

SENATE BILL NO. 48

1/07 Introduced
1/10 Referred to Taxation
1/14 Fiscal Note Requested
1/15 Hearing
1/18 Fiscal Note Received
2/07 Committee Report-Bill Pass As Amended
2/07 Fiscal Note Requested
2/07 Fiscal Note Received
2/08 2nd Reading Pass
2/11 3rd Reading Pass

Transmitted to House

2/20 Referred to Taxation
2/21 Hearing
3/28 Committee Report-No Recommendation
3/30 2nd Reading Not Concurred
3/30 Bill Killed

1 SENATE BILL NO. 48
2 INTRODUCED BY TOWE, M. WILLIAMS

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; REQUIRING THE DEPARTMENT OF REVENUE TO
9 ANNUALLY REVALUE ALL COMMERCIAL AND INDUSTRIAL PROPERTY;
10 REQUIRING THE DEPARTMENT OF REVENUE TO CONDUCT AUDITS OF
11 ASSESSMENTS ON COMMERCIAL AND INDUSTRIAL PROPERTY; DEFINING
12 THE TERM "COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO
13 TAXATION; CLARIFYING THE TERM "MARKET VALUE" FOR PROPERTY
14 TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101,
15 15-6-134, 15-6-135, 15-6-137 THROUGH 15-6-142, 15-6-151,
16 15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111, 15-16-611,
17 AND 15-23-202, MCA; AND PROVIDING EFFECTIVE DATES."

18
19 WHEREAS, the federal government has granted special
20 consideration to certain types of property with respect to
21 property taxation; and

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

25 WHEREAS, there have been questions in the past

1 regarding the validity of Montana's property tax
2 classification laws with respect to federal law granting
3 special consideration to certain types of property; and

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

7 WHEREAS, the Legislature wishes to retain as much as
8 possible the sovereignty guaranteed to the State by the 10th
9 amendment to the Constitution of the United States of
10 America; and

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

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

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

19
20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21 Section 1. Section 15-1-101, MCA, is amended to read:
22 "15-1-101. Definitions. (1) When terms mentioned in
23 this section are used in connection with taxation, they are
24 defined in the following manner:

25 (a) The term "agricultural" refers to the raising of



1 livestock, swine, poultry, field crops, fruit, and other
2 animal and vegetable matter for food or fiber.

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

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

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

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

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

25 ~~(f)~~(g) The term "leasehold improvements" means

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

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

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

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

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

1 the property of such company or corporation represented by
2 the stocks is within the state and has been taxed.

3 ~~{k}~~(1) The term "real estate" includes:

4 (i) the possession of, claim to, ownership of, or
5 right to the possession of land;

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

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

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

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

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

24 "15-6-101. Property Purpose -- property subject to
25 taxation -- classification. (1) It is the purpose of this

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

11 ~~{i}~~(2) All property in this state is subject to
12 taxation, except as provided otherwise.

13 ~~{i}~~(3) For the purpose of taxation, the taxable
14 property in the state shall be classified in accordance with
15 ~~15-6-131 through 15-6-141~~ this part.

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

17 "15-6-134. Class four property -- description --
18 taxable percentage. (1) Class four property includes:

19 (a) all noncommercial land, including, for farm homes,
20 1 acre of agricultural land at market value, except that
21 specifically included in another class;

22 (b) all noncommercial improvements except those
23 specifically included in another class~~7~~. Noncommercial
24 improvements include single family residences and ancillary
25 improvements and improvements necessary to the function of a

