

HOUSE BILL NO. 240

INTRODUCED BY RAMIREZ, CRIPPEN, B. BROWN

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

IN THE HOUSE

January 17, 1985	Introduced and referred to Committee on Taxation.
January 21, 1985	Fiscal Note requested.
January 25, 1985	Fiscal Note returned.
April 17, 1985	On motion, taken from Committee on Taxation and referred to second reading on the 84th Legislative Day.
April 18, 1985	Second reading, pass consideration as amended.
April 19, 1985	Second reading, do pass. Statement of Intent attached.
April 20, 1985	Correctly engrossed.
April 22, 1985	Third reading, passed. Transmitted to Senate.

IN THE SENATE

April 25, 1985	On motion, rules suspended to introduce and accept HB 240. Motion adopted.  Introduced and referred to Committee on Taxation.  Committee recommend bill be concurred in as amended. Report adopted.
----------------	---

April 25, 1985

Second reading, concurred in.

Third reading, concurred in.  
Ayes, 29; Noes, 21.

Returned to House with  
amendments.

IN THE HOUSE

April 25, 1985

Received from Senate.

On motion, rules suspended to  
allow Senate amendments placed on  
second reading.

Second reading, amendments  
concurred in.

Third reading, amendments  
concurred in.

Sent to enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 240

INTRODUCED BY Ramsey, Coppin, Bob Brown  
BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE MONTANA PROPERTY TAX CLASSIFICATION LAW TO COMPLY WITH FEDERAL LAW GRANTING CERTAIN TYPES OF PROPERTY SPECIAL CONSIDERATION; REQUIRING THE DEPARTMENT OF REVENUE TO ANNUALLY REVALUE ALL COMMERCIAL AND INDUSTRIAL PROPERTY; REQUIRING THE DEPARTMENT OF REVENUE TO CONDUCT AUDITS OF ASSESSMENTS ON CLASS FOUR AND CLASS NINE PROPERTY AND IMPROVEMENTS; REQUIRING THE DEPARTMENT OF REVENUE TO ANNUALLY DETERMINE THE TAXABLE PERCENTAGE RATE APPLICABLE TO CLASS FOUR REAL PROPERTY AND IMPROVEMENTS TO RESULT IN A ZERO PERCENTAGE INCREASE IN THE STATEWIDE TAXABLE VALUE OF SUCH PROPERTY; DEFINING THE TERM "COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO TAXATION; CLARIFYING THE TERM "MARKET VALUE" FOR PROPERTY TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-134, 15-6-135, 15-6-137 THROUGH 15-6-141, 15-6-151, 15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111, 15-16-611, AND 15-23-202, MCA; REPEALING SECTION 15-6-142, MCA; AND PROVIDING EFFECTIVE DATES."

WHEREAS, the federal government has granted special consideration to certain types of property with respect to

property taxation; and

WHEREAS, the Legislature and the people of the State of Montana desire to be in full compliance with all federal law; and

WHEREAS, there have been questions in the past regarding the validity of Montana's property tax classification laws with respect to federal law granting special consideration to certain types of property; and

WHEREAS, state tax policy is best determined by the state's primary policymaking body, which is the Legislature; and

WHEREAS, the Legislature wishes to retain as much as possible the sovereignty guaranteed to the state by the 10th amendment to the Constitution of the United States; and

WHEREAS, the 48th Legislature of the State of Montana adopted House Joint Resolution 31, requiring a study of Montana's property tax classification system; and

WHEREAS, the Revenue Oversight Committee has examined Montana's property tax system; and

WHEREAS, that examination causes the Revenue Oversight Committee to recommend a general revision of Montana's property tax classification system.

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

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

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

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

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

9 (c) The term "average wholesale value" means the value  
10 to a dealer prior to reconditioning and profit margin shown  
11 in national appraisal guides and manuals or the valuation  
12 schedules of the department of revenue.

13 (d) The term "commercial", when used to describe  
14 property, means any property used or owned by a business, a  
15 trade, or a nonprofit corporation as defined in 35-2-102 or  
16 used for the production of income.

17 ~~(d)~~(e) The term "credit" means solvent debts, secured  
18 or unsecured, owing to a person.

19 ~~(e)~~(f) The term "improvements" includes all buildings,  
20 structures, ~~fixtures~~, fences, and improvements situated  
21 upon, erected upon, or affixed to land. When the department  
22 of revenue or its agent determines that the permanency of  
23 location of a mobile home or house trailer has been  
24 established, the mobile home or house trailer is presumed to  
25 be an improvement to real property. A mobile home or

1 house trailer may be determined to be permanently located  
2 only when it is attached to a foundation which cannot  
3 feasibly be relocated and only when the wheels are removed.

4 ~~(f)~~(g) The term "leasehold improvements" means  
5 improvements to mobile homes and mobile homes located on  
6 land owned by another person. This property is assessed  
7 under the appropriate classification and the taxes are due  
8 and payable in two payments as provided in 15-24-202.  
9 Delinquent taxes on such leasehold improvements are a lien  
10 only on such leasehold improvements.

11 ~~(g)~~(h) The term "mobile home" means forms of housing  
12 known as "trailers", "house trailers", or "trailer coaches"  
13 exceeding 8 feet in width or 45 feet in length, designed to  
14 be moved from one place to another by an independent power  
15 connected to them, or any "trailer", "house trailer", or  
16 "trailer coach" up to 8 feet in width or 45 feet in length  
17 used as a principal residence.

18 ~~(h)~~(i) The term "personal property" includes  
19 everything that is the subject of ownership but that is not  
20 included within the meaning of the terms "real estate" and  
21 "improvements".

22 ~~(i)~~(j) The term "poultry" includes all chickens,  
23 turkeys, geese, ducks, and other birds raised in  
24 domestication to produce food or feathers.

25 ~~(j)~~(k) The term "property" includes moneys, credits,

1 bonds, stocks, franchises, and all other matters and things,  
 2 real, personal, and mixed, capable of private ownership.  
 3 This definition must not be construed to authorize the  
 4 taxation of the stocks of any company or corporation when  
 5 the property of such company or corporation represented by  
 6 the stocks is within the state and has been taxed.

7 ~~(k)~~(1) The term "real estate" includes:

8 (i) the possession of, claim to, ownership of, or  
 9 right to the possession of land;

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

15 ~~(j)~~(m) The term "taxable value" means the percentage  
 16 of market or assessed value as provided for in 15-6-131  
 17 through 15-6-140.

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

24 (3) The term "state board" or "board" when used  
 25 without other qualification shall mean the state tax appeal

1 board."

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

3 "15-6-101. Property Purpose -- property subject to  
 4 taxation -- classification. (1) It is the purpose of this  
 5 chapter to comply with federal law requiring special  
 6 consideration of certain types of property. To meet the  
 7 requirements of federal law, the legislature finds it  
 8 necessary to separate the several types of property into  
 9 classes, each class containing property reasonably related  
 10 to other property in the same class and reasonably different  
 11 from property in every other class. It is further the  
 12 purpose of this chapter and the policy of the legislature to  
 13 treat all similar property subject to taxation in an  
 14 equitable manner.

15 ~~(1)~~(2) All property in this state is subject to  
 16 taxation, except as provided otherwise.

17 ~~(2)~~(3) For the purpose of taxation, the taxable  
 18 property in the state shall be classified in accordance with  
 19 ~~15-6-131 through 15-6-141~~ this part.

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

21 "15-6-134. Class four property -- description --  
 22 taxable percentage. (1) Class four property includes:

23 (a) all land, including, for farm homes, 1 acre of  
 24 agricultural land at market value, except that specifically  
 25 included in another class;

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

3 (c) a trailer or mobile home used as a residence  
4 except when:

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

7 (ii) specifically included in another class;

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

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

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

19 (iii) a recipient or recipients of retirement or  
20 disability benefits whose total income from all sources  
21 including otherwise tax-exempt income of all types is not  
22 more than \$8,000 for a single person or \$10,000 for a  
23 married couple;

24 (e) the first \$35,000 or less of the market value of a  
25 trailer or mobile home used as a residence and actually

1 occupied for at least 10 months a year as the primary  
2 dwelling of any person described in subsections (1)(d)(i)  
3 through (1)(d)(iii);

4 ~~(d)~~(f) all golf courses, including land and  
5 improvements actually and necessarily used for that purpose,  
6 that:

7 (i) consist of at least 9 holes and not less than  
8 3,000 lineal yards; and

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

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

12 (a) ~~Except--as--provided--in--15-24-1402--or--15-24-1501;~~  
13 Property described in subsections (1)(a) and ~~(1)(b)~~  
14 through (1)(c) is taxed at 8-55% the taxable percentage rate  
15 "P" of its market value.

16 (b) Property described in ~~subsection---~~(1)(f)  
17 subsections (1)(d) and (1)(e) is taxed at 8-55% the taxable  
18 percentage rate "P" of its market value multiplied by a  
19 percentage figure based on income and determined from the  
20 following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$0 - \$1,000	\$0 - \$1,000	0%
1,001 - 2,000	1,001 - 2,000	10%
2,001 - 2,800	2,001 - 3,000	20%

1	2,801 - 3,600	3,001 - 4,000	30%
2	3,601 - 4,400	4,001 - 5,000	40%
3	4,401 - 5,200	5,001 - 6,000	50%
4	5,201 - 6,000	6,001 - 7,000	60%
5	6,001 - 6,800	7,001 - 8,000	70%
6	6,801 - 7,600	8,001 - 9,000	80%
7	7,601 - 8,000	9,001 - 10,000	90%

8 (c) Property described in subsection ~~(1)(d)~~ (1)(f) is  
 9 taxed at one-half the taxable percentage ~~established in~~  
 10 ~~subsection (2)(a), or 4.275%~~ rate "P".

11 (3) Until July 1, 1986, the taxable percentage rate  
 12 "P" for class four property is 8.55%.

13 (4) For 1986 and every year thereafter, the department  
 14 of revenue shall, before July 1 of each year, determine the  
 15 taxable percentage rate "P" applicable to class four  
 16 property. The determination shall be made as provided in  
 17 subsection (5).

18 (5)  $P = A / (1 + B)$ , where:

19 (a) P is the taxable percentage rate applicable to  
 20 class four property for the fiscal year beginning July 1 in  
 21 the year in which P is calculated;

22 (b) A is the taxable percentage rate P applicable to  
 23 class four property as established by the department for the  
 24 immediately preceding year; and

25 (c) B is the certified statewide percentage increase

1 to be determined by the department as provided in subsection  
 2 (6).

3 (6) The director of the department of revenue shall  
 4 certify to the governor before July 1 of each year the  
 5 percentage by which the appraised value of all property in  
 6 the state classified under class four as of January 1 of the  
 7 same year has increased due to the revaluation conducted  
 8 under 15-7-111(2). This figure is the "certified statewide  
 9 percentage increase".

10 Section 4. Section 15-6-135, MCA, is amended to read:

11 "15-6-135. Class five property -- description --  
 12 taxable percentage. (1) Class five property includes:

13 (a) all property used and owned by cooperative rural  
 14 electrical and cooperative rural telephone associations  
 15 organized under the laws of Montana, except property  
 16 described in 15-6-139(1)(u) owned by cooperative  
 17 organizations described in subsection (1)(c) of 15-6-137;

18 (b) air and water pollution control equipment as  
 19 defined in this section;

20 (c) new industrial property as defined in this  
 21 section;

22 (d) any personal or real property used primarily in  
 23 the production of gasohol during construction and for the  
 24 first 3 years of its operation.

25 (2) (a) "Air and water pollution equipment" means

1 facilities, machinery, or equipment used to reduce or  
 2 control water or atmospheric pollution or contamination by  
 3 removing, reducing, altering, disposing, or storing  
 4 pollutants, contaminants, wastes, or heat. The department of  
 5 health and environmental sciences shall determine if such  
 6 utilization is being made.

7 (b) The department of health and environmental  
 8 sciences' determination as to air and water pollution  
 9 equipment may be appealed to the board of health and  
 10 environmental sciences and may not be appealed to either a  
 11 county tax appeal board or the state tax appeal board.  
 12 However, the appraised value of the equipment as determined  
 13 by the department of revenue may be appealed to the county  
 14 tax appeal board and the state tax appeal board.

15 (3) "New industrial property" means any new industrial  
 16 plant, including land, buildings, machinery, and fixtures,  
 17 used by new industries during the first 3 years of their  
 18 operation. The property may not have been assessed within  
 19 the state of Montana prior to July 1, 1961.

20 (4) (a) "New industry" means any person, corporation,  
 21 firm, partnership, association, or other group that  
 22 establishes a new plant in Montana for the operation of a  
 23 new industrial endeavor, as distinguished from a mere  
 24 expansion, reorganization, or merger of an existing  
 25 industry.

1 (b) New industry includes only those industries that:  
 2 (i) manufacture, mill, mine, produce, process, or  
 3 fabricate materials;

4 (ii) do similar work, employing capital and labor, in  
 5 which materials unserviceable in their natural state are  
 6 extracted, processed, or made fit for use or are  
 7 substantially altered or treated so as to create commercial  
 8 products or materials; or

9 (iii) engage in the mechanical or chemical  
 10 transformation of materials or substances into new products  
 11 in the manner defined as manufacturing in the 1972 Standard  
 12 Industrial Classification Manual prepared by the United  
 13 States office of management and budget.

14 (5) New industrial property does not include:

15 (a) property used by retail or wholesale merchants,  
 16 commercial services of any type, agriculture, trades, or  
 17 professions;

18 (b) a plant that will create adverse impact on  
 19 existing state, county, or municipal services; or

20 (c) property used or employed in any industrial plant  
 21 that has been in operation in this state for 3 years or  
 22 longer.

23 (6) Class five property is taxed at 3% of its market  
 24 value."

25 Section 5. Section 15-6-137, MCA, is amended to read:



1 "15-6-137. Class seven property -- description --  
2 taxable percentage. (1) Class seven property includes:

3 (a) all property used--and--owned--by--persons, firms,  
4 corporations, or other organizations that are engaged in the  
5 business of furnishing telephone communications--exclusively  
6 to rural areas or to rural areas and cities and towns of 800  
7 persons or less;

8 (b) all property owned by cooperative rural electrical  
9 and cooperative rural telephone associations that serve less  
10 than 95% of the electricity consumers or telephone users  
11 within the incorporated limits of a city or town;

12 (c) electric transformers and meters, electric light  
13 and power substation machinery, natural gas measuring and  
14 regulating station equipment, meters, and compressor station  
15 machinery owned by noncentrally assessed public utilities,  
16 and tools used in the repair and maintenance of this  
17 property; and

18 (d) tools, implements, and machinery used to repair  
19 and maintain machinery not used for manufacturing and mining  
20 purposes;

21 (2) %o qualify for this classification, the average  
22 circuit miles for each station on the telephone  
23 communication system described in subsection (1)(b) must be  
24 more than 1 mile; used for noncommercial purposes which is  
25 not real property or an improvement to real property and

1 which is not in another class or exempt from taxation under  
2 Title 15, chapter 6, part 2; and

3 (b) all agricultural tools, machinery, and equipment  
4 used in a bona fide farm, ranch, or stock operation.

5 (3)(2) Class seven property is taxed at 8% 11.1% of  
6 its market value."

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

8 "15-6-138. Class eight property -- description --  
9 taxable percentage. (1) Class eight property includes:

10 (a) all agricultural implements and equipment,  
11 commercial timberland.

12 (b) all mining machinery, fixtures, equipment, tools,  
13 and supplies except:

14 (i) those included in class five, and

15 (ii) coal and ore haulers;

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

18 (d) motorcycles;

19 (e) watercraft;

20 (f) all trailers up to and including 10,000 pounds  
21 maximum gross loaded weight, except those subject to a fee  
22 in lieu of property tax;

23 (g) aircraft;

24 (h) all terrain vehicles;

25 (i) harness, saddlery, and other tack equipment;

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

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

(2) Commercial timberland is all land in one ownership and from which is harvested 30,000 or more board feet in any year during the appraisal cycle.

~~(2)(3) Class eight property is taxed at ~~11%~~ 30% of its market value the combined appraised value of the standing timber and grazing productivity of the property."~~

Section 7. Section 15-6-139, MCA, is amended to read:

"15-6-139. Class nine property -- description -- taxable percentage. (1) Class nine property is all property used for commercial purposes that is not real property or an improvement to real property and which is not included in another class or exempt from taxation under Title 15, chapter 6, part 2, and includes:

(a) buses and trucks having a rated capacity of more than three-quarters of a ton ~~but less than or equal to 1 1/2 tons;~~

(b) truck toppers weighing more than 300 pounds;

(c) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(d) x-ray and medical and dental equipment; and

(e) citizens' band radios and mobile telephones;

(f) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;

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

(h) motorcycles;

(i) watercraft;

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

(k) aircraft;

(l) all-terrain vehicles;

(m) harness, saddlery, and other tack equipment;

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

(o) all other machinery except that specifically included in another class;

(p) radio and television broadcasting and transmitting equipment;

(q) cable television systems;

(r) coal and ore haulers;

(s) all trailers exceeding 18,000 pounds maximum gross loaded weight, including those prorated under 15-24-102 and

1 except those subject to a fee in lieu of property tax;

2 (t) theater projectors and sound equipment;

3 (u) electric transformers and meters; electric light  
4 and power substation machinery; natural gas measuring and  
5 regulating station equipment, meters, and compressor station  
6 machinery owned by noncentrally assessed public utilities;  
7 and tools used in the repair and maintenance of this  
8 property;

9 (v) tools, implements, and machinery used to repair  
10 and maintain machinery not used in a bona fide agricultural  
11 operation or for manufacturing or mining purposes; and

12 (w) all other property not included in any other class  
13 except that property subject to a fee in lieu of a property  
14 tax and property exempt from taxation.

15 (2) "Commercial establishment" includes any hotel;  
16 motel; office; petroleum marketing station; or service,  
17 wholesale, retail, or food-handling business.

18 (3) Class nine property is taxed at 13% 11.7% of its  
19 market value."

