

HOUSE BILL NO. 68

1/07 Introduced  
1/07 Referred to Taxation  
1/07 Fiscal Note Requested  
1/12 Fiscal Note Received  
1/16 Hearing  
1/16 Fiscal Note Requested  
Died in Committee

1                    HOUSE    BILL NO.   68  
2    INTRODUCED BY   HAND

3  
4    A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND BROADEN  
5    THE PROPERTY TAX EXEMPTION FOR FRATERNAL ORGANIZATIONS;  
6    AMENDING SECTIONS 15-6-203, 15-6-209, AND 33-7-407, MCA; AND  
7    PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE  
8    DATE."

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

11        Section 1. Section 15-6-203, MCA, is amended to read:

12        "15-6-203. ~~Veterans' clubhouse exemption~~  
13    ~~incompetent~~ Incompetent veterans' trusts exemption. ~~(1)~~  
14    ~~When a clubhouse or building erected by or belonging to any~~  
15    ~~society or organization of honorably discharged United~~  
16    ~~States military personnel is used exclusively for~~  
17    ~~educational, fraternal, benevolent, or purely public~~  
18    ~~charitable purposes rather than for gain or profit, together~~  
19    ~~with the library and furniture necessarily used in any such~~  
20    ~~building, such property is exempt from taxation.~~

21        (2) All property, real or personal, in the possession  
22    of legal guardians of incompetent veterans of U.S. military  
23    service or minor dependents of such veterans, where such  
24    property is funds or derived from funds received from the  
25    United States as pension, compensation, insurance, adjusted

1    compensation, or gratuity, shall be exempt from all taxation  
2    as property of the United States while held by the guardian,  
3    but not after title passes to the veteran or minor in his or  
4    her own right on account of removal of legal disability."

5        Section 2. Section 15-6-209, MCA, is amended to read:

6        "15-6-209. Community services buildings exempt. (1)  
7    The building and appurtenant land, not exceeding 1 acre,  
8    owned by a nonprofit community service organization is  
9    exempt from property taxation, except as provided in  
10   subsections (3) and (4), if such organization:

11        ~~(a) is a lodge of a nationally recognized fraternal~~  
12    ~~organization and does not sell food or beverages under~~  
13    ~~license from the state of Montana;~~

14        (b)(a) furnishes services to senior citizens in the  
15    form of daytime or evening educational or recreational  
16    activities and does not furnish living accommodations to  
17    such citizens or sell food or beverages under license from  
18    the state of Montana; services qualifying under this  
19    provision must be recognized in the state plan on aging  
20    adopted by the department of social and rehabilitation  
21    services; or

22        (c)(b) primarily furnishes facilities without charge,  
23    except that a minimal fee may be charged for janitorial  
24    services, for public meetings and entertainments.

25        (2) An applicant for exemption under this section



1 shall demonstrate that it has been an active community  
2 service organization continuously from January 1, 1981.

3 (3) A building and lot exempted under this section  
4 shall be appraised, assessed, and subject to levies for any  
5 special improvement district if the special improvement  
6 directly benefits the building or lot.

7 (4) The exemption provided under this section may not  
8 be extended to any property owned by a community service  
9 organization described herein which is leased in whole or in  
10 part to any person for business or profitmaking purposes."

11 NEW SECTION. Section 3. Property of fraternal  
12 organization exempt. The following property owned by a  
13 fraternal organization as defined in [section 4] is exempt  
14 from taxation:

15 (1) all the real or personal property or portion  
16 thereof that is actually occupied or used in fraternal or  
17 lodge work or for entertainment and recreational purposes by  
18 one or more fraternal organizations, except that property or  
19 portions of property of a fraternal organization rented or  
20 leased by it at any time to other persons for sums greater  
21 than out-of-pocket expenses for heat, light, water, and  
22 janitorial services and supplies is subject to taxation; and

23 (2) parking lots used for parking or any other use as  
24 long as that parking or other use is permitted without  
25 charge.