1 bona fide farm, ranch, or stock operation.
 2 (c) a trailer or mobile home used as a residence
 3 except when:
 4 (i) held by a distributor or dealer of trailers or
 5 mobile homes as his stock in trade; or
 6 (ii) specifically included in another class;
 7 ~~(e)~~(d) the first \$35,000 or less of the market value
 8 of any improvement on real property and appurtenant land not
 9 exceeding 5 acres owned or under contract for deed and
 10 actually occupied for at least 10 months a year as the
 11 primary residential dwelling of:
 12 (i) a widow or widower 62 years of age or older who
 13 qualifies under the income limitations of (iii) of this
 14 subsection;
 15 (ii) a widow or widower of any age with dependent
 16 children who qualifies under the income limitations of (iii)
 17 of this subsection; or
 18 (iii) a recipient or recipients of retirement or
 19 disability benefits whose total income from all sources
 20 including otherwise tax-exempt income of all types is not
 21 more than \$8,000 for a single person or \$10,000 for a
 22 married couple;
 23 (e) the first \$35,000 or less of the market value of a
 24 trailer or mobile home used as a residence and actually
 25 occupied for at least 10 months a year as the primary

1 dwelling of any person described in subsections (1)(d)(i)
 2 through (1)(d)(iii);
 3 ~~(d)~~(f) all golf courses, including land and
 4 improvements actually and necessarily used for that purpose,
 5 that:
 6 (i) consist of at least 9 holes and not less than
 7 3,000 lineal yards; and
 8 (ii) were used as a golf course on January 1, 1979, and
 9 were owned by a nonprofit Montana corporation.
 10 (2) Class four property is taxed as follows:
 11 (a) Except--as--provided--in--15-24-1402--or--15-24-1501,
 12 property Property described in subsections (1)(a) and ~~(1)(b)~~
 13 through (1)(c) is taxed at 8.55% of its market value.
 14 (b) Property described in subsection ~~(1)(c)~~
 15 subsections (1)(d) and (1)(e) is taxed at 8.55% of its
 16 market value multiplied by a percentage figure based on
 17 income and determined from the following table:

| | Income | Income | Percentage |
|----|---------------|----------------|------------|
| | Single Person | Married Couple | Multiplier |
| 19 | \$0 - \$1,000 | \$0 - \$1,000 | 0% |
| 20 | 1,001 - 2,000 | 1,001 - 2,000 | 10% |
| 21 | 2,001 - 2,800 | 2,001 - 3,000 | 20% |
| 22 | 2,801 - 3,600 | 3,001 - 4,000 | 30% |
| 23 | 3,601 - 4,400 | 4,001 - 5,000 | 40% |
| 24 | 4,401 - 5,200 | 5,001 - 6,000 | 50% |

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

5 (c) Property described in subsection ~~(1)(d)~~ (1)(f) is
 6 taxed at one-half the taxable percentage established in
 7 subsection (2)(a), or 4.275%."

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

9 "15-6-135. Class five property -- description --
 10 taxable percentage. (1) Class five property includes:

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

16 (b) air and water pollution control equipment as
 17 defined in this section;

18 (c) new industrial property as defined in this
 19 section;

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

23 (2) (a) "Air and water pollution equipment" means
 24 facilities, machinery, or equipment used to reduce or
 25 control water or atmospheric pollution or contamination by

1 removing, reducing, altering, disposing, or storing
 2 pollutants, contaminants, wastes, or heat. The department of
 3 health and environmental sciences shall determine if such
 4 utilization is being made.

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

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

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

24 (b) New industry includes only those industries that:
 25 (i) manufacture, mill, mine, produce, process, or

1 fabricate materials;

2 (ii) do similar work, employing capital and labor, in

3 which materials unserviceable in their natural state are

4 extracted, processed, or made fit for use or are

5 substantially altered or treated so as to create commercial

6 products or materials; or

7 (iii) engage in the mechanical or chemical

8 transformation of materials or substances into new products

9 in the manner defined as manufacturing in the 1972 Standard

10 Industrial Classification Manual prepared by the United

11 States office of management and budget.

12 (5) New industrial property does not include:

13 (a) property used by retail or wholesale merchants,

14 commercial services of any type, agriculture, trades, or

15 professions;

16 (b) a plant that will create adverse impact on

17 existing state, county, or municipal services; or

18 (c) property used or employed in any industrial plant

19 that has been in operation in this state for 3 years or

20 longer.