20 Section 8. Section 15-6-140, MCA, is amended to read:

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

23 ~~(a) radio and television broadcasting and transmitting~~  
24 ~~equipment;~~

25 ~~(b) cable television systems;~~

1 ~~(c) coal and ore haulers;~~

2 ~~(d) trucks having a rated capacity of more than 1 1/2~~  
3 ~~tons, including those prorated under 15-24-102;~~

4 ~~(e) all trailers exceeding 10,000 pounds maximum gross~~  
5 ~~loaded weight, including those prorated under 15-24-102 and~~  
6 ~~except those subject to a fee in lieu of property tax;~~

7 ~~(f) theater projectors and sound equipment; and~~

8 ~~(g) all other property not included in the preceding~~  
9 ~~nine classes except that property subject to a fee in lieu~~  
10 ~~of a property tax;~~

11 (a) all railroad transportation property as described  
12 in the Railroad Revitalization and Regulatory Reform Act of  
13 1976 as it reads on [the effective date of this act];

14 (b) all airline transportation property as described  
15 in the Tax Equity and Fiscal Responsibility Act of 1982 as  
16 it reads on [the effective date of this act]; and

17 (c) all motor carrier transportation property as  
18 described in the Motor Carrier Act of 1980 as it reads on  
19 [the effective date of this act].

20 (2) Class ten property is taxed at ~~16%~~ of its market  
21 value: the percentage rate "R", to be determined by the  
22 department as provided in subsection (3).

23 (3) R = (A + B + C + D)/E, where:

24 (a) R is the taxable percentage applicable to class  
25 ten property;

1 (b) A is the total statewide taxable value of all  
 2 commercial real property and improvements included in class  
 3 four and is determined by multiplying the total statewide  
 4 market value of such class four property by the taxable  
 5 percentage rate "P" provided in 15-6-134;

6 (c) B is the total statewide taxable value of all  
 7 property included in class nine and is determined by  
 8 multiplying the total statewide market value of class nine  
 9 property by the taxable percentage provided in 15-6-139;

10 (d) C is the total statewide taxable value of all  
 11 property described in 15-6-141(1)(a), (1)(b), (1)(d), and  
 12 (1)(e) and is determined by multiplying the total statewide  
 13 market value of the property described in those subsections  
 14 by the taxable percentage provided in 15-6-141(2)(a);

15 (e) D is the total statewide taxable value of all  
 16 property described in 15-6-141(1)(c) and is determined by  
 17 multiplying the total statewide market value of the property  
 18 described in 15-6-141(1)(c) by the taxable percentage  
 19 provided in 15-6-141(2)(b); and

20 (f) E is the total statewide market value of:

21 (i) all property included in class nine and class  
 22 eleven; and

23 (ii) all commercial real property and improvements  
 24 included in class four.

25 (4) For the purpose of complying with the Railroad

1 Revitalization and Regulatory Reform Act of 1976, the Tax  
 2 Equity and Fiscal Responsibility Act of 1982, and the Motor  
 3 Carrier Act of 1980, as they read on [the effective date of  
 4 this act]:

5 (a) the rate "R" referred to in subsection (2) is the  
 6 average tax rate generally applicable to commercial and  
 7 industrial property in Montana; and

8 (b) "commercial and industrial property" is all  
 9 property included in class nine and class eleven and all  
 10 commercial real property and improvements included in class  
 11 four."

12 Section 9. Section 15-6-141, MCA, is amended to read:

13 "15-6-141. Class eleven property -- description --  
 14 taxable percentage. (1) Class eleven property includes:

15 (a) centrally assessed electric power companies'  
 16 allocations;

17 (b) allocations for centrally assessed natural gas  
 18 companies having a major distribution system in this state;

19 and

20 (c) centrally assessed companies' allocations except:

21 (i) electric power and natural gas companies'  
 22 property;

23 (ii) property owned by cooperative rural electric and  
 24 cooperative rural telephone associations and classified in  
 25 class five; and

1 (iii) property owned by organizations providing  
2 telephone communications to rural areas and classified in  
3 class seven: nine; and

4 (iv) motor carrier, airline, and railroad  
5 transportation property included in class ten;

6 (d) all property used and owned by persons, firms,  
7 corporations, or other organizations that are engaged in the  
8 business of furnishing telephone communications exclusively  
9 to rural areas or to rural areas and cities and towns of 800  
10 persons or less; and

11 (e) all property owned by cooperative rural electrical  
12 and cooperative rural telephone associations that serve less  
13 than 95% of the electricity consumers or telephone users  
14 within the incorporated limits of a city or town where the  
15 average circuit miles for each station on the telephone  
16 communication system is more than 1 mile.

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

18 (a) Property described in subsection subsections  
19 (1)(a), and (1)(b), (1)(d), and (1)(e) is taxed at ~~12%~~ 12.8%  
20 of market value.

21 (b) Except as provided in 15-23-202, property  
22 described in subsection (1)(c) is taxed at ~~15%~~ 12.8% of  
23 market value."

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

25 "15-6-151. Application for certain class four

1 classifications. (1) A person applying for classification of  
2 property described in subsection ~~(1)(c)~~ (1)(d) or (1)(e) of  
3 15-6-134 shall make an affidavit to the department of  
4 revenue, on a form provided by the department without cost,  
5 stating:

6 (a) his income;

7 (b) his retirement benefits;

8 (c) his marital status;

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

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

14 (2) This application must be made before March 1 of  
15 the year after the applicant becomes eligible. The  
16 application remains in effect in subsequent years unless  
17 there is a change in the applicant's eligibility. The  
18 taxpayer shall inform the department of any change in  
19 eligibility. The department may inquire by mail whether any  
20 change in eligibility has taken place and may require a new  
21 statement of eligibility at any time it considers necessary.

22 (3) The affidavit is sufficient if the applicant signs  
23 a statement affirming the correctness of the information  
24 supplied, whether or not the statement is signed before a  
25 person authorized to administer oaths, and mails the

1 application and statement to the department of revenue.  
 2 This signed statement shall be treated as a statement under  
 3 oath or equivalent affirmation for the purposes of 45-7-202,  
 4 relating to the criminal offense of false swearing."

5 Section 11. Section 15-7-202, MCA, is amended to read:

6 "15-7-202. Eligibility of land for valuation as  
 7 agricultural. (1) Land which is actively devoted to  
 8 agricultural use shall be eligible for valuation,  
 9 assessment, and taxation as herein provided each year it  
 10 meets any of the following qualifications:

11 (a) the area of such land is not less than 5  
 12 contiguous acres when measured in accordance with provisions  
 13 of 15-7-206, and it has been actively devoted to agriculture  
 14 during the last growing season, and it continues to be  
 15 actively devoted to agricultural use, which means:

16 (i) it is used to produce field crops including but  
 17 not limited to grains, feed crops, fruits, vegetables; or

18 (ii) it is used for grazing and it is not classified as  
 19 commercial timberland as defined in 15-6-138; or

20 ~~(iii) it is used for growing timber; or~~

21 ~~(iv)~~ (iii) it is in a cropland retirement program; or

22 (b) it agriculturally produces for sale or home  
 23 consumption the equivalent of 15% or more of the owners'  
 24 annual gross income regardless of the number of contiguous  
 25 acres in the ownership; or

1 (c) it is used to raise animals in confined areas for  
 2 the production of food or fiber, including but not limited  
 3 to livestock, feedlots, dairies, fish hatcheries, and  
 4 poultry farms.

5 (2) Land shall not be classified or valued as  
 6 agricultural if it is subdivided with stated restrictions  
 7 prohibiting its use for agricultural purposes.

8 (3) The grazing on land by a horse or other animals  
 9 kept as a hobby and not as a part of a bona fide  
 10 agricultural enterprise shall not be considered a bona fide  
 11 agricultural operation."

12 Section 12. Section 15-7-307, MCA, is amended to read:

13 "15-7-307. Certificate -- exceptions. The certificate  
 14 imposed by this part shall not apply to:

15 (1) an instrument recorded prior to July 1, 1975;

16 (2) the sale of agricultural land when the land is  
 17 used for agricultural purposes;

18 (3) the United States of America, this state, or any  
 19 instrumentality, agency, or subdivision thereof;

20 (4) an instrument which (without added consideration)  
 21 confirms, corrects, modifies, or supplements a previously  
 22 recorded instrument;

23 (5) a transfer pursuant to court decree;

24 (6) a transfer pursuant to mergers, consolidations, or  
 25 reorganizations of corporations, partnerships, or other

1 business entities;

2 (7) a transfer by a subsidiary corporation to its

3 parent corporation without actual consideration or in sole

4 consideration of the cancellation or surrender of subsidiary

5 stock;

6 (8) a transfer of decedents' estates;

7 (9) a transfer of a gift;

8 (10) a transfer between husband and wife or parent and

9 child with only nominal actual consideration therefor;

10 (11) an instrument the effect of which is to transfer

11 the property to the same party or parties;

12 (12) a sale for delinquent taxes or assessments,

13 sheriff sale, bankruptcy action, or mortgage foreclosure;

14 (13) a transfer made in contemplation of death; or

15 (14) the sale of timberland when the land is classified

16 for tax purposes as commercial timberland."

17 Section 13. Section 15-8-111, MCA, is amended to read:

18 "15-8-111. Assessment -- market value standard --

19 exceptions. (1) All taxable property must be assessed at

20 100% of its market value except as provided in subsection

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

22 (2) (a) Market value is the value at which property

23 would change hands between a willing buyer and a willing

24 seller, neither being under any compulsion to buy or to sell

25 and both having reasonable knowledge of relevant facts.

1 (b) ~~The market value of all motor-trucks, agricultural~~

2 ~~tools, implements, and machinery, and vehicles of all kinds,~~

3 ~~including but not limited to motorcycles, aircraft, and~~

4 ~~boats and all watercraft, property included in class seven~~

5 is the average wholesale value shown in national appraisal

6 guides and manuals or the value of the vehicle before

7 reconditioning and profit margin. The department of revenue

8 shall prepare valuation schedules showing the average

9 wholesale value when no national appraisal guide exists.

10 (c) The market value of all commercial property other

11 than real property and improvements is the average retail

12 value shown in one or more national appraisal guides and

13 manuals chosen by the department of revenue. The department

14 shall prepare valuation schedules showing the average retail

15 value when no national appraisal guide exists.

16 (d) For real property and improvements, in the absence

17 of contradictory market data information, market value is

18 considered to be replacement cost depreciated.

19 (3) The department of revenue or its agents may not

20 adopt a lower or different standard of value from market

21 value in making the official assessment and appraisal of the

22 value of property in 15-6-134 through ~~15-6-140~~ 15-6-137 and

23 15-6-139 through 15-6-141. For purposes of taxation,

24 assessed value is the same as appraised value.

25 (4) The taxable value for all property in classes four

1 through seven and classes nine through eleven is the  
 2 percentage of market value established for each class of  
 3 property in 15-6-134 through 15-6-137 and 15-6-139 through  
 4 15-6-141.

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

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

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

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

17 (d) Properties in 15-6-138, under class eight, are  
 18 assessed at 100% of the combined appraised value of the  
 19 standing timber and grazing productivity.

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

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

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

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

1 (7) The taxable value of all property in 15-6-131 and  
 2 classes two, and three, and eight is the percentage of  
 3 assessed value established in 15-6-131(2), 15-6-132, and  
 4 15-6-133, and 15-6-138 for each class of property."

5 Section 14. Section 15-16-611, MCA, is amended to  
 6 read:

7 "15-16-611. Reduction of property tax for property  
 8 destroyed by natural disaster. (1) The department of revenue  
 9 shall, upon showing by a taxpayer that some or all of the  
 10 improvements on his real property or a trailer or mobile  
 11 home [as described in 15-6-134(1)(c)] have been destroyed to  
 12 such an extent that such improvements have been rendered  
 13 unsuitable for their previous use by natural disaster,  
 14 adjust the tax due and payable for the current year on the  
 15 property under 15-16-102 as provided in subsection (2) of  
 16 this section.

17 (2) To determine the amount of tax due for destroyed  
 18 property, the county treasurer shall multiply the amount of  
 19 tax levied and assessed on the property for the year by the  
 20 ratio that the number of days in the year that the property  
 21 existed before destruction bears to 365.

22 (3) This section does not apply to delinquent taxes  
 23 owed on the destroyed property for a year prior to the year  
 24 in which the property was destroyed.

25 (4) For the purposes of this section, "natural



1 disaster" includes but is not limited to fire, flood,  
2 earthquake, or wind."

3 Section 15. Section 15-23-202, MCA, is amended to  
4 read:

5 "15-23-202. Assessment -- how made. (1) The  
6 department must assess the franchise, roadway, roadbed,  
7 rails, rolling stock, and all other operating properties of  
8 all railroads operated in more than one county or more than  
9 one state. All rolling stock must be assessed in the name of  
10 the person owning, leasing, or using the same. Assessment  
11 must be made to the person owning or leasing or using the  
12 same and must be made upon the entire railroad within the  
13 state. The depots, stations, shops, and buildings erected  
14 upon the space covered by the right-of-way and all other  
15 property owned or leased by such person, except as above  
16 provided, shall be assessed by the department.

17 (2) In determining the taxable value of railroad  
18 property, the department ~~may--modify~~ shall determine the  
19 percentage ~~multiplier rate~~ "R" provided for in ~~15-6-141~~  
20 15-6-140 in order to achieve compliance with the  
21 requirements of the federal Railroad Revitalization and  
22 Regulatory Reform Act of 1976, as amended."

23 Section 16. Section 15-7-111, MCA, is amended to read:

24 "15-7-111. Periodic revaluation of taxable property.  
25 The (1) Except as provided in subsection (2), the department

1 of revenue shall administer and supervise a program for the  
2 revaluation of all taxable property within the state at  
3 least every 5 years. A comprehensive written plan of  
4 rotation shall be promulgated by the department fixing the  
5 order of revaluation of property in each county on the basis  
6 of the last revaluation of taxable property in each county  
7 prior to July 1, 1974, in order to adjust the disparities  
8 therein between the counties. The plan of rotation so  
9 adopted shall provide that all property in each county shall  
10 be revalued at least every 5 years or that no less than 20%  
11 of the property in each county shall be revalued in each  
12 year. The department shall furnish a copy of the plan and  
13 all amendments thereto to each county assessor and the board  
14 of county commissioners in each county.

15 (2) All property in class four, class nine, class ten,  
16 and class eleven shall be revalued annually under a program  
17 developed, administered, and supervised by the department."

18 Section 17. Section 15-8-104, MCA, is amended to read:

19 "15-8-104. Department audit of taxable value -- costs  
20 of audit paid by department. (1) When in the judgment of the  
21 director of revenue it is necessary, audits may be made for  
22 the purpose of determining the taxable value of net proceeds  
23 of mines and oil and gas wells and all other types of  
24 property subject to ad valorem taxation.

25 (2) The department of revenue shall conduct audits of

1 the assessment of property in class four and class nine to  
2 assure that the value of the property in those classes  
3 reflects market value.

4 ~~(2)~~(3) The cost of the any audit performed under  
5 subsection (1) or (2) shall be paid by the department."

6 NEW SECTION. Section 18. Repealer. Section 15-6-142,  
7 MCA, is repealed.

8 NEW SECTION. Section 19. Extension of authority. (1)  
9 Any 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 (2) The department may initiate rulemaking proceedings  
13 under this section on or after the date on which this act is  
14 passed and approved, but no rule adopted under this section  
15 may be made effective before January 1, 1986.

16 NEW SECTION. Section 20. Severability. If a part of  
17 this act is invalid, all valid parts that are severable from  
18 the invalid part remain in effect. If a part of this act is  
19 invalid in one or more of its applications, the part remains  
20 in effect in all valid applications that are severable from  
21 the invalid applications.

22 NEW SECTION. Section 21. Effective dates. (1) This  
23 act, except section 19 and this section, is effective  
24 January 1, 1986.

25 (2) Section 19 and this section are effective on

1 passage and approval.

-End-

## STATE OF MONTANA

REQUEST NO. FNN160-85

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 21, 19 85, there is hereby submitted a Fiscal Note for H.B. 240 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.

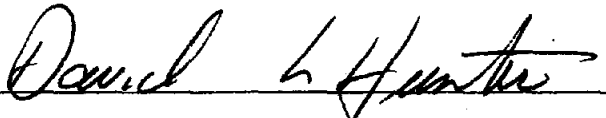
DESCRIPTION

An act to generally revise Montana property tax classification law to comply with federal law granting certain types of property special consideration; requiring the Department of Revenue to annually revalue all commercial and industrial property; requiring the Department of Revenue to conduct audits of assessments on Class Four and Class Nine property and improvements; requiring the Department of Revenue to annually determine the taxable percentage rate applicable to Class Four real property and improvements to result in a zero percentage increase in the state-wide taxable value of such property; defining the term "COMMERCIAL" as it applies to property subject to taxation; clarifying the term "MARKET VALUE" for property tax purposes, and providing effective dates.

ASSUMPTIONS

- 1) Total state taxable value under current law is \$2,408,903,000 in FY1986 and \$2,495,795,000 in FY1987 (OBPP).
- 2) The weighted average effective mill levy remains constant at the FY1984 level of 192.773 mills; University mill levy is 6 mills; School Foundation Program mill levy is 45 mills.
- 3) The proportion of total property tax required for all school funding is 60 percent.
- 4) Wholesale values are equal to 80 percent of retail values.
- 5) Additional costs to provide additional audit functions are \$28,058 per year.
- 6) Additional costs associated with annual revaluations of all Commercial/Industrial property are estimated contingent upon the following alternatives:

(Continued)



---

BUDGET DIRECTOR  
Office of Budget and Program PlanningDate: Jan 25, 1985  
HB 240

	<u>FY86</u>	<u>FY87</u>
Alternative 1	\$ 946,265	\$746,265
- Annually reinspect 20% of all properties		
- Annually revalue all properties; static depreciation, adjusted if appropriate to reflect market conditions		
- Value land in first year of reappraisal cycle static land value for remainder of cycle, adjusted if appropriate to reflect market transactions.		
Alternative 2	\$ 946,265	\$946,265
- Annually reinspect 20 % of properties		
- Annually revalue all properties; static depreciation, adjusted if appropriate.		
- Annually revalue all land.		
Alternative 3	\$2,919,945	\$2,919,945
- Annually reinspect and revalue all properties		
- Annually revalue all land		

FISCAL IMPACT

The following table shows the total impact of the bill in FY1987 distributed over relevant industries and proposals. The mills for Universities and Schools are included in the total change in tax revenue (192.773 mills).

