

HOUSE BILL NO. 848

2/15 Introduced
2/15 Referred to Taxation
2/15 Fiscal Note Requested
2/21 Fiscal Note Received
3/26 Hearing
Died in Committee

1 HOUSE BILL NO. 848
2 INTRODUCED BY Ramsey STEPHENS Copper Belt
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE
5 DEPARTMENT OF REVENUE TO ANNUALLY DETERMINE THE TAXABLE
6 PERCENTAGE RATE APPLICABLE TO CLASS FOUR PROPERTY THAT WOULD
7 LIMIT THE PERCENTAGE INCREASE IN THE STATEWIDE TAXABLE VALUE
8 OF CLASS FOUR PROPERTY; REQUIRING ANNUAL APPRAISAL OF CLASS
9 FOUR PROPERTY; AMENDING SECTIONS 15-1-101, 15-6-134, AND
10 15-7-111, MCA."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 15-1-101, MCA, is amended to read:
14 "15-1-101. Definitions. (1) When terms mentioned in
15 this section are used in connection with taxation, they are
16 defined in the following manner:

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

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

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

1 (d) The term "credit" means solvent debts, secured or
2 unsecured, owing to a person.

3 (e) The term "implicit price deflator" means the
4 figure published in the Survey of Current Business by the
5 United States department of commerce bureau of economic
6 analysis and referred to in that publication as the gross
7 national product implicit price deflator for state and local
8 government purchases, as the title of the publication or
9 reference to the figure may be revised or amended.

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

20 (g) The term "leasehold improvements" means
21 improvements to mobile homes and mobile homes located on
22 land owned by another person. This property is assessed
23 under the appropriate classification and the taxes are due
24 and payable in two payments as provided in 15-24-202.
25 Delinquent taxes on such leasehold improvements are a lien



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1 only on such leasehold improvements.

2 ~~(g)~~(h) The term "mobile home" means forms of housing
3 known as "trailers", "housetrailer", or "trailer coaches"
4 exceeding 8 feet in width or 45 feet in length, designed to
5 be moved from one place to another by an independent power
6 connected to them, or any "trailer", "housetrailer", or
7 "trailer coach" up to 8 feet in width or 45 feet in length
8 used as a principal residence.

9 ~~(h)~~(i) The term "personal property" includes
10 everything that is the subject of ownership but that is not
11 included within the meaning of the terms "real estate" and
12 "improvements".

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

16 ~~(j)~~(k) The term "property" includes moneys, credits,
17 bonds, stocks, franchises, and all other matters and things,
18 real, personal, and mixed, capable of private ownership.
19 This definition must not be construed to authorize the
20 taxation of the stocks of any company or corporation when
21 the property of such company or corporation represented by
22 the stocks is within the state and has been taxed.

23 ~~(k)~~(l) The term "real estate" includes:

24 (i) the possession of, claim to, ownership of, or
25 right to the possession of land;

1 (ii) all mines, minerals, and quarries in and under the
2 land subject to the provisions of 15-23-501 and 15-23-801;
3 all timber belonging to individuals or corporations growing
4 or being on the lands of the United States; and all rights
5 and privileges appertaining thereto.

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

9 (2) The phrase "municipal corporation" or
10 "municipality" or "taxing unit" shall be deemed to include a
11 county, city, incorporated town, township, school district,
12 irrigation district, drainage district, or any person,
13 persons, or organized body authorized by law to establish
14 tax levies for the purpose of raising public revenue.

15 (3) The term "state board" or "board" when used
16 without other qualification shall mean the state tax appeal
17 board."