21 (6) Class five property is taxed at 3% of its market

22 value."

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

24 "15-6-137. Class seven property -- description --

25 taxable percentage. (1) Class seven property includes:

1 (a) all property used--and--owned-by-persons,-firms,

2 corporations,-or-other-organizations-that-are-engaged-in-the

3 business-of-furnishing-telephone-communications--exclusively

4 to-rural-areas-or-to-rural-areas-and-cities-and-towns-of-800

5 persons-or-less;

6 (b)--all-property-owned-by-cooperative-rural-electrical

7 and-cooperative-rural-telephone-associations-that-serve-less

8 than--95%--of--the--electricity-consumers-or-telephone-users

9 within-the-incorporated-limits-of-a-city-or-town;

10 (c)--electric-transformers-and-meters,-electric-light

11 and--power--substation--machinery,-natural-gas-measuring-and

12 regulating-station-equipment,-meters,-and-compressor-station

13 machinery-owned-by-noncentrally-assessed--public--utilities,-

14 and--tools--used--in--the--repair--and--maintenance--of-this

15 property;-and

16 (d)--tools,-implements,-and-machinery--used--to--repair

17 and-maintain-machinery-not-used-for-manufacturing-and-mining

18 purposes-;

19 (2)--To--qualify--for--this-classification,-the-average

20 circuit-miles---for---each---station---on---the---telephone

21 communication--system-described-in-subsection-(1)(b)-must-be

22 more-than-1-mile: used for noncommercial purposes which is

23 not real property or an improvement to real property and

24 which is not in another class or exempt from taxation under

25 Title 15, chapter 6, part 2; and

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

3 ~~{3}~~(2) Class seven property is taxed at ~~8%~~ 11.1% of
4 its market value."

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

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

8 (a) ~~all agricultural implements and equipment land~~
9 ~~except that specifically included in another class; and~~

10 (b) all improvements except those specifically
11 included in another class.

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--;~~

1 ~~{j}--all--goods--and--equipment--intended--for--rent--or~~
2 ~~lease--;--except--goods--and--equipment--specifically--included--and~~
3 ~~taxed--in--another--class--;--and~~

4 ~~{k}--all--other--machinery--except--that--specifically~~
5 ~~included--in--another--class--;~~

6 (2) Class eight property is taxed at ~~11%~~ 8.55% of its
7 market value."

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

9 "15-6-139. Class nine property -- description --
10 taxable percentage. (1) Class nine property is all property
11 used for commercial purposes which is not real property or
12 an improvement to real property and which is not included in
13 another class or exempt from taxation under Title 15,
14 chapter 6, part 2, and includes:

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

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

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

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

23 (e) citizens' band radios and mobile telephones;

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

1 (g) all manufacturing machinery, fixtures, equipment,
 2 tools, and supplies except those included in class five;
 3 (h) motorcycles;
 4 (i) watercraft;
 5 (j) all trailers up to and including 18,000 pounds
 6 maximum gross loaded weight, except those subject to a fee
 7 in lieu of property tax;
 8 (k) aircraft;
 9 (l) all-terrain vehicles;
 10 (m) harness, saddlery, and other tack equipment;
 11 (n) all goods and equipment intended for rent or
 12 lease, except goods and equipment specifically included and
 13 taxed in another class;
 14 (o) all other machinery except that specifically
 15 included in another class;
 16 (p) radio and television broadcasting and transmitting
 17 equipment;
 18 (q) cable television systems;
 19 (r) coal and ore haulers;
 20 (s) all trailers exceeding 18,000 pounds maximum gross
 21 loaded weight, including those prorated under 15-24-102 and
 22 except those subject to a fee in lieu of property tax;
 23 (t) theater projectors and sound equipment;
 24 (u) electric transformers and meters; electric light
 25 and power substation machinery; natural gas measuring and