	<u>FY87</u>					
	WHOLESALE TO RETAIL	AIRLINES	RAILROADS	ONE FARM ACRE TO MARKET VALUE	ALI OTHER	TOTAL
Change in taxable value:	\$7,780,791	\$ (601,243)	\$12,919,338	\$280,596	\$ (396,798)	\$19,987,684
Change in tax revenue (192.773 mills)	1,499,926	(115,903)	2,490,500	54,091	(76,492)	3,852,121
Universities (6 mills)	46,685	(3,607)	77,516	1,684	(2,381)	119,896
School Foundation Program (45 mills)	350,136	(27,056)	581,370	12,627	(17,856)	899,221
Net Local Govt. Impact	\$1,103,105	\$ (85,240)	\$ 1,831,614	\$ 39,780	\$ (56,255)	\$ 2,833,004
Total Impact on Schools	\$ 899,956	\$ (69,542)	\$ 1,494,300	\$ 32,455	\$ (45,895)	\$ 2,311,273

Request No. FNN160-85

Form BD-15

Page 3

H.B. 240

EFFECT ON COUNTY OR OTHER LOCAL REVENUE

The total impact of the proposed legislation is to increase total property tax collections by \$3,852,121. When the effects on University and School Foundation Program levies are removed the net impact to local governments is an increase of \$2,833,004 annually. The total increase to all school funding is \$2,311,273.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION

Under the proposed bill all Class 4 property (which includes, but is not limited to all commercial real property and improvements, residences, and trailers or mobile homes used as residences) becomes subject to an annually revised taxable percentage rate that results in a zero percentage increase in the statewide taxable value of such property. Consequently, future increases in property tax that would have occurred as a result of appreciation in the appraised value of Class 4 property would be foregone.

## 1 STATEMENT OF INTENT

## 2 HOUSE BILL 240

3

4 A statement of intent is required for this bill because  
5 section 10 of the bill requires the department of revenue to  
6 adopt rules describing which types of property within the  
7 several property classes are comparable property. The  
8 legislature intends that the term "comparable property" will  
9 be limited to comparisons of residential property with  
10 residential property, commercial property with commercial  
11 property, and so forth.

12 It is also the intent of the legislature that the  
13 department adopt rules establishing a method for conducting  
14 sales assessment ratio studies as required in the bill. The  
15 method provided in the rules should be statistically valid  
16 and conducted in a consistent, predictable manner, and only  
17 to the extent that the minimum requirements of federal  
18 legislation are met. The requirements to be met by the  
19 department, both under the provisions of this bill and under  
20 federal legislation, shall be met by using realty transfer  
21 certificates and other available data to the greatest extent  
22 possible.

ON MOTION RULES SUSPENDED;  
YELLOW PRINTING DISPENSED

THIRD READING

AS AMENDED

HB 240

## 1 HOUSE BILL NO. 240

2 INTRODUCED BY RAMIREZ, CRIPPEN, B. BROWN

3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

4

5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE  
 6 MONTANA PROPERTY TAX CLASSIFICATION LAW TO COMPLY WITH  
 7 FEDERAL LAW GRANTING CERTAIN TYPES OF PROPERTY SPECIAL  
 8 CONSIDERATION AND WITH PROVISIONS OF THE MONTANA  
 9 CONSTITUTION; ~~REQUIRING THE DEPARTMENT OF REVENUE TO~~  
 10 ~~ANNUALLY REVALUE ALL COMMERCIAL AND INDUSTRIAL PROPERTY;~~  
 11 ~~REQUIRING THE DEPARTMENT OF REVENUE TO CONDUCT AUDITS OF~~  
 12 ~~ASSESSMENTS ON CLASS FOUR AND CLASS NINE COMMERCIAL PERSONAL~~  
 13 ~~PROPERTY AND IMPROVEMENTS; REQUIRING THE DEPARTMENT OF~~  
 14 ~~REVENUE TO ANNUALLY DETERMINE THE TAXABLE PERCENTAGE RATE~~  
 15 ~~APPLICABLE TO CLASS FOUR REAL PROPERTY AND IMPROVEMENTS TO~~  
 16 ~~RESULT IN A ZERO PERCENTAGE INCREASE IN THE STATEWIDE~~  
 17 ~~TAXABLE VALUE OF SUCH THIRTEEN PROPERTY; DEFINING THE TERM~~  
 18 ~~"COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO TAXATION;~~  
 19 ~~CLARIFYING THE TERM "MARKET VALUE" FOR PROPERTY TAX~~  
 20 ~~PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-134,~~  
 21 ~~15-6-135, 15-6-137 THROUGH 15-6-138, 15-6-141, 15-6-151,~~  
 22 ~~15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111, 15-16-611,~~  
 23 ~~AND 15-23-202, MCA; REPEALING SECTION 15-6-142, MCA; AND~~  
 24 ~~PROVIDING EFFECTIVE DATES."~~

25

1 WHEREAS, the federal government has granted special  
 2 consideration to certain types of property with respect to  
 3 property taxation; and

4 WHEREAS, the Legislature and the people of the State of  
 5 Montana desire to be in full compliance with all federal  
 6 law; and

7 WHEREAS, there have been questions in the past  
 8 regarding the validity of Montana's property tax  
 9 classification laws with respect to federal law granting  
 10 special consideration to certain types of property; and

11 WHEREAS, state tax policy is best determined by the  
 12 state's primary policymaking body, which is the Legislature;  
 13 and

14 WHEREAS, the Legislature wishes to retain as much as  
 15 possible the sovereignty guaranteed to the state by the 10th  
 16 amendment to the Constitution of the United States; and

17 WHEREAS, the 48th Legislature of the State of Montana  
 18 adopted House Joint Resolution 31, requiring a study of  
 19 Montana's property tax classification system; and

20 WHEREAS, the Revenue Oversight Committee has examined  
 21 Montana's property tax system; and

22 WHEREAS, that examination causes the Revenue Oversight  
 23 Committee to recommend a general revision of Montana's  
 24 property tax classification system.

25

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

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

3 "15-1-101. Definitions. (1) When terms mentioned in  
4 this section are used in connection with taxation, they are  
5 defined in the following manner:

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

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

11 (c) The term "average wholesale value" means the value  
12 to a dealer prior to reconditioning and profit margin shown  
13 in national appraisal guides and manuals or the valuation  
14 schedules of the department of revenue.

15 (d) (I) The term "commercial", when used to describe  
16 property, means any property used or owned by a business, a  
17 trade, or a nonprofit corporation as defined in 35-2-102 or  
18 used for the production of income, EXCEPT THAT PROPERTY  
19 DESCRIBED IN SUBSECTION (II).

20 (II) THE FOLLOWING TYPES OF PROPERTY ARE NOT  
21 COMMERCIAL:

22 (A) AGRICULTURAL LANDS;

23 (B) TIMBERLANDS;

24 (C) SINGLE-FAMILY RESIDENCES AND ANCILLARY  
25 IMPROVEMENTS AND IMPROVEMENTS NECESSARY TO THE FUNCTION OF A

1 BONA FIDE FARM, RANCH, OR STOCK OPERATION;

2 (D) MOBILE HOMES USED EXCLUSIVELY AS A RESIDENCE  
3 EXCEPT WHEN HELD BY A DISTRIBUTOR OR DEALER OF TRAILERS OR  
4 MOBILE HOMES AS HIS STOCK IN TRADE;

5 (E) ALL PROPERTY DESCRIBED IN 15-6-135;

6 (F) ALL PROPERTY DESCRIBED IN 15-6-136; AND

7 (G) ALL PROPERTY DESCRIBED IN [SECTION 6].

8 (E) THE TERM "COMPARABLE PROPERTY" MEANS PROPERTY THAT  
9 HAS SIMILAR USE, FUNCTION, AND UTILITY; THAT IS INFLUENCED  
10 BY THE SAME SET OF ECONOMIC TRENDS AND PHYSICAL,  
11 GOVERNMENTAL, AND SOCIAL FACTORS; AND THAT HAS THE POTENTIAL  
12 OF A SIMILAR HIGHEST AND BEST USE.

13 ~~(d)(f)~~(F) The term "credit" means solvent debts,  
14 secured or unsecured, owing to a person.

15 ~~(e)(f)~~(G) The term "improvements" includes all  
16 buildings, structures, ~~fixtures~~, fences, and improvements  
17 situated upon, erected upon, or affixed to land. When the  
18 department of revenue or its agent determines that the  
19 permanency of location of a mobile home or housetrailer has  
20 been established, the mobile home or housetrailer is  
21 presumed to be an improvement to real property. A mobile  
22 home or housetrailer may be determined to be permanently  
23 located only when it is attached to a foundation which  
24 cannot feasibly be relocated and only when the wheels are  
25 removed.



1        ~~f~~~~g~~~~(H)~~ The term "leasehold improvements" means  
 2 improvements to mobile homes and mobile homes located on  
 3 land owned by another person. This property is assessed  
 4 under the appropriate classification and the taxes are due  
 5 and payable in two payments as provided in 15-24-202.  
 6 Delinquent taxes on such leasehold improvements are a lien  
 7 only on such leasehold improvements.

8        ~~g~~~~h~~~~(I)~~ The term "mobile home" means forms of  
 9 housing known as "trailers", "housetrailers", or "trailer  
 10 coaches" exceeding 8 feet in width or 45 feet in length,  
 11 designed to be moved from one place to another by an  
 12 independent power connected to them, or any "trailer",  
 13 "housetrailer", or "trailer coach" up to 8 feet in width or  
 14 45 feet in length used as a principal residence.

15        ~~h~~~~i~~~~(J)~~ The term "personal property" includes  
 16 everything that is the subject of ownership but that is not  
 17 included within the meaning of the terms "real estate" and  
 18 "improvements".

19        ~~i~~~~j~~~~(K)~~ The term "poultry" includes all chickens,  
 20 turkeys, geese, ducks, and other birds raised in  
 21 domestication to produce food or feathers.

22        ~~j~~~~k~~~~(L)~~ The term "property" includes moneys,  
 23 credits, bonds, stocks, franchises, and all other matters  
 24 and things, real, personal, and mixed, capable of private  
 25 ownership. This definition must not be construed to

1 authorize the taxation of the stocks of any company or  
 2 corporation when the property of such company or corporation  
 3 represented by the stocks is within the state and has been  
 4 taxed.

5        ~~k~~~~l~~~~(M)~~ The term "real estate" includes:  
 6 (i) the possession of, claim to, ownership of, or  
 7 right to the possession of land;  
 8 (ii) all mines, minerals, and quarries in and under the  
 9 land subject to the provisions of 15-23-501 and 15-23-801;  
 10 all timber belonging to individuals or corporations growing  
 11 or being on the lands of the United States; and all rights  
 12 and privileges appertaining thereto.

13        ~~i~~~~m~~~~(N)~~ The term "taxable value" means the  
 14 percentage of market or assessed value as provided for in  
 15 15-6-131 through 15-6-140.

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

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

25        ~~Section-2---Section-15-6-101-MCA-is-amended-to-read:~~

1       ~~"15-6-101:--Property Purpose-----property subject to~~  
 2 ~~taxation---classification; {1}-it-is-the--purpose-of--this~~  
 3 ~~chapter---to--comply--with--federal--law--requiring--special~~  
 4 ~~consideration-of-certain-types-of--property.--To-meet--the~~  
 5 ~~requirements--of--federal--law--the--legislature--finds--it~~  
 6 ~~necessary-to-separate-the-several--types-of--property--into~~  
 7 ~~classes;--each--class-containing-property-reasonably-related~~  
 8 ~~to-other-property-in-the-same-class-and-reasonably-different~~  
 9 ~~from-property-in-every--other--class;--It--is--further--the~~  
 10 ~~purpose-of-this-chapter-and-the-policy-of-the-legislature-to~~  
 11 ~~treat--all--similar--property--subject--to--taxation--in--an~~  
 12 ~~equitable-manner---~~

13       ~~{1}{2}-All--property--in--this--state--is--subject--to~~  
 14 ~~taxation;--except-as-provided-otherwise;~~

15       ~~{2}{3}-For--the--purpose--of--taxation;--the--taxable~~  
 16 ~~property-in-the-state-shall-be-classified-in-accordance-with~~  
 17 ~~15-6-131-through-15-6-141 this-part."~~

18       Section 2. Section 15-6-134, MCA, is amended to read:

19       "15-6-134. Class four property -- description --  
 20 taxable percentage. (1) Class four property includes:

21       (a) ~~all land; including; for farm homes; --1-acre--of~~  
 22 ~~agricultural--land-at-market-value;~~ except that specifically  
 23 included in another class;

24       (b) all improvements except those specifically  
 25 included in another class;

1       ~~{c)--a--trailer--or--mobile--home--used--as--a--residence~~  
 2 ~~except-when:~~

3       ~~{i)--held-by-a-distributor-or-dealer--of--trailers--or~~  
 4 ~~mobile-homes-as-his-stock-in-trade;--or~~

5       ~~{ii)--specifically-included-in-another-class;~~

6       ~~{e){d}{C} the first \$35,000 or less of the market~~  
 7 ~~value of any improvement on real property and appurtenant~~  
 8 ~~land not exceeding 5 acres owned or under contract for deed~~  
 9 ~~and actually occupied for at least 10 months a year as the~~  
 10 ~~primary residential dwelling of:~~

11       (i) a widow or widower 62 years of age or older who  
 12 qualifies under the income limitations of (iii) of this  
 13 subsection;

14       (ii) a widow or widower of any age with dependent  
 15 children who qualifies under the income limitations of (iii)  
 16 of this subsection; or

17       (iii) a recipient or recipients of retirement or  
 18 disability benefits whose total income from all sources  
 19 including otherwise tax-exempt income of all types is not  
 20 more than \$8,000 for a single person or \$10,000 for a  
 21 married couple;

22       ~~{e)--the-first-\$35,000-or-less-of-the-market-value-of-a~~  
 23 ~~trailer-or-mobile-home-used--as--a--residence--and--actually~~  
 24 ~~occupied--for--at--least--10--months--a--year--as--the--primary~~  
 25 ~~dwelling-of-any-person-described--in--subsections--(i){d){i}~~

1 ~~through (d)(iii);~~  
 2 ~~(d)(f)(D)~~ all golf courses, including land and  
 3 improvements actually and necessarily used for that purpose,  
 4 that:

- 5 (i) consist of at least 9 holes and not less than
- 6 3,000 lineal yards; and
- 7 (ii) were used as a golf course on January 1, 1979, and
- 8 were owned by a nonprofit Montana corporation.

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

10 (a) ~~Except as provided in 15-24-1402 or 15-24-1501,~~  
 11 Property EXCEPT AS PROVIDED IN 15-24-1402 OR  
 12 15-24-1501, PROPERTY described in subsections (1)(a) and  
 13 ~~(b) through (c)~~ AND (1)(B) is taxed at 8.55% the  
 14 taxable percentage rate "P" 8.55% of its market value.

15 (b) Property described in ~~subsection (c)~~  
 16 SUBSECTION (1)(C) is taxed at  
 17 8.55% the taxable percentage rate "P" 8.55% of its market  
 18 value multiplied by a percentage figure based on income and  
 19 determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$0 - \$1,000	\$0 - \$1,000	0%
1,001 - 2,000	1,001 - 2,000	10%
2,001 - 2,800	2,001 - 3,000	20%
2,801 - 3,600	3,001 - 4,000	30%

1	3,601 - 4,400	4,001 - 5,000	40%
2	4,401 - 5,200	5,001 - 6,000	50%
3	5,201 - 6,000	6,001 - 7,000	60%
4	6,001 - 6,800	7,001 - 8,000	70%
5	6,801 - 7,600	8,001 - 9,000	80%
6	7,601 - 8,000	9,001 - 10,000	90%

7 (c) Property described in subsection ~~(d) (f)~~  
 8 (1)(D) is taxed at one-half the taxable percentage  
 9 ~~established in subsection (2)(a), or 4.275% rate "P"~~  
 10 ESTABLISHED IN SUBSECTION (2)(A).

11 ~~(3) Until July 1, 1986, the taxable percentage rate~~  
 12 "P" for class four property is 8.55%.

