

HOUSE BILL NO. 122

1/07 Introduced
1/07 Referred to Taxation
1/10 Fiscal Note Requested
1/16 Fiscal Note Received
1/24 Hearing
2/05 Committee Report-Bill Pass As Amended
2/07 2nd Reading Pass As Amended
2/09 3rd Reading Pass

Transmitted to Senate

2/11 Referred to Taxation
3/08 Hearing
4/05 Tabled in Committee

1 HOUSE BILL NO. 122
 2 INTRODUCED BY D. BROWN
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
 5 PROPERTY TAX INCENTIVE FOR NEW AND EXPANDING INDUSTRY;
 6 DEFINING "INDUSTRY"; AMENDING SECTIONS 15-24-1401 AND
 7 15-24-1402, MCA; AND PROVIDING AN APPLICABILITY DATE."
 8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Section 15-24-1401, MCA, is amended to
 11 read:
 12 "15-24-1401. Definitions. The following definitions
 13 apply to 15-24-1402 unless the context requires otherwise:
 14 (1) "New or expanding" means that the manufacturing
 15 industry is new to the jurisdiction approving the resolution
 16 provided for in 15-24-1402(2) or that the manufacturing
 17 industry has added qualifying improvements or modernized
 18 processes to its property within the same jurisdiction since
 19 July 1, 1981.
 20 (2) "~~Manufacturing industry~~" means "Industry" includes
 21 but is not limited to an industry that engages in the:
 22 (a) mechanical or chemical transformation of materials
 23 or substances into new products in the manner defined as
 24 manufacturing in the 1972 Standard Industrial Classification
 25 Manual prepared by the United States office of management

1 and budget-;
 2 (b) extraction or harvesting of minerals, ore, or
 3 forestry products; or
 4 (c) processing of Montana raw materials such as
 5 minerals, ore, agricultural products, and forestry
 6 products."
 7 Section 2. Section 15-24-1402, MCA, is amended to
 8 read:
 9 "15-24-1402. New or expanding manufacturing industry
 10 -- assessment. (1) In the first 5 years after a construction
 11 permit---is---issued, improvements to--real--property that
 12 represent new manufacturing industry or modernization,
 13 construction, or expansion of an existing manufacturing
 14 industry, such improvements shall be taxed at 50% of their
 15 taxable value. Each year thereafter, the percentage shall be
 16 increased by equal percentages until the full taxable value
 17 is attained in the 10th year. In subsequent years, the
 18 property shall be taxed at 100% of its taxable value.
 19 (2) (a) In order for a taxpayer to receive the tax
 20 benefits described in subsection (1), the governing body of
 21 the affected county or the incorporated city or town must
 22 have approved by resolution, following a public hearing, the
 23 use of the schedule provided for in subsection (1) for its
 24 respective jurisdiction.
 25 (b) The governing body may end the tax benefits by

1 majority vote at any time, but the tax benefits may not be
2 denied an industrial facility that previously qualified for
3 the benefits.

4 (c) The resolution provided for in subsection (2)(a)
5 shall include a definition of improvements that qualify for
6 the tax treatment that is to be allowed in the taxing
7 jurisdiction.

8 (3) The taxpayer must apply to the county assessor on
9 a form provided by the department of revenue for the tax
10 treatment allowed under subsection (1). The application by
11 the taxpayer must first be approved by the governing body of
12 the appropriate local taxing jurisdiction, and the governing
13 body must indicate in its approval that the property of the
14 applicant qualifies for the tax treatment provided for in
15 this section. Upon receipt of the form with the approval of
16 the governing body of the affected taxing jurisdiction, the
17 assessor shall make the assessment change pursuant to this
18 section."

19 NEW SECTION. Section 3. Extension of authority. Any
20 existing authority of the department of revenue to make
21 rules on the subject of the provisions of this act is
22 extended to the provisions of this act.

23 NEW SECTION. Section 4. Applicability. This act
24 applies to taxable years beginning on or after July 1, 1985.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN076-85

Form BD-15

In compliance with a written request received January 11, 1985, there is hereby submitted a Fiscal Note for HB 122 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 generally revise the property tax incentive for new and expanding industry; defining "industry".

