

SENATE JOINT RESOLUTION NO. 26

INTRODUCED BY THOMAS

IN THE SENATE

February 23, 1981	Introduced and referred to Committee on Taxation.
March 13, 1981	Fiscal note requested.
March 18, 1981	Fiscal note returned.
March 20, 1981	Committee recommend bill do pass. Report adopted.
March 21, 1981	Bill printed and placed on members' desks.
March 23, 1981	Second reading, do pass.
March 24, 1981	Correctly engrossed.
March 25, 1981	Third reading, passed. Ayes, 41; Noes, 9. Transmitted to House.

IN THE HOUSE

March 26, 1981	Introduced and referred to Committee on Taxation.
April 9, 1981	Committee recommend bill be concurred in as amended. Report adopted.
April 13, 1981	Second reading, pass consideration.
April 16, 1981	Second reading, concurred in as amended.  On motion rules suspended and bill placed on third reading this day.

April 16, 1981

Third reading, concurred  
in as amended. Ayes, 66;  
Noes, 30.

IN THE SENATE

April 17, 1981

Returned from House with  
amendments.

April 20, 1981

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, 4. Sent to enrolling.

Reported correctly enrolled.



## STATE OF MONTANA

REQUEST NO. 429-81

## FISCAL NOTE

Form BD-15

In compliance with a written request received March 16, 19 81, there is hereby submitted a Fiscal Note for SENATE JOINT RESOLUTION 26 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

A joint resolution of the Senate and the House of Representatives of the state of Montana directing modification of the administrative rule governing the assessment of commercial furniture and fixtures.

ASSUMPTIONS

1. Taxable value of commercial furniture and fixtures - tax year 1980 data - \$27,900,000.
2. No impact in FY 82 due to the fact rules could not be promulgated in sufficient time for tax year 1981.
3. Effective tax year 1982 - fiscal impact FY 83.
4. Taxable value of this property for tax year 1982 - at least \$27,900,000.
5. Average decrease in taxable value due to the elimination of trending on furniture and fixtures - 25%.
6. University levy - 6 mills.
7. Average statewide levy - 220 mills.

FISCAL IMPACT

	FY 82	FY 83
University Levy (6 mills)		
Under current law	NO FISCAL	\$167,400
Under proposed law	IMPACT	<u>125,550</u>
Estimated Decrease		(\$ 41,850)

EFFECT ON LOCAL GOVERNMENT

The proposed resolution would result in the loss of approximately \$1.5 million to local governments in FY 83.

LONG RANGE EFFECTS

The proposed resolution should result in the loss of at least \$42,000 to the University levy and \$1.5 million to local governments in subsequent fiscal years.

TECHNICAL NOTE

The resolution alludes to the present use of 3-5- and 10 year depreciation tables. Currently two schedules are used, a five year table and ten year table. The language in the resolution may need to be changed to reflect the current schedules.

REMARK

The elimination of trending on the assessment of furniture and fixtures may necessitate the elimination of trending on all personal property. If all trending depreciation schedules used by the Dept. of Revenue to assess personal property are eliminated the total statewide revenue loss would be approximately \$14.6 million. If trending is to be eliminated from the assessment of all personal property the revenue loss statewide could approach \$36.8 million. All appraisal manuals, bluebooks, etc., use some type of trending factor to arrive at market value.

*David M. Lewis*

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3-17-81

Approved by Committee  
on Taxation

*Senate* JOINT RESOLUTION NO. 26

INTRODUCED BY Thomas

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA DIRECTING MODIFICATION OF THE ADMINISTRATIVE RULE GOVERNING THE ASSESSMENT OF COMMERCIAL FURNITURE AND FIXTURES.

WHEREAS, subsection (1) of section 15-8-111, MCA, provides that taxable property is to be assessed at 100% of its market value, the price available to a willing seller from a willing buyer; and

WHEREAS, subsection (1)(e) of section 15-6-139, MCA, places commercial furniture and fixtures in class nine for property tax purposes; and

WHEREAS, the Department of Revenue formerly provided for the assessment of such property at its depreciated original cost; and

WHEREAS, the Department in 1977 began the practice of employing a "trended" original cost as the means of valuing such property prior to the application of depreciation schedules; and

WHEREAS, the Legislature has never mandated the use of a "trending" process in assessing such property, which process produces questionable and inflated values for a type

of property that enjoys no ready market; and

WHEREAS, the Legislature finds that the depreciated original cost of commercial furniture and fixtures is a more reliable standard for the valuation of this property than is an artificial "trended" value which is not verified by sales information.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Department of Revenue shall, within 30 days of passage of this resolution, initiate rulemaking proceedings to modify its depreciation schedules for the assessment of commercial furniture and fixtures, as embodied in section 42.21.134 of the Administrative Rules of Montana, so as to continue the present use of 3-, 5-, and 10-year depreciation tables while deleting the use of a "trend factor" to arrive at a "percentage trended depreciation" for property tax purposes. The modified rule shall contain tables for the determination of depreciated original cost values substantially similar to those contained in section 42.21.134 of the Administrative Rules of Montana as promulgated and effective on February 1, 1981.

