

15 (2) Class fourteen property is taxed at 8.55% of its
16 market value.

17 NEW SECTION. Section 9. Class twenty property --
18 description -- taxable percentage. (1) Class twenty property
19 includes all property not contained in the prior classes.

20 (2) Class twenty property is taxed at 16% of its
21 market value.

22 Section 10. Section 15-6-151, MCA, is amended to read:

23 "15-6-151. Application for class five and certain
24 class four classifications. (1) A person applying for
25 classification of property described in subsection (1)(c) of

1 15-6-135 or subsection (1)~~(d)~~~~(b)~~ of 15-6-134 shall make an
2 affidavit to the department of revenue, on a form provided
3 by the department without cost, stating:

4 (a) his income;

5 (b) his retirement benefits;

6 (c) his marital status;

7 (d) the fact that he maintains the land and
8 improvements as his primary residential dwelling, where
9 applicable; and

10 (e) such other information as is relevant to the
11 applicant's eligibility.

12 (2) This application must be made before March 1 of
13 the year after the applicant becomes eligible.

14 (3) The affidavit is sufficient if the applicant signs
15 a statement affirming the correctness of the information
16 supplied, whether or not the statement is signed before a
17 person authorized to administer oaths, and mails the
18 application and statement to the department of revenue.
19 This signed statement shall be treated as a statement under
20 oath or equivalent affirmation for the purposes of 45-7-202,
21 relating to the criminal offense of false swearing."

22 Section 11. Section 15-7-101, MCA, is amended to read:

23 "15-7-101. Classification and appraisal -- duties of
24 the department of revenue. (1) It is the duty of the
25 department of revenue to accomplish the following:

1 ~~(a) the classification of~~ classify and appraise all
2 taxable lands;

3 ~~(b) the appraisal of all taxable city and town lots;~~

4 ~~(c) the appraisal of all taxable rural~~ and urban
5 improvements.

6 (2) A record thereof must be kept upon such maps,
7 plats, and forms and entered in such books of record as may
8 be prescribed by the department. Such maps, plats, forms,
9 and books of record shall be official records of the state.
10 A certified copy of all such records as may be desired shall
11 be furnished to the department.

12 ~~(3) It shall be the duty of the department to maintain~~
13 ~~current the classification of all taxable lands and~~
14 ~~appraisal of city and town lots and rural and urban~~
15 ~~improvements, as provided for herein."~~

16 Section 12. Section 15-7-102, MCA, is amended to read:

17 "15-7-102. Notice of classification and appraisal to
18 owners -- appeals. (1) It shall be the duty of the
19 department of revenue to cause to be mailed to each owner a
20 notice of the classification and appraisal of the land AND
21 IMPROVEMENTS THEREON owned by him EACH YEAR THAT A CHANGE IN
22 CLASSIFICATION OR APPRAISED VALUE OCCURS ~~and the appraisal~~
23 ~~of the improvements thereon.~~

24 (2) If the owner of any land and improvements is
25 dissatisfied with the appraisal or classification of his

1 land or improvements, he may submit his objection in writing
 2 to the department's agent. The department shall give
 3 reasonable notice to such taxpayer of the time and place of
 4 hearing and hear any testimony or other evidence which the
 5 taxpayer may desire to produce at such time and afford the
 6 opportunity to other interested persons to produce evidence
 7 at such hearing. Thereafter, the department shall determine
 8 the true and correct appraisal and classification of such
 9 land or improvements and forthwith notify the taxpayer of
 10 its determination. In the notification, the department must
 11 state its reasons for revising the classification or
 12 appraisal. When so determined, the land or improvements
 13 shall be classified and improvements appraised in the manner
 14 ordered by the department.

15 (3) Whether a hearing as provided in subsection (2) is
 16 held or not, the department or its agent may not adjust an
 17 appraisal or classification upon taxpayer's objection
 18 unless:

19 (a) the taxpayer has submitted his objection in
 20 writing; and

21 (b) the department or its agent has stated its reason
 22 in writing for making the adjustment.

23 (4) A taxpayer's written objection to a classification
 24 or appraisal and the department's notification to the
 25 taxpayer of its determination and the reason for that

1 determination are public records. Each county appraiser
 2 shall make such records available for inspection during
 3 regular office hours.