1 regulating station equipment, meters, and compressor station
 2 machinery owned by noncentrally assessed public utilities;
 3 and tools used in the repair and maintenance of this
 4 property;
 5 (v) tools, implements, and machinery used to repair
 6 and maintain machinery not used in a bona fide agricultural
 7 operation or for manufacturing or mining purposes; and
 8 (w) all other property not included in any other class
 9 except that property subject to a fee in lieu of a property
 10 tax and property exempt from taxation.
 11 (2) "Commercial establishment" includes any hotel;
 12 motel; office; petroleum marketing station; or service,
 13 wholesale, retail, or food-handling business.
 14 (3) Class nine property is taxed at ~~13%~~ 11.7% of its
 15 market value."
 16 Section 8. Section 15-6-140, MCA, is amended to read:
 17 "15-6-140. Class ten property -- description --
 18 taxable percentage. (1) Class ten property includes:
 19 (a)~~--radio-and-television-broadcasting-and-transmitting~~
 20 ~~equipment;~~
 21 (b)~~--cable-television-systems;~~
 22 (c)~~--coal-and-ore-haulers;~~
 23 (d)~~--trucks--having-a-rated-capacity-of-more-than-1-1/2~~
 24 ~~tons;--including-those-prorated-under-15-24-102;~~
 25 (e)~~--all-trailers-exceeding-18,000-pounds-maximum-gross~~

1 ~~loaded weight, including those prorated under 15-24-102--and~~
2 ~~except those subject to a fee in lieu of property tax;~~

3 ~~(f)--theater projectors and sound equipment; and~~
4 ~~(g)--all other property not included in the preceding~~
5 ~~nine classes except that property subject to a fee in lieu~~
6 ~~of a property tax.~~

7 (a) all railroad transportation property as described
8 in the Railroad Revitalization and Regulatory Reform Act of
9 1976 as it reads on [the effective date of this act];

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

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

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

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

20 (a) R is the taxable percentage applicable to class
21 ten property;

22 (b) A is the total statewide taxable value of all
23 property included in class eight and is determined by
24 multiplying the total statewide market value of class eight
25 property by the taxable percentage provided in 15-6-138;

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

5 (d) C is the total statewide taxable value of all
6 property described in 15-6-141(1)(a), (1)(b), (1)(d), and
7 (1)(e) and is determined by multiplying the total statewide
8 market value of the property described in those subsections
9 by the taxable percentage provided in 15-6-141(2)(a);

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

15 (f) E is the total statewide market value of all
16 property included in class eight, class nine, and class
17 eleven.

18 (4) For the purpose of complying with the Railroad
19 Revitalization and Regulatory Reform Act of 1976, the Tax
20 Equity and Fiscal Responsibility Act of 1982, and the Motor
21 Carrier Act of 1980, as they read on [the effective date of
22 this act]:

23 (a) the rate "R" referred to in subsection (2) is the
24 average tax rate generally applicable to commercial and
25 industrial property in Montana; and

1 (b) "commercial and industrial property" is all
 2 property included in class eight, class nine, and class
 3 eleven."

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

5 "15-6-141. Class eleven property -- description --
 6 taxable percentage. (1) Class eleven property includes:

7 (a) centrally assessed electric power companies'
 8 allocations;

9 (b) allocations for centrally assessed natural gas
 10 companies having a major distribution system in this state;
 11 and

12 (c) centrally assessed companies' allocations except:

13 (i) electric power and natural gas companies'
 14 property;

15 (ii) property owned by cooperative rural electric and
 16 cooperative rural telephone associations and classified in
 17 class five; and

18 (iii) property owned by organizations providing
 19 telephone communications to rural areas and classified in
 20 class seven; nine; and

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

23 (d) all property used and owned by persons, firms,
 24 corporations, or other organizations that are engaged in the
 25 business of furnishing telephone communications exclusively

1 to rural areas or to rural areas and cities and towns of 800
 2 persons or less; and

3 (e) all property owned by cooperative rural electrical
 4 and cooperative rural telephone associations that serve less
 5 than 95% of the electricity consumers or telephone users
 6 within the incorporated limits of a city or town where the
 7 average circuit miles for each station on the telephone
 8 communication system is more than 1 mile.