13 ~~(4) For 1986 and every year thereafter, the department~~  
 14 of revenue shall, before July 1 of each year, determine the  
 15 taxable percentage rate "P" applicable to class four  
 16 property. The determination shall be made as provided in  
 17 subsection (5):

18 ~~(5) P = A / (1 + B), where:~~

19 (a) P is the taxable percentage rate applicable to  
 20 class four property for the fiscal year beginning July 1 in  
 21 the year in which P is calculated;

22 (b) A is the taxable percentage rate P applicable to  
 23 class four property as established by the department for the  
 24 immediately preceding year; and

25 (c) B is the certified statewide percentage increase

1 ~~to be determined by the department as provided in subsection~~  
 2 ~~(6):~~

3 ~~(6) The director of the department of revenue shall~~  
 4 ~~certify to the governor before July 1 of each year the~~  
 5 ~~percentage by which the appraised value of all property in~~  
 6 ~~the state classified under class four as of January 1 of the~~  
 7 ~~same year has increased due to the revaluation conducted~~  
 8 ~~under 15-7-111(2). This figure is the "certified statewide~~  
 9 ~~percentage increase":~~

10 ~~(3) WITHIN THE MEANING OF COMPARABLE PROPERTY AS~~  
 11 ~~DEFINED IN 15-1-101, PROPERTY ASSESSED AS COMMERCIAL~~  
 12 ~~PROPERTY IS COMPARABLE ONLY TO OTHER PROPERTY ASSESSED AS~~  
 13 ~~COMMERCIAL PROPERTY, AND PROPERTY ASSESSED AS OTHER THAN~~  
 14 ~~COMMERCIAL PROPERTY IS COMPARABLE ONLY TO OTHER PROPERTY~~  
 15 ~~ASSESSED AS OTHER THAN COMMERCIAL PROPERTY."~~

16 ~~Section 4. Section 15-6-135, MCA, is amended to read:~~

17 ~~"15-6-135. Class five property description~~  
 18 ~~taxable percentage. (1) Class five property includes:~~

19 ~~(a) all property used and owned by cooperative rural~~  
 20 ~~electrical and cooperative rural telephone associations~~  
 21 ~~organized under the laws of Montana, except property~~  
 22 ~~described in 15-6-139(1)(u) owned by cooperative~~  
 23 ~~organizations described in subsection (1)(c) of 15-6-137;~~

24 ~~(b) air and water pollution control equipment as~~  
 25 ~~defined in this section;~~

1 ~~(c) new industrial property as defined in this~~  
 2 ~~section;~~

3 ~~(d) any personal or real property used primarily in~~  
 4 ~~the production of gasoline during construction and for the~~  
 5 ~~first 3 years of its operation;~~

6 ~~(2) (a) "Air and water pollution equipment" means~~  
 7 ~~facilities, machinery, or equipment used to reduce or~~  
 8 ~~control water or atmospheric pollution or contamination by~~  
 9 ~~removing, reducing, altering, disposing, or storing~~  
 10 ~~pollutants, contaminants, wastes, or heat. The department of~~  
 11 ~~health and environmental sciences shall determine if such~~  
 12 ~~utilization is being made;~~

13 ~~(b) The department of health and environmental~~  
 14 ~~sciences' determination as to air and water pollution~~  
 15 ~~equipment may be appealed to the board of health and~~  
 16 ~~environmental sciences and may not be appealed to either a~~  
 17 ~~county tax appeal board or the state tax appeal board.~~  
 18 ~~However, the appraised value of the equipment as determined~~  
 19 ~~by the department of revenue may be appealed to the county~~  
 20 ~~tax appeal board and the state tax appeal board.~~

21 ~~(3) "New industrial property" means any new industrial~~  
 22 ~~plant, including land, buildings, machinery, and fixtures,~~  
 23 ~~used by new industries during the first 3 years of their~~  
 24 ~~operation. The property may not have been assessed within~~  
 25 ~~the state of Montana prior to July 17, 1961.~~

1           (4)--(a)--"New--industry"--means--any--person,--corporation,  
2 firm,--partnership,--association,--or---other---group---that  
3 establishes--a--new--plant--in--Montana--for--the--operation--of--a  
4 new--industrial--endeavor,--as--distinguished--from--a--mere  
5 expansion,--reorganization,--or---merger--of--an--existing  
6 industry.

7           (b)--New--industry--includes--only--those--industries--that:  
8           (i)--manufacture,--mill,--mine,--produce,--process,--or  
9 fabricate--materials;

10           (ii)--do--similar--work,--employing--capital--and--labor,--in  
11 which--materials--unserviceable--in--their--natural--state--are  
12 extracted,--processed,--or--made--fit--for--use--or--are  
13 substantially--altered--or--treated--so--as--to--create--commercial  
14 products--or--materials;--or

15           (iii)--engage--in--the--mechanical--or--chemical  
16 transformation--of--materials--or--substances--into--new--products  
17 in--the--manner--defined--as--manufacturing--in--the--1972--Standard  
18 Industrial--Classification--Manual--prepared--by--the--United  
19 States--office--of--management--and--budget;

20           (5)--New--industrial--property--does--not--include:

21           (a)--property--used--by--retail--or--wholesale--merchants,  
22 commercial--services--of--any--type,--agriculture,--trades,--or  
23 professions;

24           (b)--a--plant--that--will--create--adverse--impact--on  
25 existing--state,--county,--or--municipal--services;--or

1           (c)--property--used--or--employed--in--any--industrial--plant  
2 that--has--been--in--operation--in--this--state--for--3--years--or  
3 longer;

4           (6)--Class--five--property--is--taxed--at--3%--of--its--market  
5 value.;"

6           Section--5,--Section--15-6-137,--MCA,--is--amended--to--read:

7           "15-6-137.---Class--seven--property-----description----  
8 taxable--percentage---(1)--Class--seven--property--includes:

9           (a)--all--property--used--and--owned--by--persons,--firms,  
10 corporations,--or--other--organizations--that--are--engaged--in--the  
11 business--of--furnishing--telephone--communications--exclusively  
12 to--rural--areas--or--to--rural--areas--and--cities--and--towns--of--800  
13 persons--or--less;

14           (b)--all--property--owned--by--cooperative--rural--electrical  
15 and--cooperative--rural--telephone--associations--that--serve--less  
16 than--95%--of--the--electricity--consumers--or--telephone--users  
17 within--the--incorporated--limits--of--a--city--or--town;

18           (c)--electric--transformers--and--meters;--electric--light  
19 and--power--substation--machinery;--natural--gas--measuring--and  
20 regulating--station--equipment;--meters,--and--compressor--station  
21 machinery--owned--by--noncentrally--assessed--public--utilities;  
22 and--tools--used--in--the--repair--and--maintenance--of--this  
23 property;--and

24           (d)--tools,--implements,--and--machinery--used--to--repair  
25 and--maintain--machinery--not--used--for--manufacturing--and--mining

1 purposes;

2 ~~{2}--To qualify for this classification, the average~~  
3 ~~circuit miles for each station on the telephone~~  
4 ~~communication system described in subsection (1)(b) must be~~  
5 ~~more than 1 mile; used for noncommercial purposes which is~~  
6 ~~not real property or an improvement to real property and~~  
7 ~~which is not in another class or exempt from taxation under~~  
8 ~~Title 15, chapter 6, part 2, and~~  
9 ~~(b) all agricultural tools, machinery, and equipment~~  
10 ~~used in a bona fide farm, ranch, or stock operation;~~  
11 ~~{3}{2}--Class seven property is taxed at 8% ~~11.1%~~ of~~  
12 ~~its market value."~~

13 Section 3. Section 15-6-138, MCA, is amended to read:  
14 "15-6-138. Class eight property -- description --  
15 taxable percentage. (1) Class eight property includes:  
16 ~~(a) all agricultural implements and equipment,~~  
17 ~~commercial timberland;~~  
18 ~~(b) all mining machinery, fixtures, equipment, tools,~~  
19 ~~and supplies except:~~  
20 ~~(i) those included in class five; and~~  
21 ~~(ii) coal and ore haulers;~~  
22 ~~(c) all manufacturing machinery, fixtures, equipment,~~  
23 ~~tools, and supplies except those included in class five;~~  
24 ~~(d) motorcycles;~~  
25 ~~(e) watercraft;~~

1 ~~(f) all trailers up to and including 10,000 pounds~~  
2 ~~maximum gross loaded weight, except those subject to a fee~~  
3 ~~in lieu of property tax;~~  
4 ~~(g) aircraft;~~  
5 ~~(h) all terrain vehicles;~~  
6 ~~(i) harness, saddlery, and other tack equipment;~~  
7 ~~(j) all goods and equipment intended for rent or~~  
8 ~~lease, except goods and equipment specifically included and~~  
9 ~~taxed in another class; and~~  
10 ~~(k) all other machinery except that specifically~~  
11 ~~included in another class;~~  
12 (A) ALL AGRICULTURAL IMPLEMENTS AND EQUIPMENT;  
13 (B) ALL MINING MACHINERY, FIXTURES, EQUIPMENT, TOOLS,  
14 AND SUPPLIES EXCEPT:  
15 (I) THOSE INCLUDED IN CLASS FIVE; AND  
16 (II) COAL AND ORE HAULERS;  
17 (C) ALL MANUFACTURING MACHINERY, FIXTURES, EQUIPMENT,  
18 TOOLS, AND SUPPLIES EXCEPT THOSE INCLUDED IN CLASS FIVE;  
19 (D) ALL TRAILERS UP TO AND INCLUDING 10,000 POUNDS  
20 MAXIMUM GROSS LOADED WEIGHT, EXCEPT THOSE SUBJECT TO A FEE  
21 IN LIEU OF PROPERTY TAX;  
22 (E) AIRCRAFT;  
23 (F) ALL GOODS AND EQUIPMENT INTENDED FOR RENT OR  
24 LEASE, EXCEPT GOODS AND EQUIPMENT SPECIFICALLY INCLUDED AND  
25 TAXED IN ANOTHER CLASS; AND

1 (G) ALL OTHER MACHINERY EXCEPT THAT SPECIFICALLY  
 2 INCLUDED IN ANOTHER CLASS.

3 (2) Commercial timberland is all land in one ownership  
 4 and from which is harvested 30,000 or more board feet in any  
 5 year during the appraisal cycle.

6 (2)(3)(2) Class eight property is taxed at 11% 30% 11%  
 7 of its market value the combined appraised value of the  
 8 standing timber and grazing productivity of the property ITS  
 9 MARKET VALUE."

10 Section 7, Section 15-6-139, MCA, is amended to read:  
 11 \*15-6-139. Class nine property description  
 12 taxable percentage: (1) Class nine property is all property  
 13 used for commercial purposes that is not real property or an  
 14 improvement to real property and which is not included in  
 15 another class or exempt from taxation under Title 15,  
 16 chapter 6, part 2 and includes:

17 (a) buses and trucks having a rated capacity of more  
 18 than three quarters of a ton but less than or equal to 1 1/2  
 19 tons;

20 (b) truck toppers weighing more than 300 pounds;

21 (c) furniture, fixtures, and equipment, except that  
 22 specifically included in another class, used in commercial  
 23 establishments as defined in this section;

24 (d) x-ray and medical and dental equipment; and

25 (e) citizens band radios and mobile telephones;

1 (f) all mining machinery, fixtures, equipment, tools,  
 2 and supplies except those included in class five;

3 (g) all manufacturing machinery, fixtures, equipment,  
 4 tools, and supplies except those included in class five;

5 (h) motorcycles;

6 (i) watercraft;

7 (j) all trailers up to and including 10,000 pounds  
 8 maximum gross loaded weight, except those subject to a fee  
 9 in lieu of property tax;

10 (k) aircraft;

11 (l) all terrain vehicles;

12 (m) harness, saddlery, and other tack equipment;

13 (n) all goods and equipment intended for rent or  
 14 lease, except goods and equipment specifically included and  
 15 taxed in another class;

16 (o) all other machinery except that specifically  
 17 included in another class;

18 (p) radio and television broadcasting and transmitting  
 19 equipment;

20 (q) cable television systems;

21 (r) coal and ore haulers;

22 (s) all trailers exceeding 10,000 pounds maximum gross  
 23 loaded weight, including those prorated under 15-24-102 and  
 24 except those subject to a fee in lieu of property tax;

25 (t) theater projectors and sound equipment;

1 {u}--electric--transformers--and--meters;--electric--light  
 2 and--power--substation--machinery;--natural--gas--measuring--and  
 3 regulating--station--equipment;--meters;--and--compressor--station  
 4 machinery--owned--by--noncentrally--assessed--public--utilities;  
 5 and--tools--used--in--the--repair--and--maintenance--of--this  
 6 property;

7 {v}--tools;--implements;--and--machinery--used--to--repair  
 8 and--maintain--machinery--not--used--in--a--bona--fide--agricultural  
 9 operation--or--for--manufacturing--or--mining--purposes;--and

10 {w}--all--other--property--not--included--in--any--other--class  
 11 except--that--property--subject--to--a--fee--in--lieu--of--a--property  
 12 tax--and--property--exempt--from--taxation;

13 {2}--"Commercial--establishment"--includes--any--hotel;  
 14 hotel;--office;--petroleum--marketing--station;--or--service;  
 15 wholesale;--retail;--or--food--handling--business.

16 {3}--Class--nine--property--is--taxed--at--13% ~~11.7%~~ of--its  
 17 market--value;"

18 Section--8;--Section--15-6-140;--MEA;--is--amended--to--read:

19 "15-6-140;--Class--ten--property-----description-----  
 20 taxable--percentage;--(1)--Class--ten--property--includes:

21 {a}--radio--and--television--broadcasting--and--transmitting  
 22 equipment;

23 {b}--cable--television--systems;

24 {c}--coal--and--ore--haulers;

25 {d}--trucks--having--a--rated--capacity--of--more--than--1 1/2

1 tons;--including--those--prorated--under--15-24-102;

2 {e}--all--trailers--exceeding--10,000--pounds--maximum--gross  
 3 loaded--weight;--including--those--prorated--under--15-24-102--and  
 4 except--those--subject--to--a--fee--in--lieu--of--property--tax;

5 {f}--theater--projectors--and--sound--equipment;--and  
 6 {g}--all--other--property--not--included--in--the--preceding  
 7 nine--classes--except--that--property--subject--to--a--fee--in--lieu  
 8 of--a--property--tax;

9 {a}--all--railroad--transportation--property--as--described  
 10 in--the--Railroad--Revitalization--and--Regulatory--Reform--Act--of  
 11 1976--as--it--reads--on--(the--effective--date--of--this--act);

12 {b}--all--airline--transportation--property--as--described  
 13 in--the--Tax--Equity--and--Fiscal--Responsibility--Act--of--1982--as  
 14 it--reads--on--(the--effective--date--of--this--act);--and

15 {c}--all--motor--carrier--transportation--property--as  
 16 described--in--the--Motor--Carrier--Act--of--1988--as--it--reads--on  
 17 (the--effective--date--of--this--act);

18 {2}--Class--ten--property--is--taxed--at--16%--of--its--market  
 19 value: the--percentage--rate--"R";--to--be--determined--by--the  
 20 department--as--provided--in--subsection--(3);

21 {3}--R--=--(A--+-B--+-C--+-D)/E;--where:

22 {a}--R--is--the--taxable--percentage--applicable--to--class  
 23 ten--property;

24 {b}--A--is--the--total--statewide--taxable--value--of--all  
 25 commercial--real--property--and--improvements--included--in--class



1 ~~four and is determined by multiplying the total statewide~~  
 2 ~~market value of such class four property by the taxable~~  
 3 ~~percentage rate "P" provided in 15-6-134;~~  
 4 ~~(c) B is the total statewide taxable value of all~~  
 5 ~~property included in class nine and is determined by~~  
 6 ~~multiplying the total statewide market value of class nine~~  
 7 ~~property by the taxable percentage provided in 15-6-139;~~  
 8 ~~(d) E is the total statewide taxable value of all~~  
 9 ~~property described in 15-6-141(1)(a), (1)(b), (1)(d), and~~  
 10 ~~(1)(e) and is determined by multiplying the total statewide~~  
 11 ~~market value of the property described in those subsections~~  
 12 ~~by the taxable percentage provided in 15-6-141(2)(a);~~  
 13 ~~(e) B is the total statewide taxable value of all~~  
 14 ~~property described in 15-6-141(1)(c) and is determined by~~  
 15 ~~multiplying the total statewide market value of the property~~  
 16 ~~described in 15-6-141(1)(c) by the taxable percentage~~  
 17 ~~provided in 15-6-141(2)(b); and~~  
 18 ~~(f) E is the total statewide market value of:~~  
 19 ~~(i) all property included in class nine and class~~  
 20 ~~eleven; and~~  
 21 ~~(ii) all commercial real property and improvements~~  
 22 ~~included in class four;~~  
 23 ~~(4) For the purpose of complying with the Railroad~~  
 24 ~~Revitalization and Regulatory Reform Act of 1976, the Tax~~  
 25 ~~Equity and Fiscal Responsibility Act of 1982, and the Motor~~

1 ~~Carrier Act of 1980, as they read on (the effective date of~~  
 2 ~~this act):~~  
 3 ~~(a) the rate "R" referred to in subsection (2) is the~~  
 4 ~~average tax rate generally applicable to commercial and~~  
 5 ~~industrial property in Montana; and~~  
 6 ~~(b) "commercial and industrial property" is all~~  
 7 ~~property included in class nine and class eleven and all~~  
 8 ~~commercial real property and improvements included in class~~  
 9 ~~four."~~  
 10 Section 4. Section 15-6-141, MCA, is amended to read:  
 11 "15-6-141. Class eleven property -- description --  
 12 taxable percentage. (1) Class eleven property includes:  
 13 (a) centrally assessed electric power companies'  
 14 allocations;  
 15 (b) allocations for centrally assessed natural gas  
 16 companies having a major distribution system in this state;  
 17 and  
 18 (c) centrally assessed companies' allocations except:  
 19 (i) electric power and natural gas companies'  
 20 property;  
 21 (ii) property owned by cooperative rural electric and  
 22 cooperative rural telephone associations and classified in  
 23 class five; and  
 24 (iii) property owned by organizations providing  
 25 telephone communications to rural areas and classified in

1 class seven: nine SEVEN; and  
 2 (iv) motor carrier, airline, and railroad  
 3 transportation property included in class ten; THIRTEEN.  
 4 (d) all property used and owned by persons, firms,  
 5 corporations, or other organizations that are engaged in the  
 6 business of furnishing telephone communications exclusively  
 7 to rural areas or to rural areas and cities and towns of 800  
 8 persons or less; and  
 9 (e) all property owned by cooperative rural electrical  
 10 and cooperative rural telephone associations that serve less  
 11 than 95% of the electricity consumers or telephone users  
 12 within the incorporated limits of a city or town where the  
 13 average circuit miles for each station on the telephone  
 14 communication system is more than 1 mile.

15 (2) Class eleven property is taxed as follows:  
 16 (a) Property described in subsection subsections  
 17 (1)(a) and AND (1)(b), (1)(d), and (1)(e) is taxed at ~~12%~~  
 18 12.8% 12% of market value.

19 (b) Except as provided in 15-23-202, property  
 20 described in subsection (1)(c) is taxed at ~~15%~~ 12.8% 15% of  
 21 market value."