4 (5) If any property owner shall feel aggrieved at the
 5 classification and/or the appraisal so made by the
 6 department, he shall have the right to appeal to the county
 7 tax appeal board and then to the state tax appeal board,
 8 whose findings shall be final subject to the right of review
 9 in the proper court or courts. IF ANY PROPERTY IN CLASS
 10 TWELVE AND CLASS THIRTEEN IS GIVEN A TAXABLE VALUE IN EXCESS
 11 OF 5% OF ITS CURRENT YEAR MARKET VALUE, AS DETERMINED BY A
 12 QUALIFIED APPRAISER ACCEPTED BY BOTH THE PROPERTY OWNER AND
 13 THE DEPARTMENT OF REVENUE, SUCH A VALUE CONSTITUTES
 14 SUFFICIENT CONDITIONS FOR A TAX APPEAL BOARD TO REDUCE THE
 15 TAXABLE VALUE OF THE PROPERTY TO LESS THAN OR EQUAL TO 5% OF
 16 THE CURRENT YEAR MARKET VALUE."

17 Section 13. Section 15-7-103, MCA, is amended to read:
 18 "15-7-103. Classification and appraisal -- general and
 19 uniform methods. (1) It is the duty of the department of
 20 revenue to implement the provisions of 15-7-101 through
 21 15-7-103 by providing:

22 (a) for a general and uniform method of classifying
 23 lands and improvements in the state for the purpose of
 24 securing an equitable and uniform basis of assessment of
 25 said lands for taxation purposes;

1 (b) for a general and uniform method of appraising
2 ~~city-and-town-lots~~

3 ~~(c) for a general and uniform method of appraising~~
4 ~~rural-and-urban classified lands and improvements;~~

5 ~~(d)(C) for a general and uniform method of appraising~~
6 ~~timberlands.~~

7 (2) All agricultural lands shall be ~~classified~~
8 subclassified according to their use or uses and graded
9 within each class according to soil and productive capacity.
10 In such ~~classification~~ subclassification work, use shall be
11 made of soil surveys and maps and all other pertinent
12 available information.

13 (3) All lands must be classified by 40-acre tracts or
14 fractional lots.

15 (4) All agricultural lands must be classified and
16 appraised as agricultural lands without regard to the best
17 and highest value use of adjacent or neighboring lands.

18 ~~(5) In any periodic revaluation of taxable property~~
19 ~~completed under the provisions of 15-7-111 after January 1,~~
20 ~~1979, all property classified in [15-6-112] must be~~
21 ~~appraised on its market value in the same year. The~~
22 ~~department must publish a rule specifying the year used in~~
23 ~~the appraisal.~~

24 Section 14. Section 15-8-111, MCA, is amended to read:

25 "15-8-111. Assessment -- market value standard --

1 exceptions. (1) All taxable property must be assessed at
2 100% of its market value FOR THE DESIGNATED APPRAISAL YEAR
3 OF THE REAPPRAISAL CYCLE except as provided in subsection
4 SUBSECTIONS (5) AND (7) of this section and in 15-7-111
5 through 15-7-114.

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

10 (3) The department of revenue or its agents may not
11 adopt a lower or different standard of value from market
12 value in making the official assessment and appraisal of the
13 value of property in subsection (1)(a) of 15-6-131, and
14 subsection (1)(b)(A)(II) of 15-6-133, 15-6-134 through
15 15-6-140, and [sections 6 through 9]. For purposes of
16 taxation, assessed value is the same as appraised value.

17 (4) The taxable value for all property in ~~subsection~~
18 ~~(1)(a) of 15-6-131 and classes four through ten [class~~
19 ~~twenty and class twenty-one]~~ classified under the
20 provisions of Title 15, chapter 6, part 1, is the percentage
21 of market value or assessed value, as appropriate,
22 established for each class of property in ~~subsection (2)(a)~~
23 ~~of 15-6-131 and 15-6-134 through 15-6-141 [and 15-6-121] in~~
24 Title 15, chapter 6, part 1.