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

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

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

16 Section 10. Section 15-6-142, MCA, is amended to read:

17 "15-6-142. Class twelve property -- description --
 18 taxable percentage. (1) Class twelve property includes: all
 19 commercial timberland.

20 (a) ~~--a--trailer--or--mobile--home--used--as--a--residence~~
 21 ~~except--when--~~

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

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

25 (b) ~~--the--first--\$35,000--or--less--of--the--market--value--of--a~~

1 trailer--or--mobile--home--used--as-a-residence-and-actually
2 occupied-for-at-least--10--months--a--year--as--the--primary
3 residential-dwelling-of:

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

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

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

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

18 (2)(3) Class twelve property is taxed as follows:

19 (a)--Property--described--in--subsection-(1)(a)--that-is
20 not-of-the-type-described-in-subsection-(1)(b)--is--taxed--at
21 8.55%--of-its-market-value;

22 (b)--Property--described--in-subsection-(1)(b)--is--taxed
23 at-8.55%--of-its-market--value--multiplied--by--a--percentage
24 figure--based--on--income--and--determined--from--the--table
25 established-in-subsection-(2)(b)-of-15-6-134 at 30% of the

1 combined appraised value of the standing timber and grazing
2 productivity of the property."

3 Section 11. Section 15-6-151, MCA, is amended to read:

4 "15-6-151. Application for certain class four
5 classifications. (1) A person applying for classification of
6 property described in subsection (1)(c) (1)(d) or (1)(e) of
7 15-6-134 shall make an affidavit to the department of
8 revenue, on a form provided by the department without cost,
9 stating:

10 (a) his income;

11 (b) his retirement benefits;

12 (c) his marital status;

13 (d) the fact that he maintains the land and
14 improvements as his primary residential dwelling, where
15 applicable; and

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

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

1 (3) The affidavit is sufficient if the applicant signs
 2 a statement affirming the correctness of the information
 3 supplied, whether or not the statement is signed before a
 4 person authorized to administer oaths, and mails the
 5 application and statement to the department of revenue.
 6 This signed statement shall be treated as a statement under
 7 oath or equivalent affirmation for the purposes of 45-7-202,
 8 relating to the criminal offense of false swearing."

9 Section 12. Section 15-7-202, MCA, is amended to read:

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

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

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

22 (ii) it is used for grazing and it is not classified as
 23 commercial timberland as defined in 15-6-142; or

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

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

1 (b) it agriculturally produces for sale or home
 2 consumption the equivalent of 15% or more of the owners'
 3 annual gross income regardless of the number of contiguous
 4 acres in the ownership; or

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

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

12 (3) The grazing on land by a horse or other animals
 13 kept as a hobby and not as a part of a bona fide
 14 agricultural enterprise shall not be considered a bona fide
 15 agricultural operation."

16 Section 13. Section 15-7-307, MCA, is amended to read:

17 "15-7-307. Certificate -- exceptions. The certificate
 18 imposed by this part shall not apply to:

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

20 (2) the sale of agricultural land when the land is
 21 used for agricultural purposes;

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

24 (4) an instrument which (without added consideration)
 25 confirms, corrects, modifies, or supplements a previously

1 recorded instrument;

2 (5) a transfer pursuant to court decree;

3 (6) a transfer pursuant to mergers, consolidations, or
4 reorganizations of corporations, partnerships, or other
5 business entities;

6 (7) a transfer by a subsidiary corporation to its
7 parent corporation without actual consideration or in sole
8 consideration of the cancellation or surrender of subsidiary
9 stock;

10 (8) a transfer of decedents' estates;

11 (9) a transfer of a gift;

12 (10) a transfer between husband and wife or parent and
13 child with only nominal actual consideration therefor;

14 (11) an instrument the effect of which is to transfer
15 the property to the same party or parties;

16 (12) a sale for delinquent taxes or assessments,
17 sheriff sale, bankruptcy action, or mortgage foreclosure;

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

19 (14) the sale of timberland when the land is classified
20 for tax purposes as commercial timberland."