22 Section 10. Section 15-6-151, MCA, is amended to read:  
 23 "15-6-151. Application for certain class four  
 24 classifications. (1) A person applying for classification  
 25 of property described in subsection (1)(c), (1)(d), or (1)(e)

1 of 15-6-134 shall make an affidavit to the department of  
 2 revenue, on a form provided by the department without cost,  
 3 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. The  
 14 application remains in effect in subsequent years unless  
 15 there is a change in the applicant's eligibility. The  
 16 taxpayer shall inform the department of any change in  
 17 eligibility. The department may inquire by mail whether any  
 18 change in eligibility has taken place and may require a new  
 19 statement of eligibility at any time it considers necessary.  
 20 (3) The affidavit is sufficient if the applicant signs  
 21 a statement affirming the correctness of the information  
 22 supplied, whether or not the statement is signed before a  
 23 person authorized to administer oaths, and mails the  
 24 application and statement to the department of revenue.  
 25 This signed statement shall be treated as a statement under

1 oath or equivalent affirmation for the purposes of 45-7-202j

2 relating to the criminal offense of false swearing"

3 Section 15-7-202j MCA is amended to read:

4 "15-7-202j - Eligibility of land for valuation - as

5 agricultural land - (1) land which is actively devoted to

6 agricultural use shall be eligible for valuation

7 assessment and taxation as herein provided each year. It

8 meets any of the following qualifications:

9 (a) the area of such land is not less than 5

10 contiguous acres when measured in accordance with provisions

11 of 15-7-206j and it has been actively devoted to agriculture

12 during the last growing season and it continues to be

13 actively devoted to agricultural use which means:

14 (1) it is used to produce feed crops including but

15 not limited to grains, feed crops, fruits, vegetables, or

16 (2) it is used for grazing and it is not classified as

17 commercial timberland as defined in 15-6-138j or

18 (3) it is used for growing timber, or

19 (4) (i) it is in a crop and retirement program, or

20 (b) it is agriculturally produces for sale or home

21 consumption the equivalent of 15 or more of the owners'

22 annual gross income regardless of the number of contiguous

23 acres in the ownership, or

24 (c) it is used to raise animals in confined areas for

25 the production of food or fiber, including but not limited

1 to livestock, feedlots, dairies, fish hatcheries, and

2 poultry farms

3 (2) land shall not be classified or valued as

4 agricultural if it is subdivided with staked restrictions

5 prohibiting its use for agricultural purposes

6 (3) the grazing on land by a horse or other animals

7 kept as a hobby and not as a part of a bona fide

8 agricultural enterprise shall not be considered a bona fide

9 agricultural operation"

10 Section 15-7-307j MCA is amended to read:

11 "15-7-307j - Certificate exceptions - the certificate

12 imposed by this part shall not apply to

13 (1) an instrument recorded prior to July 1, 1975,

14 (2) the sale of agricultural land when the land is

15 used for agricultural purposes,

16 (3) the United States of America, this state, or any

17 instrumentality, agency or subdivision thereof,

18 (4) an instrument which (without added consideration)

19 confirms, corrects, modifies or supplements a previously

20 recorded instrument,

21 (5) a transfer pursuant to court decree,

22 (6) a transfer pursuant to merger, consolidation, or

23 reorganizations of corporations, partnerships, or other

24 business entities,

25 (7) a transfer by a subsidiary corporation to its

1 parent--corporation--without-actual-consideration-or-in-sole  
 2 consideration-of-the-cancellation-or-surrender-of-subsiary  
 3 stock;

- 4 (8)--a-transfer-of-decedents'-estates;
- 5 (9)--a-transfer-of-a-gift;
- 6 (10)--a-transfer-between-husband-and-wife-or-parent--and  
 7 child-with-only-nominal-actual-consideration-therefor;
- 8 (11)--an--instrument--the-effect-of-which-is-to-transfer  
 9 the-property-to-the-same-party-or-parties;
- 10 (12)--a--sale--for--delinquent--taxes--or--assessments,  
 11 sheriff-sale, bankruptcy-action, or mortgage foreclosure;
- 12 (13)--a-transfer-made-in-contemplation-of-death--or  
 13 (14)--the-sale-of-timberland-when-the-land-is-classified  
 14 for-tax-purposes-as-commercial-timberland."

15 NEW SECTION. SECTION 5. CLASS THIRTEEN PROPERTY --  
 16 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS THIRTEEN  
 17 PROPERTY INCLUDES:

- 18 (A) ALL RAILROAD TRANSPORTATION PROPERTY AS DESCRIBED  
 19 IN THE RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF  
 20 1976 AS IT READ ON [THE EFFECTIVE DATE OF THIS ACT]; AND
- 21 (B) ALL AIRLINE TRANSPORTATION PROPERTY AS DESCRIBED  
 22 IN THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 AS  
 23 IT READ ON [THE EFFECTIVE DATE OF THIS ACT].

24 (2) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1986,  
 25 AND FOR EACH TAXABLE YEAR THEREAFTER, CLASS THIRTEEN

1 PROPERTY IS TAXED AT THE PERCENTAGE RATE "R", TO BE  
 2 DETERMINED BY THE DEPARTMENT AS PROVIDED IN SUBSECTION (3).

3 (3) R = (A(M) + B + C + D + E + F / L) WHERE, AS OF  
 4 JANUARY 1 OF EACH TAXABLE YEAR FOR WHICH R IS BEING  
 5 CALCULATED:

6 (A) R IS THE TAXABLE PERCENTAGE RATE APPLICABLE TO  
 7 CLASS THIRTEEN PROPERTY;

8 (B) A IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL  
 9 COMMERCIAL PROPERTY INCLUDED IN CLASS FOUR AND IS DETERMINED  
 10 BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF SUCH  
 11 PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN  
 12 15-6-134;

13 (C) B IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL  
 14 COMMERCIAL PROPERTY INCLUDED IN CLASS SEVEN AND IS  
 15 DETERMINED BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE  
 16 OF CLASS SEVEN COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE  
 17 RATE PROVIDED IN 15-6-137;

18 (D) C IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL  
 19 COMMERCIAL PROPERTY INCLUDED IN CLASS EIGHT AND IS  
 20 DETERMINED BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE  
 21 OF CLASS EIGHT COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE  
 22 RATE PROVIDED IN 15-6-138;

23 (E) D IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL  
 24 COMMERCIAL PROPERTY INCLUDED IN CLASS NINE AND IS DETERMINED  
 25 BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS

NINE COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN 15-6-139;

(F) E IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL COMMERCIAL PROPERTY INCLUDED IN CLASS TEN AND IS DETERMINED BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS TEN COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN 15-6-140;

(G) F IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL COMMERCIAL PROPERTY INCLUDED IN CLASS ELEVEN AND IS DETERMINED BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS ELEVEN COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED IN 15-6-141;

(H) L IS THE TOTAL STATEWIDE MARKET VALUE OF ALL COMMERCIAL PROPERTY INCLUDED IN CLASSES FOUR, SEVEN, EIGHT, NINE, TEN, AND ELEVEN; AND

(I) M IS THE VALUE-WEIGHTED MEAN SALES ASSESSMENT RATIO FOR ALL COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS DETERMINED BY THE DEPARTMENT AS PROVIDED IN SUBSECTION (4).

(4) (A) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1986, AND FOR EVERY TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL CONDUCT A SALES ASSESSMENT RATIO STUDY OF ALL COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS. THE STUDY MUST BE BASED ON:

(I) ASSESSMENTS OF SUCH PROPERTY AS OF JANUARY 1 OF

THE YEAR FOR WHICH THE STUDY IS BEING CONDUCTED; AND

(II) A STATISTICALLY VALID SAMPLE OF SALES USING DATA FROM REALTY TRANSFER CERTIFICATES FILED DURING THE SAME TAXABLE YEAR OR FROM THE IMMEDIATELY PRECEDING TAXABLE YEAR, BUT ONLY IF A SUFFICIENT NUMBER OF CERTIFICATES IS UNAVAILABLE FROM THE CURRENT TAXABLE YEAR TO PROVIDE A STATISTICALLY VALID SAMPLE.

(B) THE DEPARTMENT SHALL DETERMINE THE VALUE-WEIGHTED MEAN SALES ASSESSMENT RATIO "M" FOR ALL SUCH PROPERTY.

(5) FOR THE PURPOSE OF COMPLYING WITH THE RAILROAD REVITALIZATION AND REGULATORY REFORM ACT OF 1976 AND THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982, AS THEY READ ON [THE EFFECTIVE DATE OF THIS ACT];

(A) THE RATE "R" REFERRED TO IN THIS SECTION IS THE AVERAGE TAX RATE GENERALLY APPLICABLE TO COMMERCIAL AND INDUSTRIAL PROPERTY IN MONTANA; AND

(B) "COMMERCIAL AND INDUSTRIAL PROPERTY" IS ALL COMMERCIAL PROPERTY INCLUDED IN CLASSES FOUR, SEVEN, EIGHT, NINE, TEN, AND ELEVEN.

NEW SECTION. SECTION 6. CLASS FOURTEEN PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS FOURTEEN PROPERTY INCLUDES:

(A) MOTORCYCLES;

(B) WATERCRAFT;

(C) ALL-TERRAIN VEHICLES;

1 (D) HARNESS, SADDLERY, AND OTHER TACK EQUIPMENT;

2 (E) ALL OTHER PROPERTY USED FOR NONCOMMERCIAL PURPOSES  
 3 WHICH IS NOT REAL PROPERTY OR AN IMPROVEMENT TO REAL  
 4 PROPERTY AND WHICH IS NOT INCLUDED IN ANOTHER CLASS OR  
 5 EXEMPT FROM TAXATION UNDER TITLE 15, CHAPTER 6, PART 2.

6 (2) CLASS FOURTEEN PROPERTY IS TAXED AT 11% OF ITS  
 7 MARKET VALUE.

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

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

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

17 (b) The market value of all ~~motor-trucks, agricultural~~  
 18 ~~tools, implements, and machinery, and vehicles of all kinds,~~  
 19 ~~including--but--not--limited--to--motorcycles, aircraft, and~~  
 20 ~~boats and all watercraft, property included in class--seven~~  
 21 MOTOR TRUCKS, AGRICULTURAL TOOLS, IMPLEMENTS, AND MACHINERY;  
 22 AND VEHICLES OF ALL KINDS, INCLUDING BUT NOT LIMITED TO  
 23 MOTORCYCLES, AIRCRAFT, AND BOATS AND ALL WATERCRAFT, is the  
 24 average wholesale value shown in national appraisal guides  
 25 and manuals or the value of the vehicle before

1 reconditioning and profit margin. The department of revenue  
 2 shall prepare valuation schedules showing the average  
 3 wholesale value when no national appraisal guide exists.

4 ~~(c) The market value of all commercial property other~~  
 5 ~~than real property and improvements is the average retail~~  
 6 ~~value shown in one or more national appraisal guides and~~  
 7 ~~manuals chosen by the department of revenue. The department~~  
 8 ~~shall prepare valuation schedules showing the average retail~~  
 9 ~~value when no national appraisal guide exists.~~

10 ~~(d) For real property and improvements, in the absence~~  
 11 ~~of contradictory market data information, market value is~~  
 12 ~~considered to be replacement cost depreciated.~~

13 (3) The department of revenue or its agents may not  
 14 adopt a lower or different standard of value from market  
 15 value in making the official assessment and appraisal of the  
 16 value of property in 15-6-134 through ~~15-6-140~~ ~~15-6-137 and~~  
 17 ~~15-6-139 through 15-6-141~~ 15-6-140, [SECTION 5], AND  
 18 [SECTION 6]. For purposes of taxation, assessed value is  
 19 the same as appraised value.

20 (4) The taxable value for all property in classes four  
 21 ~~through seven and classes nine through eleven,~~ [SECTION 5],  
 22 AND [SECTION 6] is the percentage of market value  
 23 established for each class of property in 15-6-134 ~~through~~  
 24 ~~15-6-137 and 15-6-139~~ through 15-6-141, [SECTION 5], AND  
 25 [SECTION 6].

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

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

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

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

13 ~~(d) Properties in 15-6-138, under class eight, are~~  
14 ~~assessed at 100% of the combined appraised value of the~~  
15 ~~standing timber and grazing productivity.~~

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

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

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

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

22 (7) The taxable value of all property in 15-6-131 and  
23 classes two, and AND three, and eight is the percentage of  
24 assessed value established in 15-6-131(2), 15-6-132, and AND  
25 15-6-133, and 15-6-138 for each class of property."

1 Section 14, Section 15-16-611, MCA, is amended to  
2 read:

3 "15-16-611. Reduction of property tax for property  
4 destroyed by natural disaster. (1) The department of  
5 revenue shall, upon showing by a taxpayer that some or all  
6 of the improvements on his real property or a trailer or  
7 mobile home as described in 15-6-134(1)(c) have been  
8 destroyed to such an extent that such improvements have been  
9 rendered unsuitable for their previous use by natural  
10 disaster, adjust the tax due and payable for the current  
11 year on the property under 15-16-102 as provided in  
12 subsection (2) of this section.

13 (2) To determine the amount of tax due for destroyed  
14 property, the county treasurer shall multiply the amount of  
15 tax levied and assessed on the property for the year by the  
16 ratio that the number of days in the year that the property  
17 existed before destruction bears to 365.

18 (3) This section does not apply to delinquent taxes  
19 owed on the destroyed property for a year prior to the year  
20 in which the property was destroyed.

21 (4) For the purposes of this section, "natural  
22 disaster" includes but is not limited to fire, flood,  
23 earthquake, or wind."

24 Section 8. Section 15-23-202, MCA, is amended to read:  
25 "15-23-202. Assessment -- how made. (1) The department

1 must assess the franchise, roadway, roadbed, rails, rolling  
 2 stock, and all other operating properties of all railroads  
 3 operated in more than one county or more than one state.  
 4 All rolling stock must be assessed in the name of the person  
 5 owning, leasing, or using the same. Assessment must be made  
 6 to the person owning or leasing or using the same and must  
 7 be made upon the entire railroad within the state. The  
 8 depots, stations, shops, and buildings erected upon the  
 9 space covered by the right-of-way and all other property  
 10 owned or leased by such person, except as above provided,  
 11 shall be assessed by the department.

12 (2) In determining the taxable value of railroad  
 13 property, the department ~~may modify~~ shall determine the  
 14 percentage multiplier rate "R" provided for in ~~15-6-141~~  
 15 ~~15-6-140~~ [SECTION 5] in order to achieve compliance with the  
 16 requirements of the federal Railroad Revitalization and  
 17 Regulatory Reform Act of 1976, as amended."

18 ~~Section 16, Section 15-7-111, MCA, is amended to read:~~

19 ~~"15-7-111. Periodic revaluation of taxable property.~~  
 20 ~~The (1) Except as provided in subsection (2), the department~~  
 21 ~~of revenue shall administer and supervise a program for the~~  
 22 ~~revaluation of all taxable property within the state at~~  
 23 ~~least every 5 years. A comprehensive written plan of~~  
 24 ~~rotation shall be promulgated by the department fixing the~~  
 25 ~~order of revaluation of property in each county on the basis~~

1 ~~of the last revaluation of taxable property in each county~~  
 2 ~~prior to July 1, 1974, in order to adjust the disparities~~  
 3 ~~therein between the counties. The plan of rotation so~~  
 4 ~~adopted shall provide that all property in each county shall~~  
 5 ~~be revalued at least every 5 years or that no less than 20%~~  
 6 ~~of the property in each county shall be revalued in each~~  
 7 ~~year. The department shall furnish a copy of the plan and~~  
 8 ~~all amendments thereto to each county assessor and the board~~  
 9 ~~of county commissioners in each county.~~

10 ~~(2) All property in class four, class nine, class ten,~~  
 11 ~~and class eleven shall be revalued annually under a program~~  
 12 ~~developed, administered, and supervised by the department."~~

13 Section 9. Section 15-8-104, MCA, is amended to read:  
 14 "15-8-104. Department audit of taxable value -- costs  
 15 of audit paid by department. (1) When in the judgment of the  
 16 director of revenue it is necessary, audits may be made for  
 17 the purpose of determining the taxable value of net proceeds  
 18 of mines and oil and gas wells and all other types of  
 19 property subject to ad valorem taxation.

20 (2) The department of revenue shall conduct audits of  
 21 the assessment of ALL COMMERCIAL PERSONAL property in class  
 22 four and class nine to assure that the value of the property  
 23 in those classes reflects market value. BECAUSE THE ASSESSED  
 24 VALUE OF COMMERCIAL PERSONAL PROPERTY IS DEFINED AS MARKET  
 25 VALUE UNDER 15-8-111(2), THE AUDITS CONDUCTED BY THE



1 DEPARTMENT SHALL BE PRIMARILY DIRECTED TOWARD ENSURING THAT  
2 ALL TAXABLE PERSONAL PROPERTY IS REPORTED TO THE DEPARTMENT.

3 ~~{2}~~(3) The cost of the any audit performed under  
4 subsection (1) or (2) shall be paid by the department."

5 ~~NEW SECTION. Section 18. Repealer. Section 15-6-142,~~  
6 ~~MEA, is repealed.~~

7 NEW SECTION. Section 10. Extension RULEMAKING  
8 AUTHORITY -- EXTENSION of EXISTING authority. (1) THE  
9 DEPARTMENT OF REVENUE SHALL ADOPT RULES SPECIFYING WHICH  
10 TYPES OF PROPERTY WITHIN THE SEVERAL CLASSES ARE CONSIDERED  
11 "COMPARABLE PROPERTY" AS DESCRIBED IN 15-1-101.

12 (2) THE DEPARTMENT SHALL ALSO ADOPT RULES SPECIFYING  
13 THE METHODOLOGY TO BE USED IN CONDUCTING SALES ASSESSMENT  
14 RATIO STUDIES AND IN DETERMINING THE VALUE-WEIGHTED MEAN  
15 SALES ASSESSMENT RATIO FOR ALL COMMERCIAL AND INDUSTRIAL  
16 REAL PROPERTY AND IMPROVEMENTS.

17 (3) Any existing authority of the department of  
18 revenue to make rules on the subject of the provisions of  
19 this act is extended to the provisions of this act.

20 ~~{2}~~(4) The department may initiate rulemaking  
21 proceedings under this section on or after the date on which  
22 this act is passed and approved, but no rule adopted under  
23 this section may be made effective before January 1, 1986.

24 NEW SECTION. Section 11. Severability. If a part of  
25 this act is invalid, all valid parts that are severable from

1 the invalid part remain in effect. If a part of this act is  
2 invalid in one or more of its applications, the part remains  
3 in effect in all valid applications that are severable from  
4 the invalid applications.

5 NEW SECTION. Section 12. Effective dates. (1) This  
6 act, except section 19 10 and this section, is effective  
7 January 1, 1986.

8 (2) Section 19 10 and this section are effective on  
9 passage and approval.

