# HOUSE BILL NO. 92

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|---|---|
| 1/07 | Introduced |
| 1/07 | Referred to Taxation |
| 1/07 | Fiscal Note Requested |
| 1/14 | Fiscal Note Received |
| 2/06 | Hearing |
| | Died in Committee |

HOUSE BILL NO. 92

INTRODUCED BY ERNST

A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A NEW CLASS OF PROPERTY FOR AGRICULTURAL IMPLEMENTS AND EQUIPMENT; AMENDING SECTIONS 15-6-138 AND 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Class thirteen property -- description -- taxable percentage. (1) Class thirteen property includes all agricultural implements and equipment.

(2) Class thirteen property is taxed at 6% of its market value.

Section 2. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property includes:

~~(a)--all-agricultural-implements-and-equipment;~~

~~(b)~~(a) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

~~(c)~~(b) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;





~~(d)~~(c) motorcycles;

~~(e)~~(d) watercraft;

~~(f)~~(e) all trailers up to and including 18,000 pounds maximum gross loaded weight, except those subject to a fee in lieu of property tax;

~~(g)~~(f) aircraft;

~~(h)~~(g) all-terrain vehicles;

~~(i)~~(h) harness, saddlery, and other tack equipment;

~~(j)~~(i) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class; and

~~(k)~~(j) all other machinery except that specifically included in another class.

(2) Class eight property is taxed at 11% of its market value."

Section 3. 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 (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) 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.

(b) The market value of all motor trucks; agricultural



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tools, implements, and machinery; and vehicles of all kinds, including but not limited to motorcycles, aircraft, and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(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 15-6-134 through 15-6-140. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in classes four through eleven is the percentage of market value established for each class of property in 15-6-134 through 15-6-141. <u>The taxable value for all property in class thirteen is the percentage of market value established in [section 1].</u>

(5) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 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 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

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

(7) The taxable value of all property in 15-6-131 and classes two and three is the percentage of assessed value established in 15-6-131(2), 15-6-132, and 15-6-133 for each class of property."

<u>NEW SECTION.</u> Section 4. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

<u>NEW SECTION.</u> Section 5. Applicability date. This act applies to taxable years beginning after December 31, 1985.

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN012-85

Form BD-15

In compliance with a written request received January 7, 19 85, there is hereby submitted a Fiscal Note for H.B. 92 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 create a new class of property for agricultural implements and equipment and providing an applicability date.

ASSUMPTIONS

1. Total state taxable value estimated to be $2,408,903,000 in FY 1986 and $2,495,795,000 in FY 1987.
2. Taxable value of agricultural implements assumed constant over the 1987 biennium at the FY1984 level or $75,114,323.
3. University mill levy is 6 mills; School Foundation Program levy is 45 mills; the weighted average local government mill levy for this type of property in FY1984 was 149 mills.

| EFFECT ON REVENUE | FY86 Under Current Law | FY86 Under Proposed Law | FY86 Difference | FY87 Under Current Law | FY87 Under Proposed Law | FY87 Difference |
|---|---|---|---|---|---|---|
| University Mill Levy | $ 14,453,418 | $ 14,248,561 | ($ 204,857) | $ 14,974,770 | $ 14,769,913 | ($ 204,857) |
| School Foundation Program | $108,400,635 | $106,864,205 | ($1,536,430) | $112,310,775 | $110,774,345 | ($1,536,430) |
| TOTAL REVENUE | $122,854,053 | $121,112,766 | ($1,741,287) | $127,285,545 | $125,544,258 | ($1,741,287) |

EFFECT ON COUNTY/LOCAL REVENUES

The total impact of the proposed legislation on local revenue is a reduction of $5,095,825 annually.

On the average, 60% of the total property taxes levied are for schools Thus, 60% of the total loss or about $4.1 M annually (.60 x($1.741M + $5.095M) would be the loss in school funding.

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Jan 14, 1985