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 except that specifically included in
22 another class;

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

25 (c) the first \$35,000 or less of the market value of

1 any improvement on real property and appurtenant land not
 2 exceeding 5 acres owned or under contract for deed and
 3 actually occupied for at least 10 months a year as the
 4 primary residential dwelling of:

5 (i) a widow or widower 62 years of age or older who
 6 qualifies under the income limitations of (iii) of this
 7 subsection;

8 (ii) a widow or widower of any age with dependent
 9 children who qualifies under the income limitations of (iii)
 10 of this subsection; or

11 (iii) a recipient or recipients of retirement or
 12 disability benefits whose total income from all sources
 13 including otherwise tax-exempt income of all types is not
 14 more than \$8,000 for a single person or \$10,000 for a
 15 married couple;

16 (d) all golf courses, including land and improvements
 17 actually and necessarily used for that purpose, that:

18 (i) consist of at least 9 holes and not less than
 19 3,000 lineal yards; and

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

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

23 (a) Except as provided in 15-24-1402 or 15-24-1501,
 24 property described in subsections (1)(a) and (1)(b) is taxed
 25 at 8.55% the taxable percentage rate "P" of its market

1 value.

2 (b) Property described in subsection (1)(c) is taxed
 3 at ~~8.55%~~ the taxable percentage rate "P" of its market value
 4 multiplied by a percentage figure based on income and
 5 determined from the following table:

| 6 | Income | Income | Percentage |
|----|---------------|----------------|------------|
| 7 | Single Person | Married Couple | Multiplier |
| 8 | \$0 - \$1,000 | \$0 - \$1,000 | 0% |
| 9 | 1,001 - 2,000 | 1,001 - 2,000 | 10% |
| 10 | 2,001 - 2,800 | 2,001 - 3,000 | 20% |
| 11 | 2,801 - 3,600 | 3,001 - 4,000 | 30% |
| 12 | 3,601 - 4,400 | 4,001 - 5,000 | 40% |
| 13 | 4,401 - 5,200 | 5,001 - 6,000 | 50% |
| 14 | 5,201 - 6,000 | 6,001 - 7,000 | 60% |
| 15 | 6,001 - 6,800 | 7,001 - 8,000 | 70% |
| 16 | 6,801 - 7,600 | 8,001 - 9,000 | 80% |
| 17 | 7,601 - 8,000 | 9,001 - 10,000 | 90% |

18 (c) Property described in subsection (1)(d) is taxed
 19 at one-half the taxable percentage ~~established in subsection~~
 20 ~~(2)(a)~~ or 4.275% rate "P".

21 (3) For the taxable year beginning January 1, 1986,
 22 the taxable percentage rate "P" applicable to class four
 23 property is A(8.55%/B), where A is the implicit price
 24 deflator for 1985 expressed as a percentage change and B is
 25 the certified statewide percentage increase to be determined

1 by the department of revenue as provided in subsection (4).
 2 The taxable percentage rate "P" shall be rounded downward to
 3 the nearest 0.01% and shall be calculated by the department
 4 before July 1, 1986.

5 (4) (a) Prior to July 1, 1986, the department shall
 6 determine the certified statewide percentage increase for
 7 class four property using the formula $B = X/Y$, where:

8 (i) X is the appraised value, as of January 1, 1986,
 9 of all property in the state, excluding new construction,
 10 additions, or deletions of property during the preceding
 11 year, classified under class four as class four is described
 12 in this section; and

13 (ii) Y is the appraised value, as of January 1, 1985,
 14 of all property in the state that, as of January 1, 1986,
 15 would be classified under class four as class four is
 16 described in this section.

17 (b) B shall be rounded downward to the nearest
 18 0.0001%.

19 (5) For taxable years beginning January 1, 1987, and
 20 for every taxable year thereafter, the department shall,
 21 before July 1 of each year, determine the taxable percentage
 22 rate "P" applicable to class four property. The
 23 determination shall be made as provided in subsection (6).

24 (6) $P = (A/B)C$, where:

25 (a) P is the taxable percentage rate applicable to

1 class four property for the calendar year beginning January
 2 1 in the year in which P is calculated. The taxable
 3 percentage rate "P" shall be rounded downward to the nearest
 4 0.01%.