1 NEW SECTION. Section 4. Definition of fraternal  
2 organization. (1) For the purposes of [section 3],  
3 "fraternal organization" means a corporation:

4 (a) organized as a nonprofit corporation under the  
5 laws of a state or national government;

6 (b) that is not solely a social club but is  
7 established under the lodge system, with ritualistic forms  
8 of work and a representative form of government;

9 (c) that regularly engages in or provides financial  
10 support for some form of benevolent or charitable activity  
11 with the purpose of doing good to others rather than for the  
12 convenience of its members;

13 (d) no part of the income of which is distributable to  
14 its members, directors, or officers;

15 (e) in which no member, officer, agent, or employee is  
16 paid or directly or indirectly receives, in the form of  
17 salary or other compensation, an amount beyond that which is  
18 just and reasonable compensation commonly paid for such  
19 services rendered and in which any such compensation is  
20 fixed and approved by the members, directors, or other  
21 governing body of the corporation; and

22 (f) that is not a college fraternity or sorority.

23 (2) For the purposes of [section 3], "fraternal  
24 organization" includes but is not limited to the grand and  
25 subordinate lodges of the masons, the grand and subordinate

1 lodges of the knights of Pythias, the knights of Columbus,  
2 the benevolent and protective order of elks, the fraternal  
3 order of eagles, the loyal order of moose, the independent  
4 order of odd fellows, the Montana state grange, the American  
5 legion, the veterans of foreign wars, and every society  
6 organized or licensed under Title 33, chapter 7.

7 Section 5. Section 33-7-407, MCA, is amended to read:

8 "33-7-407. Taxes. Every society organized or licensed  
9 under this chapter is hereby declared to be a charitable and  
10 benevolent institution, and all of its funds shall be exempt  
11 from all and every state, county, district, municipal, and  
12 school tax ~~other--than--taxes--on--real--estate--and--office~~  
13 ~~equipment."~~

14 NEW SECTION. Section 6. Extension of authority. Any  
15 existing authority of the department of revenue to make  
16 rules on the subject of the provisions of this act is  
17 extended to the provisions of this act.

18 NEW SECTION. Section 7. Applicability. This act  
19 applies to taxable years beginning after December 31, 1984.

20 NEW SECTION. Section 8. Effective date. This act is  
21 effective on passage and approval.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN003-85

Form BD-15


In compliance with a written request received January 7, 19 85, there is hereby submitted a Fiscal Note for H.B. 68 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION:

An act to revise and broaden the property tax exemption for fraternal organizations; amending sections 15-6-203, 15-6-209, and 33-7-407, MCA; and providing an applicability date and an immediate effective date.

FISCAL IMPACT:

The fiscal impact of this proposal should be minimal, although an estimate of its magnitude is not possible. Most of the fraternal organizations listed are currently exempt.

  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: Jan 12, 1985

## STATE OF MONTANA

## FISCAL NOTE

REQUEST NO. Re-Request  
FNN 003-85Form BD-15

In compliance with a written request received January 16, 19 85, there is hereby submitted a Fiscal Note for H.B. 68 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 OF PROPOSED LEGISLATION:

An act to revise and broaden the property tax exemption for fraternal organizations.

ASSUMPTIONS:

The estimated taxable value of this property, as reported by the Department of Revenue, is \$1,216,666. The average urban mill levy is 300 mills, which includes a 6 mill University System levy and a 45 mill School Foundation Program levy.

FISCAL IMPACT:

|                           | <u>FY 86</u>   |                 |                   | <u>FY 87</u>   |                 |                   |
|---------------------------|----------------|-----------------|-------------------|----------------|-----------------|-------------------|
|                           | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> |
| University Levy           | \$ 14,453,418  | \$ 14,446,118   | (\$ 7,300)        | \$ 14,974,770  | \$ 14,967,470   | \$ (7,300)        |
| School Foundation Program | 108,400,635    | 108,345,885     | (54,750)          | 112,310,775    | 112,256,025     | (54,750)          |

The local government revenue loss each year would be \$302,950 (.249 X \$1,216,666).

*David L. Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Jan 22, 1985