

HOUSE BILL NO. 693

2/06 Introduced
2/06 Referred to Taxation
2/06 Fiscal Note Requested
2/11 Fiscal Note Received
2/13 Hearing
3/27 Committee Report-Bill Do Pass
3/27 Statement of Intent Attached
4/01 2nd Reading Pass
4/01 3rd Reading Pass

Transmitted to Senate

4/03 Referred to Taxation
4/09 Hearing
4/17 Tabled in Committee

HOUSE BILL NO. 693

INTRODUCED BY *KOEHNKE* *Maue* *Abraham* *DeVito*
Spald *Harbin* *Bergini* *Stagner* *Deady* *Jeff*
 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING CERTAIN
 IMPROVEMENTS TO AGRICULTURAL LANDS FROM PROPERTY TAXATION;
 AMENDING SECTION 15-6-207, MCA; AND PROVIDING AN
 APPLICABILITY DATE." *Bengtson* *Howe* *Code*
Maue *Rapp* *Sorute* *LANE* *1984*

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

Section 1. Section 15-6-207, MCA, is amended to read:

"15-6-207. Agricultural exemptions. (1) The following agricultural products are exempt from taxation:

(a) all unprocessed, perishable fruits and vegetables in farm storage and owned by the producer;

(b) all nonperishable unprocessed agricultural products, except livestock, held in possession of the original producer for less than 7 months following harvest;

and

(c) livestock, defined as cattle, sheep, horses, or mules, which have not attained the age of 9 months as of the last day of any month if assessed on the average inventory basis or on March 1 if assessed as provided in 15-24-911(1)(a) and swine which have not attained the age of 3 months as of January 1.

(2) The following improvements to agricultural land

are exempt from taxation if such improvements are an integral part of an operation whose land is valued as agricultural land under 15-7-202:

(a) sewage disposal systems;

(b) water systems; and

(c) underground pipes and wires."

NEW SECTION. Section 2. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 3. Applicability date. This act is applicable to taxable years beginning after December 31, 1985.

-End-



STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 352-85

Form BD-15

In compliance with a written request received February 6, 19 85, there is hereby submitted a Fiscal Note for House Bill 693 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act exempting certain improvements to agricultural lands from property taxation; amending section 15-6-207, MCA; and providing an applicability date.

ASSUMPTIONS:

1. No fiscal impact in FY 86 because of the January 1, 1986 applicability date.
2. The taxable value of the state is \$2,495,795,000 in FY 87.
3. University levy = 6 mills.
4. School Foundation program = 45 mills.
5. All school funding = 60% of total mill levy.
6. Revenue Lost - Taxable Value - \$1,346,625 - Number of farmsteads - 6,300.
7. Revenue Foregone - Taxable Value - \$9,212,625 - Number of farmsteads - 43,100 (Not previously on tax rolls).
8. Average rural levy = 200 mills (County purposes = 149 mills).
9. The current definition of farmsteads applies.

At present the value of the sewage disposal systems and domestic water supply systems of 43,100 (out of 49,400) farmsteads is not on the tax rolls. The effect on revenue presented here assumes that the value of these farmsteads will be added to the tax rolls for FY 1987.

David L. Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 11, 1985

EFFECT OF REVENUE:

Revenue Lost: (Taxable value \$1,346,625 for 6,300 parcels currently on the tax rolls)

	Under Current Law	<u>FY 1987</u> Under Proposed Law	Estimated (Decrease)
University Mill Levy	\$ 14,974,770	\$ 14,966,690	(\$ 8,080)
School Foundation Program Levy	\$112,310,775	\$112,250,177	(\$ 60,598)
TOTAL	<u>\$127,285,545</u>	<u>\$127,216,867</u>	<u>(\$ 68,678)</u>

Revenue Foregone: (Taxable value \$9,212,625 for 43,100 parcels not currently on the tax rolls)

University Mill Levy	\$ 14,974,770	\$ 14,919,494	(\$ 55,276)
School Foundation Program Levy	\$112,310,775	\$111,896,207	(\$414,568)
TOTAL	<u>\$127,285,545</u>	<u>\$126,815,701</u>	<u>(\$469,844)</u>

EFFECT ON COUNTY/LOCAL REVENUE:

Revenue Lost:

The impact on local revenue is \$200,647 (.149 X \$1,346,625) in FY 87. On the average, 60% of the total property taxes levied are for schools. Thus, 60% of the total loss or about \$161,595 annually (.60 X (\$68,678 + \$200,647)) would be the loss in school funding.

Revenue Foregone:

The foregone local revenue would be \$1,372,681 (.149 X \$9,212,625) in FY 87. School funding would forego about \$1,105,515 (.60 X (\$469,844 + \$1,372,681)) in FY 87.

APPROVED BY COMMITTEE
ON TAXATION

1 STATEMENT OF INTENT

2 HOUSE BILL 693

3 House Taxation Committee

4

5 A statement of intent is attached to this bill at the
6 request of the sponsor and the house taxation committee
7 because under the provisions of this act the department of
8 revenue must limit the property tax exemption to only bona
9 fide agricultural farmsteads that were identified in the
10 fiscal note.

11 It is the intent of the legislature that the department
12 of revenue limit the tax exemption for sewage disposal
13 systems and domestic water supply system improvements to the
14 estimated 49,400 farmsteads referred to in the original
15 fiscal note on House Bill 693 and any new farmsteads of the
16 future that meet the same description. Any existing
17 authority of the department of revenue to make rules on the
18 subject of the provisions of this act is extended to the
19 provisions of this act.

HOUSE BILL NO. 693

INTRODUCED BY KOEHNKE, MANUEL, ABRAMS, DEVLIN,
SPAETH, HARBIN, BACHINI, SCHULTZ, HAYNE, GRADY,
THOPT, HOLLIDAY, SCHYE, HAND, CODY, POFF, HOWE,
MARKS, WALLIN, BENGTON, RAPP-SVRCEK, LANE

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THIRD READING

HB 693

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