FISCAL IMPACT

It is not possible to estimate the impact of this bill with any accuracy. In general, a portion of the property tax collections on these improvements and modernized processes will be foregone for ten years. However, the requirement that the new or expanding industrial facility must be new to the taxing jurisdiction does not prevent existing Montana facilities that move to a new taxing jurisdiction or that take existing property off the tax rolls from receiving this tax abatement. In these instances there will be an impact on property tax collections.

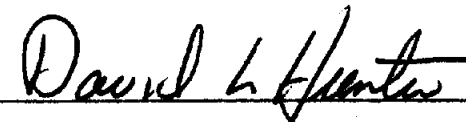
Department records indicate that the new and expanding industry exemption has not been received by any manufacturing industry in the state since the exemption was passed. Broadening the definition of qualifying improvements (agricultural and forestry product processing are considered manufacturing) should not change this experience dramatically.

TECHNICAL DEFECTS

The phrase "modernized processes" implies that these benefits would be extended to machinery and equipment. The use of the word "improvements" in 15-24-1402, however, can be construed to mean buildings. Some clarification or definitions would eliminate this confusion.

Under existing statutes it is unclear whether the exemption applies to all taxes levied by a particular jurisdiction or just to the city or county general levies. Some clarification may be appropriate to resolve this question.

Extending the tax abatement to mining could impact the tax prepayments under the Hard Rock Mining Act.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Jan 15, 1985

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 122

INTRODUCED BY D. BROWN, SWITZER

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE PROPERTY TAX INCENTIVE FOR NEW AND EXPANDING INDUSTRY; DEFINING "INDUSTRY"; AMENDING SECTIONS 15-24-1401 AND 15-24-1402, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-24-1401, MCA, is amended to read:

"15-24-1401. Definitions. The following definitions apply to 15-24-1402 unless the context requires otherwise:

(1) "New or expanding" means that the manufacturing industry is new to the jurisdiction approving the resolution provided for in 15-24-1402(2) or that the manufacturing industry has added qualifying improvements or modernized processes to its property within the same jurisdiction since July 1, 1981.

(2) "~~Manufacturing industry~~" means "Industry" includes but is not limited to an industry that engages in the:

(a) mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification

Manual prepared by the United States office of management and budget;

(b) extraction or harvesting of minerals, ore, or forestry products; or

(c) processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products."

Section 2. Section 15-24-1402, MCA, is amended to read:

"15-24-1402. New or expanding manufacturing industry -- assessment. (1) In the first 5 years after ~~a construction permit is issued~~, A CONSTRUCTION PERMIT IS ISSUED, improvements ~~to real property~~ that represent new manufacturing industry or modernization, construction, or expansion of an existing manufacturing industry, ~~such improvements~~ shall be taxed at 50% of their taxable value. Each year thereafter, the percentage shall be increased by equal percentages until the full taxable value is attained in the 10th year. In subsequent years, the property shall be taxed at 100% of its taxable value.

(2) (a) In order for a taxpayer to receive the tax benefits described in subsection (1), the governing body of the affected county or the incorporated city or town must have approved by SEPARATE resolution FOR EACH PROJECT, following DUE NOTICE AS DEFINED IN 76-15-103 AND a public

1 hearing, the use of the schedule provided for in subsection
 2 (1) for its respective jurisdiction. THE GOVERNING BODY MAY
 3 NOT GRANT APPROVAL FOR THE PROJECT UNTIL ALL OF THE
 4 APPLICANT'S TAXES HAVE BEEN PAID IN FULL. TAXES PAID UNDER
 5 PROTEST DO NOT PRECLUDE APPROVAL.

6 (b) The governing body may end the tax benefits by
 7 majority vote at any time, but the tax benefits may not be
 8 denied an industrial facility that previously qualified for
 9 the benefits.

10 (c) The resolution provided for in subsection (2)(a)
 11 shall include a definition of THE improvements OR MODERNIZED
 12 PROCESSES that qualify for the tax treatment that is to be
 13 allowed in the taxing jurisdiction.