5 (b) A is the taxable percentage rate P applicable to
 6 class four property as established by the department for the
 7 immediately preceding year;

8 (c) B is the certified statewide percentage increase
 9 to be determined by the department using the formula $B =$
 10 X/Y , where:

11 (i) X is the appraised value, as of January 1 of the
 12 year for which P is being calculated, of all property in the
 13 state, excluding new construction, additions, or deletions
 14 of property during the preceding year, classified under
 15 class four as class four is described in this section; and

16 (ii) Y is the appraised value, as of January 1 of the
 17 year preceding the year for which P is being calculated, of
 18 all property in the state that, as of January 1 of the year
 19 for which P is being calculated, would be classified under
 20 class four as class four is described in this section;

21 (d) C is the implicit price deflator for the year
 22 preceding the year for which P is being calculated and is
 23 expressed as a percentage change; and

24 (e) B shall be rounded downward to the nearest
 25 0.0001%."

1 Section 3. Section 15-7-111, MCA, is amended to read:

2 "15-7-111. Periodic revaluation of taxable property.

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

18 (2) (a) All property in class four shall be revalued
 19 annually under a program developed, administered, and
 20 supervised by the department.

21 (b) The program developed by the department must
 22 include:

23 (i) for real property improvements, an annual onsite
 24 review of at least 20% of all residential and commercial
 25 property improvements in the state adjusted by:

1 (A) appropriate current value indicators contained in
 2 national appraisal manuals, which manuals may include but
 3 are not limited to Marshall Valuation Service, published by
 4 Marshall and Swift publication company; Boeckh Building
 5 Valuation Manual, published by Boeckh publications; and
 6 Means Square Foot Cost, Means Mechanical and Electrical Cost
 7 Data, Means Building Systems Cost Guide, and Means Building
 8 Construction Data, all published by Robert Snow Means
 9 company, inc.;

10 (B) depreciation actually observed in the onsite
 11 appraisals; and

12 (C) market trends indicated by valid market sales; and

13 (ii) the change in value of real property improvements
 14 indicated by the review described in subsection (2)(b)(i)
 15 established by the department and stated as a percentage
 16 change in value. The respective percentage changes in value
 17 for real property improvements shall be appropriately
 18 applied uniformly statewide to all real property
 19 improvements within the applicable property types.

20 (iii) for real property land, an annual statewide
 21 adjustment reflecting changes in market value indicated by a
 22 statistically significant sample of valid real property land
 23 sales.

24 (3) The department must, following public notice,
 25 conduct a public hearing prior to any revaluation under this

1 part."

2 NEW SECTION. Section 4. Extension of authority. Any
3 existing authority of the department of revenue to make
4 rules on the subject of the provisions of this act is
5 extended to the provisions of this act.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN449-85

Form BD-15

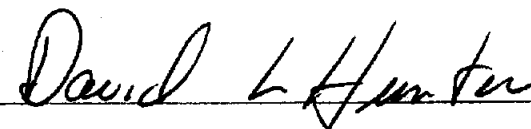
In compliance with a written request received February 18 19 85, there is hereby submitted a Fiscal Note for H.B. 848 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring the Department of Revenue to annually determine the taxable percentage rate applicable to class four property that would limit the percentage increase in the statewide taxable value of class four property; requiring annual appraisal of class four property.

FISCAL IMPACT:

The effect of the proposed legislation is to limit increases in the taxable value of Class 4 property to the percentage increase in the implicit price deflator for state and local government services. That is, assuming no changes in mill levies, local governments would be limited to the same amount of revenue they currently receive from Class 4 property tax plus a percentage increase reflecting the increases in costs associated with providing state and local government services. For example, a 1% increase in the implicit price deflator for government services would also limit the maximum allowable growth in statewide taxable value for Class 4 property to 1%.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 21, 1985
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The additional costs associated with annual revaluations of all Commercial/Industrial property are estimated contingent upon the following alternatives:

| | <u>FY86</u> | <u>FY87</u> |
|--|-------------|-------------|
| Alternative 1 | \$ 946,265 | \$746,265 |
| - Annually reinspect 20% of 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 | | |

TECHNICAL NOTE

Page 6, line 24 of the proposed legislation provides for an implicit price deflator for 1985 expressed as a "percent change." This reading is ambiguous and left open to interpretation. More specific language, similar to that used in 15-30-101 (8) as it pertains to adjustments to personal income tax parameters, would better define the adjustment mechanism.