25 (5) The assessed value of properties in subsection

1 (1)(b) of 15-6-131, 15-6-132, and subsection (1)(a) of
2 15-6-133 is as follows:

3 (a) Properties in subsection (1)(b) of 15-6-131, under
4 class one, are assessed at 100% of the annual net proceeds
5 after deducting the expenses specified and allowed by
6 15-23-503.

7 (b) Properties in 15-6-132 under class two are
8 assessed at 100% of the annual gross proceeds.

9 (c) Properties in subsection (1)(a) of 15-6-133, under
10 class three, are assessed at 100% of the productive capacity
11 of the lands when valued for agricultural purposes. All
12 lands that meet the qualifications of 15-7-202 are valued as
13 agricultural lands for tax purposes.

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

16 (a) ownership of the improvements is different from
17 ownership of the land;

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

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

20 ~~(7) The taxable value of all property in subsection~~
21 ~~(1)(b) of 15-6-131 and classes two and three is the~~
22 ~~percentage of assessed value established in 15-6-131(2)(b) of~~
23 ~~15-6-132, and 15-6-133 [and 15-6-120] for each class of~~
24 ~~property.~~

25 (7) IN APPRAISING ANY CLASS OF PROPERTY, THE

1 DEPARTMENT OF REVENUE MAY USE A MANUAL TO DETERMINE THE
2 VALUE IN EACH CLASS PROVIDED IT IS UNIFORMLY APPLIED IN EACH
3 CLASS."

4 Section 15. Section 15-24-1102, MCA, is amended to
5 read:

6 "15-24-1102. Federal property held under contract of
7 sale. When the property is held under a contract of sale or
8 other agreement whereby upon payment the legal title is or
9 may be acquired by the person, the real property shall be
10 assessed and taxed as defined in ~~15-6-131 through 15-6-140~~
11 Title 15, chapter 6, part 1, and 15-8-111 without deduction
12 on account of the whole or any part of the purchase price or
13 other sum due on the property remaining unpaid. The lien for
14 the tax may not attach to, impair, or be enforced against
15 any interest of the United States in the real property."

16 Section 16. Section 15-24-1103, MCA, is amended to
17 read:

18 "15-24-1103. Federal property held under lease. When
19 the property is held under lease, other interest, or estate
20 therein less than the fee, except under contract of sale,
21 the property shall be assessed and taxed as for the value,
22 as defined in ~~15-6-131 through 15-6-140~~ Title 15, chapter 6,
23 part 1, of such leasehold, interest, or estate in the
24 property and the lien for the tax shall attach to and be
25 enforced against only the leasehold, interest, or estate in

1 the property. When the United States authorizes the taxation
2 of the property for the full assessed value of the fee
3 thereof, the property shall be assessed for full assessed
4 value as defined in 15-8-111."

5 Section 17. Codification instruction. Sections 6
6 through 9 are intended to be codified as an integral part of
7 Title 15, chapter 6, part 1, and the provisions of Title 15,
8 chapter 6, part 1, apply to sections 6 through 9.

9 Section 18. Applicability. This act applies to tax
10 years beginning after December 31, 1980.

11 Section 19. Effective date. This act is effective on
12 passage and approval.

-End-

April 16

19 81

JOINT CONFERENCE COMMITTEE
ON HOUSE AMENDMENTS TO SENATE BILL NO. 483

(Report No. 1, April 15, 1981)

MR. PRESIDENT AND SPEAKER OF THE HOUSE:

We, your Joint Conference Committee on Senate Bill No. 483, met on April 15, 1981, and considered:

House Taxation Committee Amendments to the third reading copy, dated April 2, 1981, and;

House Committee of the Whole Amendments to the third reading copy, dated April 6, 1981, and recommend as follows:

That the Senate accede to Standing Committee amendment nos. 1 through 12, 14, and 15, dated April 2, 1981;

That the House recede from Standing Committee amendment no. 13, dated April 2, 1981;

That the House recede from Committee of the Whole amendment nos. 1 and 2, dated April 6, 1981;

That the reference copy of Senate Bill No. 483 read as specified in the CLERICAL INSTRUCTIONS;

And, that the Conference Committee Report on Senate Bill No. 483 be adopted.