-End-



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5 REPRESENTATIVES OF THE STATE OF MONTANA DIRECTING  
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7 ASSESSMENT OF COMMERCIAL FURNITURE AND FIXTURES.

8  
9 WHEREAS, subsection (1) of section 15-8-111, MCA,  
10 provides that taxable property is to be assessed at 100% of  
11 its market value, the price available to a willing seller  
12 from a willing buyer; and

13 WHEREAS, subsection (1)(e) of section 15-6-139, MCA,  
14 places commercial furniture and fixtures in class nine for  
15 property tax purposes AND THIS PROPERTY IS OF A DIFFERENT  
16 NATURE THAN OTHER PROPERTY SUBJECT TO TRENDING; and

17 WHEREAS, the Department of Revenue formerly provided  
18 for the assessment of such property at its depreciated  
19 original cost; and

20 WHEREAS, THE DEPARTMENT PRESENTLY REQUIRES DEPRECIATED  
21 ORIGINAL COST TO BE USED FOR PURPOSES OF DETERMINING NET  
22 BUSINESS INCOME SUBJECT TO TAXATION; AND

23 WHEREAS, the Department in 1977 began the practice of  
24 employing a "trended" original cost as the means of valuing  
25 such property prior to the application of depreciation

1 schedules; and

2 WHEREAS, the Legislature has never mandated the use of  
3 a "trending" process in assessing such property, ~~which~~  
4 ~~process-produces-questionable-and-inflated-values-for-a-type~~  
5 ~~of-property-that-enjoys-no-ready-market;~~ and

6 WHEREAS, the Legislature finds that the depreciated  
7 original cost of commercial furniture and fixtures is a more  
8 reliable APPROPRIATE standard for the valuation  
9 DETERMINATION OF MARKET VALUE of this property ~~than--is--an~~  
10 ~~artificial--"trended"--value--which-is-not-verified-by-sales~~  
11 ~~information.~~

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13 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE  
14 OF REPRESENTATIVES OF THE STATE OF MONTANA:

15 That the Department of Revenue shall, ~~within-30-days-of~~  
16 ~~passage--of-this-resolution,~~ initiate rulemaking proceedings  
17 to modify its depreciation schedules for the assessment of  
18 commercial furniture and fixtures FOR TAX YEARS BEGINNING  
19 AFTER DECEMBER 31, 1981, as embodied in section 42-21-134 of  
20 the Administrative Rules of Montana, so as to continue the  
21 present use of 3-, 5-, and 10-year depreciation tables while  
22 deleting the use of a "trend factor" to arrive at a  
23 "percentage trended depreciation" for property tax purposes.  
24 The modified rule shall contain tables for the determination  
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16 NATURE THAN OTHER PROPERTY SUBJECT TO TRENDING; and

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24 employing a "trended" original cost as the means of valuing  
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1 schedules; and

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5 ~~of-property-that-enjoys-no-ready-market~~; and

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1 those contained in section 42.21.134 of the Administrative  
2 Rules of Montana as promulgated and effective on February 1,  
3 1981.

-End-

April 8, 1981

HOUSE COMMITTEE ON TAXATION PROPOSED AMENDMENTS TO SJR 26:

1. Page 1

Following: line 18

Insert: "WHEREAS, the Department presently requires depreciated original cost to be used for purposes of determining net business income subject to taxation; and"

2. Page 1, line 24 through line 1 on page 2.

Following: "property;" on line 24, page 1

Strike: line 24 through "market" on line 1, page 2

3. Page 2, lines 4 through 6.

Following: line 3

Strike: "reliable"

Insert: "appropriate"

Following: "property" on line 4

Strike: line 4 through "information" on line 6

APRIL 15, 1981

HOUSE AMENDMENTS TO SENATE JOINT RESOLUTION NO. 26

1. Page 1, line 15.

Following: "purposes"

Insert: "and this property is of a different nature  
than other property subject to trending"

2. Page 2, line 4.

Following: "for the"

Strike: "valuation"

Insert: "determination of market value"

3. Page 2, lines 10 and 11.

Following: "shall"

Strike: ", within 30 days of passage of this resolution,"

4. Page 2, line 13.

Following: "fixtures"

Insert: "for tax years beginning after December 31, 1981"