-End-

April 25, 1985

MR. PRESIDENT

We, your committee on Taxation  
having had under consideration House Bill No. 240  
third reading copy ( blue )  
color  
(Senator Towe)

Respectfully report as follows: That House Bill No. 240

be amended as follows:

1. Page 28, line 3 through line 19, page 29.  
Strike: subsection (3) in its entirety  
Insert: "(3) R = A/B where:  
(a) A is the total statewide taxable value of all commercial property as commercial property is described in 15-1-101 (d), including class 1 and class 2 property and,  
(b) B is the total statewide market value of all commercial property as commercial property is described in 15-1-101 (d), including class 1 and class 2 property."
2. Page 30, line 9.  
Following: "PROPERTY"  
Insert: "and reduce the taxable value of property described in subsection (4) only, by multiplying the total statewide taxable value of property described in subsection (4) by "M" prior to calculating "A" in subsection (3)"
3. Page 30.  
Following: line 9  
Insert: "(c) the adjustment referred to in (4) (b) will be made beginning January 1, 1986 and in each subsequent tax year to equalize the railroad and airline taxable values."

4. Page 30, line 13.  
Following: "ACT]"  
Strike: ":",  
Insert: "and,"

5. Page 30, line 14.  
Strike: "(A)"  
Following: "IS THE"  
Insert: "equalized"

6. Page 30, line 16.  
Strike: "IN MONTANA, AND"  
Insert: "as commercial property is defined in 15-1-101 (d)."

7. Page 30, lines 17 through 19.  
Strike: Lines 17 through 19 in their entirety

AND AS AMENDED  
BE CONCURRED IN

KB

88: PAGES  
88: BACK PAGES

continued TET  
Chairman.

  
Senator Thomas E. Towe, Chairman

## 1 STATEMENT OF INTENT

## 2 HOUSE BILL 240

3

4 A statement of intent is required for this bill because  
5 section 10 of the bill requires the department of revenue to  
6 adopt rules describing which types of property within the  
7 several property classes are comparable property. The  
8 legislature intends that the term "comparable property" will  
9 be limited to comparisons of residential property with  
10 residential property, commercial property with commercial  
11 property, and so forth.

12 It is also the intent of the legislature that the  
13 department adopt rules establishing a method for conducting  
14 sales assessment ratio studies as required in the bill. The  
15 method provided in the rules should be statistically valid  
16 and conducted in a consistent, predictable manner, and only  
17 to the extent that the minimum requirements of federal  
18 legislation are met. The requirements to be met by the  
19 department, both under the provisions of this bill and under  
20 federal legislation, shall be met by using realty transfer  
21 certificates and other available data to the greatest extent  
22 possible.

1 HOUSE BILL NO. 240  
 2 INTRODUCED BY RAMIREZ, CRIPPEN, B. BROWN  
 3 BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE  
 4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE  
 6 MONTANA PROPERTY TAX CLASSIFICATION LAW TO COMPLY WITH  
 7 FEDERAL LAW GRANTING CERTAIN TYPES OF PROPERTY SPECIAL  
 8 CONSIDERATION AND WITH PROVISIONS OF THE MONTANA  
 9 CONSTITUTION; REQUIRING--THE--DEPARTMENT--OF--REVENUE--TO  
 10 ANNUALLY--REVALUE--ALL--COMMERCIAL--AND--INDUSTRIAL--PROPERTY;  
 11 REQUIRING THE DEPARTMENT OF REVENUE TO CONDUCT AUDITS OF  
 12 ASSESSMENTS ON CLASS-FOUR-AND-CLASS-NINE COMMERCIAL PERSONAL  
 13 PROPERTY AND--IMPROVEMENTS; REQUIRING THE DEPARTMENT OF  
 14 REVENUE TO ANNUALLY DETERMINE THE TAXABLE PERCENTAGE RATE  
 15 APPLICABLE TO CLASS FOUR-REAL-PROPERTY-AND-IMPROVEMENTS-TO  
 16 RESULT-IN--A--ZERO--PERCENTAGE--INCREASE--IN--THE--STATEWIDE  
 17 TAXABLE--VALUE--OF--SUCH THIRTEEN PROPERTY; DEFINING THE TERM  
 18 "COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO TAXATION;  
 19 CHARIFYING--THE--TERM--"MARKET--VALUE"--FOR--PROPERTY--TAX  
 20 PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101, 15-6-134,  
 21 15-6-135, 15-6-137 THROUGH 15-6-138, 15-6-141, 15-6-151,  
 22 15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111, 15-16-61,  
 23 AND 15-23-202, MCA; REPEALING--SECTION--15-6-142--MCA; AND  
 24 PROVIDING EFFECTIVE DATES."  
 25

1 WHEREAS, the federal government has granted special  
 2 consideration to certain types of property with respect to  
 3 property taxation; and  
 4 WHEREAS, the Legislature and the people of the State of  
 5 Montana desire to be in full compliance with all federal  
 6 law; and  
 7 WHEREAS, there have been questions in the past  
 8 regarding the validity of Montana's property tax  
 9 classification laws with respect to federal law granting  
 10 special consideration to certain types of property; and  
 11 WHEREAS, state tax policy is best determined by the  
 12 state's primary policymaking body, which is the Legislature;  
 13 and  
 14 WHEREAS, the Legislature wishes to retain as much as  
 15 possible the sovereignty guaranteed to the state by the 10th  
 16 amendment to the Constitution of the United States; and  
 17 WHEREAS, the 48th Legislature of the State of Montana  
 18 adopted House Joint Resolution 31, requiring a study of  
 19 Montana's property tax classification system; and  
 20 WHEREAS, the Revenue Oversight Committee has examined  
 21 Montana's property tax system; and  
 22 WHEREAS, that examination causes the Revenue Oversight  
 23 Committee to recommend a general revision of Montana's  
 24 property tax classification system.  
 25

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

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

3 "15-1-101. Definitions. (1) When terms mentioned in  
4 this section are used in connection with taxation, they are  
5 defined in the following manner:

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

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

11 (c) The term "average wholesale value" means the value  
12 to a dealer prior to reconditioning and profit margin shown  
13 in national appraisal guides and manuals or the valuation  
14 schedules of the department of revenue.

15 (d) (I) The term "commercial", when used to describe  
16 property, means any property used or owned by a business, a  
17 trade, or a nonprofit corporation as defined in 35-2-102 or  
18 used for the production of income, EXCEPT THAT PROPERTY  
19 DESCRIBED IN SUBSECTION (II).

20 (II) THE FOLLOWING TYPES OF PROPERTY ARE NOT  
21 COMMERCIAL:

22 (A) AGRICULTURAL LANDS;

23 (B) TIMBERLANDS;

24 (C) SINGLE-FAMILY RESIDENCES AND ANCILLARY  
25 IMPROVEMENTS AND IMPROVEMENTS NECESSARY TO THE FUNCTION OF A

1 BONA FIDE FARM, RANCH, OR STOCK OPERATION;

2 (D) MOBILE HOMES USED EXCLUSIVELY AS A RESIDENCE  
3 EXCEPT WHEN HELD BY A DISTRIBUTOR OR DEALER OF TRAILERS OR  
4 MOBILE HOMES AS HIS STOCK IN TRADE;

5 (E) ALL PROPERTY DESCRIBED IN 15-6-135;

6 (F) ALL PROPERTY DESCRIBED IN 15-6-136; AND

7 (G) ALL PROPERTY DESCRIBED IN [SECTION 6].

8 (E) THE TERM "COMPARABLE PROPERTY" MEANS PROPERTY THAT  
9 HAS SIMILAR USE, FUNCTION, AND UTILITY; THAT IS INFLUENCED  
10 BY THE SAME SET OF ECONOMIC TRENDS AND PHYSICAL,  
11 GOVERNMENTAL, AND SOCIAL FACTORS; AND THAT HAS THE POTENTIAL  
12 OF A SIMILAR HIGHEST AND BEST USE.

13 ~~(d)(e)~~(F) The term "credit" means solvent debts,  
14 secured or unsecured, owing to a person.

15 ~~(e)(f)~~(G) The term "improvements" includes all  
16 buildings, structures, ~~fixtures,~~ fences, and improvements  
17 situated upon, erected upon, or affixed to land. When the  
18 department of revenue or its agent determines that the  
19 permanency of location of a mobile home or housetrailer has  
20 been established, the mobile home or housetrailer is  
21 presumed to be an improvement to real property. A mobile  
22 home or housetrailer may be determined to be permanently  
23 located only when it is attached to a foundation which  
24 cannot feasibly be relocated and only when the wheels are  
25 removed.

1        ~~f~~~~g~~~~(H)~~ The term "leasehold improvements" means  
 2 improvements to mobile homes and mobile homes located on  
 3 land owned by another person. This property is assessed  
 4 under the appropriate classification and the taxes are due  
 5 and payable in two payments as provided in 15-24-202.  
 6 Delinquent taxes on such leasehold improvements are a lien  
 7 only on such leasehold improvements.

8        ~~g~~~~h~~~~(I)~~ The term "mobile home" means forms of  
 9 housing known as "trailers", "housetrailer", or "trailer  
 10 coaches" exceeding 8 feet in width or 45 feet in length,  
 11 designed to be moved from one place to another by an  
 12 independent power connected to them, or any "trailer",  
 13 "housetrailer", or "trailer coach" up to 8 feet in width or  
 14 45 feet in length used as a principal residence.

15        ~~h~~~~i~~~~(J)~~ The term "personal property" includes  
 16 everything that is the subject of ownership but that is not  
 17 included within the meaning of the terms "real estate" and  
 18 "improvements".

19        ~~i~~~~j~~~~(K)~~ The term "poultry" includes all chickens,  
 20 turkeys, geese, ducks, and other birds raised in  
 21 domestication to produce food or feathers.

22        ~~j~~~~k~~~~(L)~~ The term "property" includes moneys,  
 23 credits, bonds, stocks, franchises, and all other matters  
 24 and things, real, personal, and mixed, capable of private  
 25 ownership. This definition must not be construed to

1 authorize the taxation of the stocks of any company or  
 2 corporation when the property of such company or corporation  
 3 represented by the stocks is within the state and has been  
 4 taxed.

5        ~~k~~~~l~~~~(M)~~ The term "real estate" includes:  
 6 (i) the possession of, claim to, ownership of, or  
 7 right to the possession of land;  
 8 (ii) all mines, minerals, and quarries in and under the  
 9 land subject to the provisions of 15-23-501 and 15-23-801;  
 10 all timber belonging to individuals or corporations growing  
 11 or being on the lands of the United States; and all rights  
 12 and privileges appertaining thereto.

13        ~~l~~~~m~~~~(N)~~ The term "taxable value" means the  
 14 percentage of market or assessed value as provided for in  
 15 15-6-131 through 15-6-140.

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

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

25        ~~Section-2---~~~~Section-15-6-101~~~~,-MCA,-is-amended-to-read:~~

1       ~~"15-6-131:--Property Purpose-----property subject to~~  
 2 ~~taxation----classification: (i)--it-is-the--purpose-of--this~~  
 3 ~~chapter---to--comply--with--federal--law--requiring--special~~  
 4 ~~consideration-of-certain-types--of--property;--To--meet--the~~  
 5 ~~requirements--of--federal--law;--the--legislature--finds--it~~  
 6 ~~necessary-to-separate-the-several--types--of--property--into~~  
 7 ~~classes;--each--class--containing--property--reasonably--related~~  
 8 ~~to-other-property-in-the-same-class-and-reasonably-different~~  
 9 ~~from-property-in--every--other--class;--It--is--further--the~~  
 10 ~~purpose-of-this-chapter-and-the-policy-of-the-legislature-to~~  
 11 ~~treat--all--similar--property--subject--to--taxation--in--an~~  
 12 ~~equitable-manner;--~~

13       ~~(i)(2)--All--property--in--this--state--is--subject--to~~  
 14 ~~taxation;--except-as-provided-otherwise;~~

15       ~~(2)(3)--For---the--purpose--of--taxation;--the--taxable~~  
 16 ~~property-in-the-state-shall-be-classified-in-accordance-with~~  
 17 ~~15-6-131-through-15-6-141 this-part;"~~

18       Section 2. Section 15-6-134, MCA, is amended to read:

19       "15-6-134. Class four property -- description --  
 20 taxable percentage. (1) Class four property includes:

21       (a) ~~all land;--including;--for--farm--homes;--1--acre--of~~  
 22 ~~agricultural--land-at-market-value; except that specifically~~  
 23 ~~included in another class;~~

24       (b) all improvements except those specifically  
 25 included in another class;

1       ~~(c)--a--trailer--or--mobile--home--used--as--a--residence~~  
 2 ~~except-when:~~

3       ~~(i)--held-by-a-distributor-or--dealer--of--trailers--or~~  
 4 ~~mobile-homes-as-his-stock-in-trade;--or~~

5       ~~(ii)--specifically--included--in--another--class;~~

6       ~~(c)(d)(C)~~ the first \$35,000 or less of the market  
 7 value of any improvement on real property and appurtenant  
 8 land not exceeding 5 acres owned or under contract for deed  
 9 and actually occupied for at least 10 months a year as the  
 10 primary residential dwelling of:

11       (i) a widow or widower 62 years of age or older who  
 12 qualifies under the income limitations of (iii) of this  
 13 subsection;

14       (ii) a widow or widower of any age with dependent  
 15 children who qualifies under the income limitations of (iii)  
 16 of this subsection; or

17       (iii) a recipient or recipients of retirement or  
 18 disability benefits whose total income from all sources  
 19 including otherwise tax-exempt income of all types is not  
 20 more than \$8,000 for a single person or \$10,000 for a  
 21 married couple;

22       ~~(c)--the--first--\$35,000--or--less--of--the--market--value--of--a~~  
 23 ~~trailer--or--mobile--home--used--as--a--residence--and--actually~~  
 24 ~~occupied--for--at--least--10--months--a--year--as--the--primary~~  
 25 ~~dwelling--of--any--person--described--in--subsections--(i)(d)(i)~~

1 ~~through (d) (iii);~~  
 2 ~~(d) (f) (D)~~ all golf courses, including land and  
 3 improvements actually and necessarily used for that purpose,  
 4 that:

5 (i) consist of at least 9 holes and not less than  
 6 3,000 lineal yards; and

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

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

10 (a) ~~Except as provided in 15-24-1402 or 15-24-1501,~~  
 11 ~~property~~ PROPERTY EXCEPT AS PROVIDED IN 15-24-1402 OR  
 12 15-24-1501, PROPERTY described in subsections (1)(a) and  
 13 ~~(i) (b) through (i) (c) AND (1)(B)~~ is taxed at ~~8.55%~~ the  
 14 taxable percentage rate "P" 8.55% of its market value.

15 (b) Property described in ~~subsection (i) (e)~~  
 16 ~~subsections (i) (d) and (i) (e)~~ SUBSECTION (1)(C) is taxed at  
 17 ~~8.55%~~ the taxable percentage rate "P" 8.55% of its market  
 18 value multiplied by a percentage figure based on income and  
 19 determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$0 - \$1,000	\$0 - \$1,000	0%
1,001 - 2,000	1,001 - 2,000	10%
2,001 - 2,800	2,001 - 3,000	20%
2,801 - 3,600	3,001 - 4,000	30%

1	3,601 - 4,400	4,001 - 5,000	40%
2	4,401 - 5,200	5,001 - 6,000	50%
3	5,201 - 6,000	6,001 - 7,000	60%
4	6,001 - 6,800	7,001 - 8,000	70%
5	6,801 - 7,600	8,001 - 9,000	80%
6	7,601 - 8,000	9,001 - 10,000	90%

7 (c) Property described in subsection ~~(i) (d) (i) (f)~~  
 8 ~~(1)(D)~~ is taxed at one-half the taxable percentage  
 9 ~~established in subsection (2) (a), or 4.275%~~ rate "P"  
 10 ESTABLISHED IN SUBSECTION (2)(A).

11 ~~(3) Until July 1, 1986, the taxable percentage rate~~  
 12 ~~"P" for class four property is 8.55%.~~

13 ~~(4) For 1986 and every year thereafter, the department~~  
 14 ~~of revenue shall, before July 1 of each year, determine the~~  
 15 ~~taxable percentage rate "P" applicable to class four~~  
 16 ~~property. The determination shall be made as provided in~~  
 17 ~~subsection (5).~~

18 ~~(5) P = A / (1 + B), where:~~

19 ~~(a) P is the taxable percentage rate applicable to~~  
 20 ~~class four property for the fiscal year beginning July 1 in~~  
 21 ~~the year in which P is calculated;~~

22 ~~(b) A is the taxable percentage rate P applicable to~~  
 23 ~~class four property as established by the department for the~~  
 24 ~~immediately preceding year; and~~

25 ~~(c) B is the certified statewide percentage increase~~



1 ~~to be determined by the department as provided in subsection~~  
2 ~~(6);~~

3 ~~(6) The director of the department of revenue shall~~  
4 ~~certify to the governor before July 1 of each year the~~  
5 ~~percentage by which the appraised value of all property in~~  
6 ~~the state classified under class four as of January 1 of the~~  
7 ~~same year has increased due to the revaluation conducted~~  
8 ~~under 15-7-111(2). This figure is the "certified statewide~~  
9 ~~percentage increase".~~

10 (3) WITHIN THE MEANING OF COMPARABLE PROPERTY AS  
11 DEFINED IN 15-1-101, PROPERTY ASSESSED AS COMMERCIAL  
12 PROPERTY IS COMPARABLE ONLY TO OTHER PROPERTY ASSESSED AS  
13 COMMERCIAL PROPERTY, AND PROPERTY ASSESSED AS OTHER THAN  
14 COMMERCIAL PROPERTY IS COMPARABLE ONLY TO OTHER PROPERTY  
15 ASSESSED AS OTHER THAN COMMERCIAL PROPERTY."