CLERICAL INSTRUCTIONS:

1. Page 10, lines 21 and 22.

Following: "him"

Strike: "EACH YEAR THAT A CHANGE IN CLASSIFICATION OR APPRAISED VALUE OCCURS"

2. Page 12, lines 9 through 16.

Following: "courts."

Strike: all underlined language.

FOR THE SENATE:

Bob Brown
B. Brown, Chairman

Bill Norman
Norman

Turnage
Turnage

FOR THE HOUSE:

Harp
Harp, Chairman

Dozier
Dozier

Switzer
Switzer

FREE CONFERENCE COMMITTEE
ON HOUSE AMENDMENTS TO SENATE BILL NO. 483

(Report No. 2, April 23, 1981)

MR. PRESIDENT AND SPEAKER OF THE HOUSE:

We, your Free Conference Committee on Senate Bill No. 483, met on April 23, 1981, and considered:

House Taxation Committee Amendments to the third reading copy, dated April 2, 1981, and;

House Committee of the Whole Amendments to the third reading copy, dated April 6, 1981, and recommend as follows:

That the Senate accede to Standing Committee amendment nos. 1 through 12, 14, and 15, dated April 2, 1981;

That the House recede from Standing Committee amendment no. 13, dated April 2, 1981;

That the House recede from Committee of the Whole amendment nos. 1 and 2, dated April 6, 1981;

That Senate Bill No. 483 be further amended as specified in CLERICAL INSTRUCTION No. 3;

That the reference copy of Senate Bill No. 483 read as specified in the CLERICAL INSTRUCTIONS:

And, that the Conference Committee Report on Senate Bill No. 483 be adopted.

CLERICAL INSTRUCTIONS:

1. Page 10, lines 21 and 22.

Following: "him"

Strike: "EACH YEAR THAT A CHANGE IN CLASSIFICATION OR APPRAISED VALUE OCCURS"

2. Page 12, lines 9 through 16.

Following: "courts."

Strike: all underlined language.

3. Page 10, line 23.

Following: "~~thereon~~."

Insert: "For all notices mailed to taxpayers prior to January 1, 1986, the notice shall contain a statement to the effect that a taxpayer who receives a taxable valuation on his residential, commercial, or industrial real property and improvements in excess of 5% of what

(continued)

.....
Chairman.

the taxpayer believes to be the current market value may wish to consider appealing the market value, as determined by the department, to the county tax appeal board. The statement should make it clear to the taxpayer that there is no guarantee of success on appeal because the 5% figure is exceeded and that each appeal is considered on a case-by-case basis."

FOR THE SENATE:

FOR THE HOUSE:

Bob Brown
B. Brown, Chairman

Fabrega
Fabrega, Chairman

Bill Norman
Norman

Nordtvedt
Nordtvedt

Turnage
Turnage

Williams
Williams

House amendment to Senate Bill 483

1. Page 10, line 13.

Following: "him"

Insert: "each year that a change in classification or
appraised value occurs"

2. Amendment #13 of Taxation Committee (House) amendments dated
4/2/81

Following: "class 12" in line 1 of Insert

Insert: "and class 13"

April 2, 1981

HOUSE COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 483

1. Page 4, line 14.

Following: "(1)"

Strike: "Class"

Insert: "(a) For the period from January 1, 1981 to December 31, 1985, class"

2. Page 4.

Following: line 14

Strike: "(a)"

Insert: "(i)"

3. Page 4.

Following: line 15

Strike: "(b)"

Insert: "(ii)"

4. Page 4.

Following: line 16

Strike: "(2)"

Insert: "(b)"

5. Page 4.

Following: line 17

Strike: "(a)"

Insert: "(i)"

Following: "(1)(a)"

Insert: "(i)"

6. Page 4.

Following: line 19

Strike: "(b)"

Insert: "(ii)"

Following: "(1)"

Strike: "(b)"

Insert: "(a)(ii)"

7. Page 4.

Following: line 21

Insert: "(2)(a) After December 31, 1985, class three property includes agricultural land as defined in 15-7-202.

(b) Class three property is taxed at 30% of its productive capacity."