14 (3) The taxpayer must apply to the county assessor on
 15 a form provided by the department of revenue for the tax
 16 treatment allowed under subsection (1). The application by
 17 the taxpayer must first be approved by the governing body of
 18 the appropriate local taxing jurisdiction, and the governing
 19 body must indicate in its approval that the property of the
 20 applicant qualifies for the tax treatment provided for in
 21 this section. Upon receipt of the form with the approval of
 22 the governing body of the affected taxing jurisdiction, the
 23 assessor shall make the assessment change pursuant to this
 24 section.

25 (4) THE TAX BENEFIT DESCRIBED IN SUBSECTION (1)

1 APPLIES ONLY TO THE NUMBER OF MILLS LEVIED AND ASSESSED FOR
 2 HIGH SCHOOL DISTRICT AND ELEMENTARY SCHOOL DISTRICT PURPOSES
 3 AND TO THE NUMBER OF MILLS LEVIED AND ASSESSED BY THE
 4 GOVERNING BODY APPROVING THE BENEFIT OVER WHICH THE
 5 GOVERNING BODY HAS SOLE DISCRETION. IN NO CASE MAY THE
 6 BENEFIT DESCRIBED IN SUBSECTION (1) APPLY TO LEVIES OR
 7 ASSESSMENTS REQUIRED UNDER STATE LAW."

8 NEW SECTION. Section 3. Extension of authority. Any
 9 existing authority of the department of revenue to make
 10 rules on the subject of the provisions of this act is
 11 extended to the provisions of this act.

12 NEW SECTION. Section 4. Applicability EFFECTIVE DATE
 13 -- APPLICABILITY. This act IS EFFECTIVE ON PASSAGE AND
 14 APPROVAL AND applies to taxable years beginning on-or after
 15 July-17-1985 DECEMBER 31, 1984.

-End-

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12 ~~permit is issued,~~ A CONSTRUCTION PERMIT IS ISSUED,
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14 manufacturing industry or modernization, construction, or
15 expansion of an existing manufacturing industry, ~~such~~
16 improvements shall be taxed at 50% of their taxable value.
17 Each year thereafter, the percentage shall be increased by
18 equal percentages until the full taxable value is attained
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22 benefits described in subsection (1), the governing body of
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24 have approved by SEPARATE resolution FOR EACH PROJECT,
25 following DUE NOTICE AS DEFINED IN 76-15-103 AND a public

1 hearing, the use of the schedule provided for in subsection
 2 (1) for its respective jurisdiction. THE GOVERNING BODY MAY
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 4 APPLICANT'S TAXES HAVE BEEN PAID IN FULL. TAXES PAID UNDER
 5 PROTEST DO NOT PRECLUDE APPROVAL.

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 24 section.

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 2 LOCAL HIGH SCHOOL DISTRICT AND ELEMENTARY SCHOOL DISTRICT
 3 PURPOSES AND TO THE NUMBER OF MILLS LEVIED AND ASSESSED BY
 4 THE GOVERNING BODY APPROVING THE BENEFIT OVER WHICH THE
 5 GOVERNING BODY HAS SOLE DISCRETION. IN NO CASE MAY THE
 6 BENEFIT DESCRIBED IN SUBSECTION (1) APPLY TO LEVIES OR
 7 ASSESSMENTS REQUIRED UNDER 20-9-331, 20-9-333, TITLE 15,
 8 CHAPTER 10, OR OTHERWISE REQUIRED UNDER STATE LAW."

9 NEW SECTION. Section 3. Extension of authority. Any
 10 existing authority of the department of revenue to make
 11 rules on the subject of the provisions of this act is
 12 extended to the provisions of this act.

13 NEW SECTION. Section 4. Applicability EFFECTIVE DATE
 14 -- APPLICABILITY. This act IS EFFECTIVE ON PASSAGE AND
 15 APPROVAL AND applies to taxable years beginning on or after
 16 July-17-1985 DECEMBER 31, 1984.

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