16 ~~Section 4, Section 15-6-135, MCA, is amended to read:~~  
17 ~~"15-6-135. Class five property description~~  
18 ~~taxable percentage. (1) Class five property includes:~~

19 ~~(a) all property used and owned by cooperative rural~~  
20 ~~electrical and cooperative rural telephone associations~~  
21 ~~organized under the laws of Montana, except property~~  
22 ~~described in 15-6-139(1)(u) owned by cooperative~~  
23 ~~organizations described in subsection (1)(c) of 15-6-137;~~

24 ~~(b) air and water pollution control equipment as~~  
25 ~~defined in this section;~~

1 ~~(c) new industrial property as defined in this~~  
2 ~~section;~~

3 ~~(d) any personal or real property used primarily in~~  
4 ~~the production of gasoline during construction and for the~~  
5 ~~first 3 years of its operation.~~

6 ~~(2)(a) "Air and water pollution equipment" means~~  
7 ~~facilities, machinery, or equipment used to reduce or~~  
8 ~~control water or atmospheric pollution or contamination by~~  
9 ~~removing, reducing, altering, disposing, or storing~~  
10 ~~pollutants, contaminants, wastes, or heat. The department of~~  
11 ~~health and environmental sciences shall determine if such~~  
12 ~~utilization is being made.~~

13 ~~(b) The department of health and environmental~~  
14 ~~sciences' determination as to air and water pollution~~  
15 ~~equipment may be appealed to the board of health and~~  
16 ~~environmental sciences and may not be appealed to either a~~  
17 ~~county tax appeal board or the state tax appeal board.~~  
18 ~~However, the appraised value of the equipment as determined~~  
19 ~~by the department of revenue may be appealed to the county~~  
20 ~~tax appeal board and the state tax appeal board.~~

21 ~~(3) "New industrial property" means any new industrial~~  
22 ~~plant, including land, buildings, machinery, and fixtures,~~  
23 ~~used by new industries during the first 3 years of their~~  
24 ~~operation. The property may not have been assessed within~~  
25 ~~the state of Montana prior to July 1, 1961.~~

1 (4) (a) "New industry" means any person, corporation,  
 2 firm, partnership, association, or other group that  
 3 establishes a new plant in Montana for the operation of a  
 4 new industrial endeavor, as distinguished from a mere  
 5 expansion, reorganization, or merger of an existing  
 6 industry.  
 7 (b) New industry includes only those industries that:  
 8 (i) manufacture, mill, mine, produce, process, or  
 9 fabricate materials;  
 10 (ii) do similar work, employing capital and labor, in  
 11 which materials unserviceable in their natural state are  
 12 extracted, processed, or made fit for use or are  
 13 substantially altered or treated so as to create commercial  
 14 products or materials; or  
 15 (iii) engage in the mechanical or chemical  
 16 transformation of materials or substances into new products  
 17 in the manner defined as manufacturing in the 1972 Standard  
 18 Industrial Classification Manual prepared by the United  
 19 States office of management and budget;  
 20 (5) New industrial property does not include:  
 21 (a) property used by retail or wholesale merchants,  
 22 commercial services of any type, agriculture, trades, or  
 23 professions;  
 24 (b) a plant that will create adverse impact on  
 25 existing state, county, or municipal services; or

1 (c) property used or employed in any industrial plant  
 2 that has been in operation in this state for 3 years or  
 3 longer;  
 4 (6) Class five property is taxed at 3% of its market  
 5 value.  
 6 Section 5, Section 15-6-137, MCA, is amended to read:  
 7 "15-6-137. Class seven property description  
 8 taxable percentage: (1) Class seven property includes:  
 9 (a) all property used and owned by persons, firms,  
 10 corporations, or other organizations that are engaged in the  
 11 business of furnishing telephone communications exclusively  
 12 to rural areas or to rural areas and cities and towns of 800  
 13 persons or less;  
 14 (b) all property owned by cooperative rural electrical  
 15 and cooperative rural telephone associations that serve less  
 16 than 95% of the electricity consumers or telephone users  
 17 within the incorporated limits of a city or town;  
 18 (c) electric transformers and meters, electric light  
 19 and power substation machinery, natural gas measuring and  
 20 regulating station equipment, meters, and compressor station  
 21 machinery owned by noncentrally assessed public utilities,  
 22 and tools used in the repair and maintenance of this  
 23 property; and  
 24 (d) tools, implements, and machinery used to repair  
 25 and maintain machinery not used for manufacturing and mining

1 purposes:

2 (2) ~~To qualify for this classification, the average~~

3 ~~circuit miles for each station on the telephone~~

4 ~~communication system described in subsection (1)(b) must be~~

5 ~~more than 1 mile; used for noncommercial purposes which is~~

6 ~~not real property or an improvement to real property and~~

7 ~~which is not in another class or exempt from taxation under~~

8 ~~Title 15, chapter 6, part 2, and~~

9 ~~(b) all agricultural tools, machinery, and equipment~~

10 ~~used in a bona fide farm, ranch, or stock operation;~~

11 (3) ~~(2) Class seven property is taxed at 8% 11.1% of~~

12 ~~its market value."~~

13 Section 3. Section 15-6-138, MCA, is amended to read:

14 "15-6-138. Class eight property -- description --

15 taxable percentage. (1) Class eight property includes:

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

17 ~~commercial timberland;~~

18 (b) ~~all mining machinery, fixtures, equipment, tools,~~

19 ~~and supplies except:~~

20 (i) ~~those included in class five; and~~

21 (ii) ~~coal and ore haulers;~~

22 (c) ~~all manufacturing machinery, fixtures, equipment,~~

23 ~~tools, and supplies except those included in class five;~~

24 (d) ~~motorcycles;~~

25 (e) ~~watercraft;~~

1 (f) ~~all trailers up to and including 18,000 pounds~~

2 ~~maximum gross loaded weight, except those subject to a fee~~

3 ~~in lieu of property tax;~~

4 (g) ~~aircraft;~~

5 (h) ~~all terrain vehicles;~~

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

7 (j) ~~all goods and equipment intended for rent or~~

8 ~~lease, except goods and equipment specifically included and~~

9 ~~taxed in another class; and~~

10 (k) ~~all other machinery except that specifically~~

11 ~~included in another class.~~

12 (A) ALL AGRICULTURAL IMPLEMENTS AND EQUIPMENT;

13 (B) ALL MINING MACHINERY, FIXTURES, EQUIPMENT, TOOLS,

14 AND SUPPLIES EXCEPT:

15 (I) THOSE INCLUDED IN CLASS FIVE; AND

16 (II) COAL AND ORE HAULERS;

17 (C) ALL MANUFACTURING MACHINERY, FIXTURES, EQUIPMENT,

18 TOOLS, AND SUPPLIES EXCEPT THOSE INCLUDED IN CLASS FIVE;

19 (D) ALL TRAILERS UP TO AND INCLUDING 18,000 POUNDS

20 MAXIMUM GROSS LOADED WEIGHT, EXCEPT THOSE SUBJECT TO A FEE

21 IN LIEU OF PROPERTY TAX;

22 (E) AIRCRAFT;

23 (F) ALL GOODS AND EQUIPMENT INTENDED FOR RENT OR

24 LEASE, EXCEPT GOODS AND EQUIPMENT SPECIFICALLY INCLUDED AND

25 TAXED IN ANOTHER CLASS; AND

1 (G) ALL OTHER MACHINERY EXCEPT THAT SPECIFICALLY  
 2 INCLUDED IN ANOTHER CLASS.

3 {2}--Commercial-timberland-is-all-land-in-one-ownership  
 4 and-from-which-is-harvested-30,000-or-more-board-feet-in-any  
 5 year-during-the-appraisal-cycle;

6 {2}{3}(2) Class eight property is taxed at 11% 30% 11%  
 7 of its-market-value the-combined-appraised-value-of-the  
 8 standing-timber-and-grazing-productivity-of-the-property ITS  
 9 MARKET VALUE."

10 Section 7,--Section 15-6-139,MEA, is amended to read:

11 "15-6-139,--Class--nine--property-----description---  
 12 taxable-percentage,--{1}--Class-nine-property is-all-property  
 13 used-for-commercial-purposes-that-is-not-real-property-or-an  
 14 improvement-to-real-property-and-which-is-not-included-in  
 15 another-class-or-exempt-from-taxation-under-Title-15,  
 16 chapter-6,part-2, and includes:

17 (a)--buses-and-trucks-having-a-rated-capacity--of--more  
 18 than-three-quarters-of-a-ton-but-less-than-or-equal-to-1-1/2  
 19 tons;

20 (b)--truck-toppers-weighing-more-than-300-pounds;

21 (c)--furniture,--fixtures,--and--equipment,--except-that  
 22 specifically-included-in-another-class,--used--in--commercial  
 23 establishments-as-defined-in-this-section;

24 (d)--x-ray-and-medical-and-dental-equipment,--and

25 (e)--citizens-band-radios-and-mobile-telephones;

1 {f}--all--mining-machinery,fixtures,--equipment,--tools,  
 2 and-supplies-except-those-included-in-class-five;

3 {g}--all-manufacturing-machinery,fixtures,--equipment,  
 4 tools,--and-supplies-except-those-included-in-class-five;

5 {h}--motorcycles;

6 {i}--watercraft;

7 {j}--all--trailers--up--to--and--including-10,000-pounds  
 8 maximum-gross-loaded-weight,--except-those-subject-to--a--fee  
 9 in-lieu-of-property-tax;

10 {k}--aircraft;

11 {l}--all-terrain-vehicles;

12 {m}--harness,--saddlery,--and--other-tack-equipment;

13 {n}--all--goods--and--equipment--intended--for--rent-or  
 14 lease,--except-goods-and-equipment-specifically-included--and  
 15 taxed-in-another-class;

16 {o}--all--other--machinery--except--that--specifically  
 17 included-in-another-class;

18 {p}--radio-and-television-broadcasting-and-transmitting  
 19 equipment;

20 {q}--cable-television-systems;

21 {r}--coal-and-ore-haulers;

22 {s}--all-trailers-exceeding-10,000-pounds-maximum-gross  
 23 loaded-weight,--including-those-prorated-under-15-24-102--and  
 24 except-those-subject-to-a-fee-in-lieu-of-property-tax;

25 {t}--theater-projectors-and-sound-equipment;

1 (u) electric transformers and meters, electric light  
 2 and power substation machinery, natural gas measuring and  
 3 regulating station equipment, meters, and compressor station  
 4 machinery owned by noncentrally assessed public utilities,  
 5 and tools used in the repair and maintenance of this  
 6 property;

7 (v) tools, implements, and machinery used to repair  
 8 and maintain machinery not used in a bona fide agricultural  
 9 operation or for manufacturing or mining purposes; and

10 (w) all other property not included in any other class  
 11 except that property subject to a fee in lieu of a property  
 12 tax and property exempt from taxation;

13 (2) "Commercial establishment" includes any hotel;  
 14 motel; office; petroleum marketing station; or service,  
 15 wholesale, retail, or food handling business;

16 (3) Class nine property is taxed at 13% 11.7% of its  
 17 market value;<sup>4</sup>

18 Section 8, Section 15-6-140, MCA, is amended to read:

19 "15-6-140. Class ten property-----description-----  
 20 taxable percentage. (1) Class ten property includes:

21 (a) radio and television broadcast and transmitting  
 22 equipment;

23 (b) cable television systems;

24 (c) coal and ore haulers;

25 (d) trucks having a rated capacity of more than 11/2

1 tons, including those prorated under 15-24-102;

2 (e) all trailers exceeding 10,000 pounds maximum gross  
 3 loaded weight, including those prorated under 15-24-102 and  
 4 except those subject to a fee in lieu of property tax;

5 (f) theater projectors and sound equipment; and

6 (g) all other property not included in the preceding  
 7 nine classes except that property subject to a fee in lieu  
 8 of a property tax;

9 (a) all railroad transportation property as described  
 10 in the Railroad Revitalization and Regulatory Reform Act of  
 11 1976 as it reads on {the effective date of this act};

12 (b) all airline transportation property as described  
 13 in the Tax Equity and Fiscal Responsibility Act of 1982 as  
 14 it reads on {the effective date of this act}; and

15 (c) all motor carrier transportation property as  
 16 described in the Motor Carrier Act of 1980 as it reads on  
 17 {the effective date of this act};

18 (2) Class ten property is taxed at 16% of its market  
 19 value, the percentage rate "R", to be determined by the  
 20 department as provided in subsection (3);

21 (3)  $R = (A + B + C + D) / E$  where:

22 (a) R is the taxable percentage applicable to class  
 23 ten property;

24 (b) A is the total statewide taxable value of all  
 25 commercial real property and improvements included in class

1 four and is determined by multiplying the total statewide  
 2 market value of such class four property by the taxable  
 3 percentage rate "P" provided in 15-6-134;  
 4 (c) B is the total statewide taxable value of all  
 5 property included in class nine and is determined by  
 6 multiplying the total statewide market value of class nine  
 7 property by the taxable percentage provided in 15-6-139;  
 8 (d) B is the total statewide taxable value of all  
 9 property described in 15-6-141(1)(a), (1)(b), (1)(d), and  
 10 (1)(e) and is determined by multiplying the total statewide  
 11 market value of the property described in those subsections  
 12 by the taxable percentage provided in 15-6-141(2)(a);  
 13 (e) B is the total statewide taxable value of all  
 14 property described in 15-6-141(1)(c) and is determined by  
 15 multiplying the total statewide market value of the property  
 16 described in 15-6-141(1)(c) by the taxable percentage  
 17 provided in 15-6-141(2)(b); and  
 18 (f) B is the total statewide market value of:  
 19 (i) all property included in class nine and class  
 20 eleven; and  
 21 (ii) all commercial real property and improvements  
 22 included in class four;  
 23 (4) For the purpose of complying with the Railroad  
 24 Revitalization and Regulatory Reform Act of 1976, the Tax  
 25 Equity and Fiscal Responsibility Act of 1982, and the Motor

1 Carrier Act of 1980, as they read on {the effective date of  
 2 this act};  
 3 (a) the rate "R" referred to in subsection (2) is the  
 4 average tax rate generally applicable to commercial and  
 5 industrial property in Montana; and  
 6 (b) "commercial and industrial property" is all  
 7 property included in class nine and class eleven and all  
 8 commercial real property and improvements included in class  
 9 four;"  
 10 Section 4. Section 15-6-141, MCA, is amended to read:  
 11 "15-6-141. Class eleven property -- description --  
 12 taxable percentage. (1) Class eleven property includes:  
 13 (a) centrally assessed electric power companies'  
 14 allocations;  
 15 (b) allocations for centrally assessed natural gas  
 16 companies having a major distribution system in this state;  
 17 and  
 18 (c) centrally assessed companies' allocations except:  
 19 (i) electric power and natural gas companies'  
 20 property;  
 21 (ii) property owned by cooperative rural electric and  
 22 cooperative rural telephone associations and classified in  
 23 class five; and  
 24 (iii) property owned by organizations providing  
 25 telephone communications to rural areas and classified in

1 class seven, nine SEVEN; and  
2 (iv) motor carrier, airline, and railroad  
3 transportation property included in class ten, THIRTEEN.

4 ~~(d) all property used and owned by persons, firms,~~  
5 ~~corporations, or other organizations that are engaged in the~~  
6 ~~business of furnishing telephone communications exclusively~~  
7 ~~to rural areas or to rural areas and cities and towns of 800~~  
8 ~~persons or less; and~~

9 ~~(e) all property owned by cooperative rural electrical~~  
10 ~~and cooperative rural telephone associations that serve less~~  
11 ~~than 95% of the electricity consumers or telephone users~~  
12 ~~within the incorporated limits of a city or town where the~~  
13 ~~average circuit miles for each station on the telephone~~  
14 ~~communication system is more than 1 mile.~~

15 (2) Class eleven property is taxed as follows:

16 (a) Property described in subsection subsections  
17 (1)(a) and AND (1)(b) (d) and (e) is taxed at ~~12%~~  
18 ~~12.8%~~ 12% of market value.

19 (b) Except as provided in 15-23-202, property  
20 described in subsection (1)(c) is taxed at 15% ~~12.8%~~ 15% of  
21 market value."

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

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

1 of 15-6-134 shall make an affidavit to the department of  
2 revenue, on a form provided by the department without cost,  
3 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. The  
14 application remains in effect in subsequent years unless  
15 there is a change in the applicant's eligibility. The  
16 taxpayer shall inform the department of any change in  
17 eligibility. The department may inquire by mail whether any  
18 change in eligibility has taken place and may require a new  
19 statement of eligibility at any time it considers necessary.

20 (3) The affidavit is sufficient if the applicant signs  
21 a statement affirming the correctness of the information  
22 supplied, whether or not the statement is signed before a  
23 person authorized to administer oaths, and mails the  
24 application and statement to the department of revenue.  
25 This signed statement shall be treated as a statement under

1 oath or equivalent affirmation for the purposes of 45-7-202,  
2 relating to the criminal offense of false swearing."

3 Section 11, Section 15-7-202, MCA, is amended to read:

4 "15-7-202. Eligibility of land for valuation as  
5 agricultural land--(1) land which is actively devoted to  
6 agricultural use shall be eligible for valuation,  
7 assessment, and taxation as herein provided each year it  
8 meets any of the following qualifications:

9 (a) the area of such land is not less than 5  
10 contiguous acres when measured in accordance with provisions  
11 of 15-7-206, and it has been actively devoted to agriculture  
12 during the last growing season, and it continues to be  
13 actively devoted to agricultural use, which means:

14 (i) it is used to produce field crops including but  
15 not limited to grains, feed crops, fruits, vegetables, or

16 (ii) it is used for grazing and it is not classified as  
17 commercial timberland as defined in 15-6-130; or

18 (iii) it is used for growing timber; or

19 (iv) (iii) it is in a cropland retirement program; or

20 (b) it agriculturally produces for sale or home  
21 consumption the equivalent of 15% or more of the owners'  
22 annual gross income regardless of the number of contiguous  
23 acres in the ownership; or

24 (c) it is used to raise animals in confined areas for  
25 the production of food or fiber, including but not limited

1 to livestock, feedlots, dairies, fish hatcheries, and  
2 poultry farms.

3 (2) Land shall not be classified or valued as  
4 agricultural if it is subdivided with stated restrictions  
5 prohibiting its use for agricultural purposes.

6 (3) The grazing on land by a horse or other animals  
7 kept as a hobby and not as a part of a bona fide  
8 agricultural enterprise shall not be considered a bona fide  
9 agricultural operation."