8. Page 7, line 15.

Following: "property"

Insert: ",for the period from January 1, 1981 to December 31, 1985,"

9. Page 7, lines 16 and 17.

Following: "purposes" on line 16

Strike: line 16 through "families" on line 17

10. Page 7, line 23.

Following: "property"

Insert: ",for the period from January 1, 1981 to December 31, 1985,"

11. Page 10, line 12.

Following: "land"

Insert: "and improvements thereon"

12. Page 10, line 13.

Following: "him"

Strike: "and"

Following: "~~of-the~~"

Strike: "improvements thereon"

13. Page 11.

Following: line 24

Insert: "If any property in class 12 is given a taxable value in excess of 5% of its current year market value, as determined by a qualified appraiser accepted by both the property owner and the department of revenue, such a value constitutes sufficient conditions for a tax appeal board to reduce the taxable value of the property to less than or equal to 5% of the current year market value."

14. Page 13, line 10.

Following: "value"

Insert: "for the designated appraisal year of the reappraisal cycle"

15. Page 13, line 21.

Following: "(1)"

Strike: "(b)"

Insert: "(a)(ii)"



TED SCHWINDEN
GOVERNOR

State of Montana
Office of the Governor
Helena, Montana

May 18, 1981

The Honorable Robert L. Marks
Speaker of the House
State Capitol
Helena, Montana 59620

The Honorable Jean Turnage
President of the Senate
State Capitol
Helena, Montana 59620

Dear Representative Marks and Senator Turnage:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto Senate Bill No. 483, "AN ACT TO CLARIFY THE CLASSIFICATION OF LANDS AND IMPROVEMENTS FOR PURPOSES OF PROPERTY TAXATION; ADDING CLASSES FOR RESIDENTIAL PROPERTY, COMMERCIAL AND INDUSTRIAL PROPERTY, AND OTHER REAL PROPERTY AND IMPROVEMENTS AND A RESIDUAL CLASS FOR PROPERTY NOT OTHERWISE COVERED; CLARIFYING THE ROLE OF THE DEPARTMENT OF REVENUE IN THE CLASSIFICATION AND APPRAISAL PROCESS; AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-133, 15-6-134, 15-6-140, 15-6-151, 15-7-101 through 15-7-103, 15-8-111, 15-24-1102, AND 15-24-1103, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE," for the following reasons.

Senate Bill 483, as introduced, addressed the problem of the so-called "34% Cases" involving challenges to the assessment of commercial and industrial property. The bill established separate classes for residential property with three or fewer family dwelling units, and for commercial and industrial property. In considering the bill, the Legislature made several substantial amendments that render SB 483 unacceptable.

The amendments to Section 15-7-102, MCA, limit taxable value for residential property and commercial and industrial

Representative Marks and Senator Turnage
May 18, 1981
Page Two

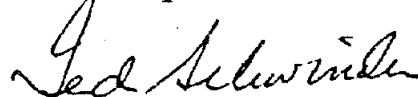
property to no more than 5% of current market value. Current market value would be determined by an appraiser acceptable to both the Department of Revenue and the taxpayer. This percentage approach defeats the concept of a 'cyclic valuation' where market values are fixed for the cycle period. Under the proposed amendments, the valuation of affected property would change annually as market value fluctuates. The burden would be on each taxpayer to seek tax appeal board review if they wished to contest the valuation based on this "percentage" approach. This procedure will result in both administrative and legal costs to the taxpayer and the state. The benefits of this amendment will flow to the large and sophisticated taxpayer, individual and corporate ... not to the average Montanan.

Analysis by the Department of Revenue indicates that a substantial portion of residential property and commercial and industrial property would be subject to a reduction in taxable value, thereby reducing the local government tax base. The local government tax base has already been seriously eroded.

The treatment of Senate Bill 483 by the Legislature reflects a failure to come to grips with the property valuation problem that exists in Montana. The Legislature failed to fund the reappraisal program and proposed instead a cumbersome, inequitable and costly alternative that would require Department personnel to spend much of their time representing the Department on appeals of taxable value before tax appeal boards.

In summary, since this legislation does not improve Montana's property tax system, and threatens the revenue base of local governments, I reluctantly veto SB 483.

Sincerely,



TED SCHWINDEN
Governor