10 Section 12, Section 15-7-307, MCA, is amended to read:

11 "15-7-307. Certificate exceptions. The certificate  
12 imposed by this part shall not apply to:

13 (1) an instrument recorded prior to July 1, 1975;

14 (2) the sale of agricultural land when the land is  
15 used for agricultural purposes;

16 (3) the United States of America, this state, or any  
17 instrumentality, agency, or subdivision thereof;

18 (4) an instrument which (without added consideration)  
19 confirms, corrects, modifies, or supplements a previously  
20 recorded instrument;

21 (5) a transfer pursuant to court decree;

22 (6) a transfer pursuant to mergers, consolidations, or  
23 reorganizations of corporations, partnerships, or other  
24 business entities;

25 (7) a transfer by a subsidiary corporation to its



1 parent--corporation--without-actual-consideration-or-in-sole  
2 consideration-of-the-cancellation-or-surrender-of-subsiary  
3 stock;

- 4 (8)--a-transfer-of-decedents'-estates;
- 5 (9)--a-transfer-of-a-gift;
- 6 (10)--a-transfer-between-husband-and-wife-or-parent--and  
7 child-with-only-nominal-actual-consideration-therefor;
- 8 (11)--an-instrument--the-effect-of-which-is-to-transfer  
9 the-property-to-the-same-party-or-parties;
- 10 (12)--a--sale--for--delinquent--taxes--or--assessments,  
11 sheriff-sale, bankruptcy-action, or mortgage-foreclosure;
- 12 (13)--a-transfer-made-in-contemplation-of-death; or
- 13 (14)--the-sale-of-timberland-when-the-land-is-classified  
14 for-tax-purposes-as-commercial-timberland;"

15 NEW SECTION. SECTION 5. CLASS THIRTEEN PROPERTY --  
16 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS THIRTEEN  
17 PROPERTY INCLUDES:

18 (A) ALL RAILROAD TRANSPORTATION PROPERTY AS DESCRIBED  
19 IN THE RAILROAD REVITALIZATION AND REGULATORY REFOR' ACT OF  
20 1976 AS IT READ ON [THE EFFECTIVE DATE OF THIS ACT]; AND

21 (B) ALL AIRLINE TRANSPORTATION PROPERT AS DESCRIBED  
22 IN THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 AS  
23 IT READ ON [THE EFFECTIVE DATE OF THIS ACT].

24 (2) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1980,  
25 AND FOR EACH TAXABLE YEAR THEREAFTER, CLASS THIRTEEN

1 PROPERTY IS TAXED AT THE PERCENTAGE RATE "R", TO BE  
2 DETERMINED BY THE DEPARTMENT AS PROVIDED IN SUBSECTION (3).

3 (3) --R--={A(M)--+B+C+B+E+F/-B}--WHERE, AS OF  
4 JANUARY 1--OF--EACH--TAXABLE--YEAR--FOR--WHICH--R--IS--BEING  
5 CALCULATED:

6 (A) --R--IS--THE--TAXABLE--PERCENTAGE--RATE--APPLICABLE--TO  
7 CLASS-THIRTEEN-PROPERTY;

8 (B) --A--IS--THE--TOTAL--STATEWIDE--TAXABLE--VALUE--OF--ALL  
9 COMMERCIAL-PROPERTY-INCLUDED-IN-CLASS-FOUR-AND-IS-DETERMINED  
10 BY--MULTIPLYING--THE--TOTAL--STATEWIDE--MARKET-VALUE-OF-SUCH  
11 PROPERTY--BY--THE--TAXABLE--PERCENTAGE--RATE--PROVIDED--IN  
12 15-6-134;

13 (C) --B--IS--THE--TOTAL--STATEWIDE--TAXABLE-VALUE-OF-ALL  
14 COMMERCIAL--PROPERTY--INCLUDED--IN--CLASS--SEVEN--AND--IS  
15 DETERMINED--BY--MULTIPLYING--THE--TOTAL--STATEWIDE--MARKET-VALUE  
16 OF-CLASS-SEVEN-COMMERCIAL-PROPERTY-BY-THE-TAXABLE-PERCENTAGE  
17 RATE-PROVIDED-IN-15-6-137;

18 (D) --E--IS--THE--TOTAL--STATEWIDE--TAXABLE--VALUE--OF--ALL  
19 COMMERCIAL--PROPERTY--INCLUDED--IN--CLASS--EIGHT--AND--IS  
20 DETERMINED--BY--MULTIPLYING--THE--TOTAL--STATEWIDE--MARKET--VALUE  
21 OF-CLASS-EIGHT-COMMERCIAL-PROPERTY-BY-THE-TAXABLE-PERCENTAGE  
22 RATE-PROVIDED-IN-15-6-138;

23 (E) --B--IS--THE--TOTAL--STATEWIDE--TAXABLE-VALUE-OF-ALL  
24 COMMERCIAL-PROPERTY-INCLUDED-IN-CLASS-NINE-AND-IS-DETERMINED  
25 BY--MULTIPLYING--THE--TOTAL--STATEWIDE--MARKET--VALUE--OF--CLASS

1 ~~NINE COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE RATE~~  
2 ~~PROVIDED IN 15-6-139~~

3 ~~{F} IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL~~  
4 ~~COMMERCIAL PROPERTY INCLUDED IN CLASS TEN AND IS DETERMINED~~  
5 ~~BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE OF CLASS TEN~~  
6 ~~COMMERCIAL PROPERTY BY THE TAXABLE PERCENTAGE RATE PROVIDED~~  
7 ~~IN 15-6-140~~

8 ~~{G} IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL~~  
9 ~~COMMERCIAL PROPERTY INCLUDED IN CLASS ELEVEN AND IS~~  
10 ~~DETERMINED BY MULTIPLYING THE TOTAL STATEWIDE MARKET VALUE~~  
11 ~~OF CLASS ELEVEN COMMERCIAL PROPERTY BY THE TAXABLE~~  
12 ~~PERCENTAGE RATE PROVIDED IN 15-6-141~~

13 ~~{H} IS THE TOTAL STATEWIDE MARKET VALUE OF ALL~~  
14 ~~COMMERCIAL PROPERTY INCLUDED IN CLASSES FOUR, SEVEN, EIGHT,~~  
15 ~~NINE, TEN, AND ELEVEN, AND~~

16 ~~{I} IS THE VALUE WEIGHTED MEAN SALES ASSESSMENT~~  
17 ~~RATIO FOR ALL COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND~~  
18 ~~IMPROVEMENTS DETERMINED BY THE DEPARTMENT AS PROVIDED IN~~  
19 ~~SUBSECTION (4)~~

20 (3) R = A/B WHERE:

21 (A) A IS THE TOTAL STATEWIDE TAXABLE VALUE OF ALL  
22 COMMERCIAL PROPERTY AS COMMERCIAL PROPERTY IS DESCRIBED IN  
23 15-1-101(1)(D), INCLUDING CLASS 1 AND CLASS 2 PROPERTY; AND

24 (B) B IS THE TOTAL STATEWIDE MARKET VALUE OF ALL  
25 COMMERCIAL PROPERTY AS COMMERCIAL PROPERTY IS DESCRIBED IN

1 15-1-101(1)(D), INCLUDING CLASS 1 AND CLASS 2 PROPERTY.

2 (4) (A) FOR THE TAXABLE YEAR BEGINNING JANUARY 1,  
3 1986, AND FOR EVERY TAXABLE YEAR THEREAFTER, THE DEPARTMENT  
4 SHALL CONDUCT A SALES ASSESSMENT RATIO STUDY OF ALL  
5 COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS.  
6 THE STUDY MUST BE BASED ON:

7 (I) ASSESSMENTS OF SUCH PROPERTY AS OF JANUARY 1 OF  
8 THE YEAR FOR WHICH THE STUDY IS BEING CONDUCTED; AND

9 (II) A STATISTICALLY VALID SAMPLE OF SALES USING DATA  
10 FROM REALTY TRANSFER CERTIFICATES FILED DURING THE SAME  
11 TAXABLE YEAR OR FROM THE IMMEDIATELY PRECEDING TAXABLE YEAR,  
12 BUT ONLY IF A SUFFICIENT NUMBER OF CERTIFICATES IS  
13 UNAVAILABLE FROM THE CURRENT TAXABLE YEAR TO PROVIDE A  
14 STATISTICALLY VALID SAMPLE.

15 (B) THE DEPARTMENT SHALL DETERMINE THE VALUE-WEIGHTED  
16 MEAN SALES ASSESSMENT RATIO "M" FOR ALL SUCH PROPERTY AND  
17 REDUCE THE TAXABLE VALUE OF PROPERTY DESCRIBED IN SUBSECTION

18 (4) ONLY, BY MULTIPLYING THE TOTAL STATEWIDE TAXABLE VALUE  
19 OF PROPERTY DESCRIBED IN SUBSECTION (4) BY "M" PRIOR TO  
20 CALCULATING "A" IN SUBSECTION (3).

21 (C) THE ADJUSTMENT REFERRED TO IN SUBSECTION (4)(B)  
22 WILL BE MADE BEGINNING JANUARY 1, 1986, AND IN EACH  
23 SUBSEQUENT TAX YEAR TO EQUALIZE THE RAILROAD AND AIRLINE  
24 TAXABLE VALUES.

25 (5) FOR THE PURPOSE OF COMPLYING WITH THE RAILROAD

1 REVITALIZATION AND REGULATORY REFORM ACT OF 1976 AND THE TAX  
 2 EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982, AS THEY READ  
 3 ON [THE EFFECTIVE DATE OF THIS ACT] ,

4 {A} THE RATE "R" REFERRED TO IN THIS SECTION IS THE  
 5 EQUALIZED AVERAGE TAX RATE GENERALLY APPLICABLE TO  
 6 COMMERCIAL AND INDUSTRIAL PROPERTY IN--MONTANA;--AND AS  
 7 COMMERCIAL PROPERTY IS DEFINED IN 15-1-101(1)(D).

8 ~~{B}--"COMMERCIAL--AND--INDUSTRIAL--PROPERTY"--IS--ALL~~  
 9 ~~COMMERCIAL--PROPERTY--INCLUDED--IN--CLASSES--FOUR,--SEVEN,--EIGHT,~~  
 10 ~~NINE,--TEN,--AND--ELEVEN.~~

11 NEW SECTION. SECTION 6. CLASS FOURTEEN PROPERTY --  
 12 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS FOURTEEN  
 13 PROPERTY INCLUDES:

14 (A) MOTORCYCLES;  
 15 (B) WATERCRAFT;  
 16 (C) ALL-TERRAIN VEHICLES;  
 17 (D) HARNESS, SADDLERY, AND OTHER TACK EQUIPMENT;  
 18 (E) ALL OTHER PROPERTY USED FOR NONCOMMERCIAL PURPOSES  
 19 WHICH IS NOT REAL PROPERTY OR AN IMPROVEMENT TO REAL  
 20 PROPERTY AND WHICH IS NOT INCLUDED IN ANOTHER CLASS OR  
 21 EXEMPT FROM TAXATION UNDER TITLE 15, CHAP 28, PART 2.

22 (2) CLASS FOURTEEN PROPERTY IS TAXED AT 11% OF ITS  
 23 MARKET VALUE.

24 Section 7. 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 except as provided in subsection  
 3 (5) of this section and in 15-7-111 through 15-7-114.

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

8 (b) The market value of all motor-trucks; agricultural  
 9 tools; implements; and machinery; and vehicles of all kinds;  
 10 including but not limited to motorcycles; aircraft; and  
 11 boats and all watercraft; ~~property included in class seven~~  
 12 MOTOR TRUCKS, AGRICULTURAL TOOLS, IMPLEMENTS, AND MACHINERY;  
 13 AND VEHICLES OF ALL KINDS, INCLUDING BUT NOT LIMITED TO  
 14 MOTORCYCLES, AIRCRAFT, AND BOATS AND ALL WATERCRAFT, is the  
 15 average wholesale value shown in national appraisal guides  
 16 and manuals or the value of the vehicle before  
 17 reconditioning and profit margin. The department of revenue  
 18 shall prepare valuation schedules showing the average  
 19 wholesale value when no national appraisal guide exists.

20 ~~{c}--The market value of all commercial property other~~  
 21 ~~than real property and improvements is the average retail~~  
 22 ~~value shown in one or more national appraisal guides and~~  
 23 ~~manuals chosen by the department of revenue. The department~~  
 24 ~~shall prepare valuation schedules showing the average retail~~  
 25 ~~value when no national appraisal guide exists.~~

~~(d) Per real property and improvements, in the absence of contradictory market data information, market value is considered to be replacement cost depreciated.~~

(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~~ 15-6-137 and 15-6-139 through 15-6-141 15-6-140, [SECTION 5], AND [SECTION 6]. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in classes four ~~through seven and classes nine~~ through eleven, [SECTION 5], AND [SECTION 6] is the percentage of market value established for each class of property in 15-6-134 ~~through 15-6-137 and 15-6-139~~ through 15-6-141, [SECTION 5], AND [SECTION 6].

(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.

~~(d) Properties in 15-6-130, under class eight, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity.~~

(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 AND three and eight~~ is the percentage of assessed value established in 15-6-131(2), 15-6-132, and ~~AND 15-6-133 and 15-6-130~~ for each class of property."

~~Section 14, Section 15-16-611, MCA, is amended to read:~~

"15-16-611. Reduction of property tax for property destroyed by natural disaster. (1) The department of revenue shall, upon showing by a taxpayer that some or all of the improvements on his real property or a trailer or mobile home (as described in 15-6-134(1)(c)) have been destroyed to such an extent that such improvements have been rendered unsuitable for their previous use by natural

1 disaster, adjust the tax due and payable for the current  
 2 year on the property under 15-16-102 as provided in  
 3 subsection (2) of this section:

4 (2) To determine the amount of tax due for destroyed  
 5 property, the county treasurer shall multiply the amount of  
 6 tax levied and assessed on the property for the year by the  
 7 ratio that the number of days in the year that the property  
 8 existed before destruction bears to 365.

9 (3) This section does not apply to delinquent taxes  
 10 owed on the destroyed property for a year prior to the year  
 11 in which the property was destroyed.

12 (4) For the purposes of this section, "natural  
 13 disaster" includes but is not limited to fire, flood,  
 14 earthquake, or wind."

15 Section 8. Section 15-23-202, MCA, is amended to read:

16 "15-23-202. Assessment -- how made. (1) The department  
 17 must assess the franchise, roadway, roadbed, rails, rolling  
 18 stock, and all other operating properties of all railroads  
 19 operated in more than one county or more than one state.  
 20 All rolling stock must be assessed in the name of the person  
 21 owning, leasing, or using the same. Assessments must be made  
 22 to the person owning or leasing or using the same and must  
 23 be made upon the entire railroad within the state. The  
 24 depots, stations, shops, and buildings erected upon the  
 25 space covered by the right-of-way and all other property

1 owned or leased by such person, except as above provided,  
 2 shall be assessed by the department.

3 (2) In determining the taxable value of railroad  
 4 property, the department may modify shall determine the  
 5 percentage multiplier rate "R" provided for in 15-6-141  
 6 15-6-148 [SECTION 5] in order to achieve compliance with the  
 7 requirements of the federal Railroad Revitalization and  
 8 Regulatory Reform Act of 1976, as amended."

9 Section 16, Section 15-7-111, MCA, is amended to read:

10 "15-7-111. Periodic revaluation of taxable property.  
 11 The (1) Except as provided in subsection (2), the department  
 12 of revenue shall administer and supervise a program for the  
 13 revaluation of all taxable property within the state at  
 14 least every 5 years. A comprehensive written plan of  
 15 rotation shall be promulgated by the department fixing the  
 16 order of revaluation of property in each county on the basis  
 17 of the last revaluation of taxable property in each county  
 18 prior to July 17, 1974, in order to adjust the disparities  
 19 therein between the counties. The plan of rotation so  
 20 adopted shall provide that all property in each county shall  
 21 be revalued at least every 5 years or that no less than 20%  
 22 of the property in each county shall be revalued in each  
 23 year. The department shall furnish a copy of the plan and  
 24 all amendments thereto to each county assessor and the board  
 25 of county commissioners in each county.

~~{2}--All property in class four, class nine, class ten and class eleven shall be revalued annually under a program developed, administered, and supervised by the department."~~

Section 9. Section 15-8-104, MCA, is amended to read:  
"15-8-104. Department audit of taxable value -- costs of audit paid by department. (1) When in the judgment of the director of revenue it is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells and all other types of property subject to ad valorem taxation.

(2) The department of revenue shall conduct audits of the assessment of ALL COMMERCIAL PERSONAL property in class four and class nine to assure that the value of the property in those classes reflects market value. BECAUSE THE ASSESSED VALUE OF COMMERCIAL PERSONAL PROPERTY IS DEFINED AS MARKET VALUE UNDER 15-8-111(2), THE AUDITS CONDUCTED BY THE DEPARTMENT SHALL BE PRIMARILY DIRECTED TOWARD ENSURING THAT ALL TAXABLE PERSONAL PROPERTY IS REPORTED TO THE DEPARTMENT.

~~{2}{3} The cost of the any audit performed under subsection (1) or (2) shall be paid by the department."~~

~~NEW SECTION. --Section 10. --Repealer. --Section 15-6-142; MCA, is repeated;~~

NEW SECTION. Section 10. Extension RULEMAKING AUTHORITY -- EXTENSION of EXISTING authority. (1) THE DEPARTMENT OF REVENUE SHALL ADOPT RULES SPECIFYING WHICH

TYPES OF PROPERTY WITHIN THE SEVERAL CLASSES ARE CONSIDERED "COMPARABLE PROPERTY" AS DESCRIBED IN 15-1-101.

(2) THE DEPARTMENT SHALL ALSO ADOPT RULES SPECIFYING THE METHODOLOGY TO BE USED IN CONDUCTING SALES ASSESSMENT RATIO STUDIES AND IN DETERMINING THE VALUE-WEIGHTED MEAN SALES ASSESSMENT RATIO FOR ALL COMMERCIAL AND INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS.

(3) 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.

~~{2}{4} The department may initiate rulemaking proceedings under this section on or after the date on which this act is passed and approved, but no rule adopted under this section may be made effective before January 1, 1986.~~

NEW SECTION. Section 11. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 12. Effective dates. (1) This act, except section 19 10 and this section, is effective January 1, 1986.

(2) Section 19 10 and this section are effective on passage and approval.

-End-