21 Section 14. Section 15-8-111, MCA, is amended to read:

22 "15-8-111. Assessment -- market value standard --
23 exceptions. (1) All taxable property must be assessed at
24 100% of its market value except as provided in subsection
25 (5) of this section and in 15-7-111 through 15-7-114.

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

5 (b) The market value of all ~~motor-trucks, agricultural~~
6 ~~tools, implements, and machinery, and vehicles of all kinds,~~
7 ~~including but not limited to motorcycles, aircraft, and~~
8 ~~boats and all watercraft,~~ property included in class seven
9 is the average wholesale value shown in national appraisal
10 guides and manuals or the value of the vehicle before
11 reconditioning and profit margin. The department of revenue
12 shall prepare valuation schedules showing the average
13 wholesale value when no national appraisal guide exists.

14 (c) The market value of all commercial property other
15 than real property and improvements is the average retail
16 value shown in one or more national appraisal guides and
17 manuals chosen by the department of revenue. The department
18 shall prepare valuation schedules showing the average retail
19 value when no national appraisal guide exists.

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

23 (3) The department of revenue or its agents may not
24 adopt a lower or different standard of value from market
25 value in making the official assessment and appraisal of the

1 value of property in 15-6-134 through ~~15-6-140~~ 15-6-141.
 2 For purposes of taxation, assessed value is the same as
 3 appraised value.

4 (4) The taxable value for all property in classes four
 5 through eleven is the percentage of market value established
 6 for each class of property in 15-6-134 through 15-6-141.

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

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

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

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

19 (d) Properties in 15-6-142, under class twelve, are
 20 assessed at 100% of the combined appraised value of the
 21 standing timber and grazing productivity.

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

24 (a) ownership of the improvements is different from
 25 ownership of the land;

1 (b) the taxpayer makes a written request; or
 2 (c) the land is outside an incorporated city or town.
 3 (7) The taxable value of all property in 15-6-131 and
 4 classes two, and three, and twelve is the percentage of
 5 assessed value established in 15-6-131(2), 15-6-132, and
 6 15-6-133, and 15-6-142 for each class of property."

7 Section 15. Section 15-16-611, MCA, is amended to
 8 read:

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

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

24 (3) This section does not apply to delinquent taxes
 25 owed on the destroyed property for a year prior to the year

1 in which the property was destroyed.

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

5 Section 16. Section 15-23-202, MCA, is amended to
6 read:

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

19 (2) In determining the taxable value of railroad
20 property, the department ~~may--modify~~ shall determine the
21 percentage multiplier provided for in ~~15-6-141~~ 15-6-140 in
22 order to achieve compliance with the requirements of the
23 federal Railroad Revitalization and Regulatory Reform Act of
24 1976, as amended."

25 Section 17. Section 15-7-111, MCA, is amended to read:

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

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

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

22 "15-8-104. Department audit of taxable value -- costs
23 of audit paid by department. (1) When in the judgment of the
24 director of revenue it is necessary, audits may be made for
25 the purpose of determining the taxable value of net proceeds

1 of mines and oil and gas wells and all other types of
2 property subject to ad valorem taxation.

3 (2) The department of revenue shall conduct audits of
4 the assessment of property in class eight and class nine to
5 assure that the value of the property in those classes
6 reflects market value.

7 ~~(2)~~(3) The cost of the any audit performed under
8 subsection (1) or (2) shall be paid by the department."

9 NEW SECTION. Section 19. Extension of authority. (1)
10 Any existing authority of the department of revenue to make
11 rules on the subject of the provisions of this act is
12 extended to the provisions of this act.

13 (2) The department may initiate rulemaking proceedings
14 under this section on or after the date on which this act is
15 passed and approved, but no rule adopted under this section
16 may be made effective before January 1, 1986.

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

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

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

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN089-85

Form **BD-15**

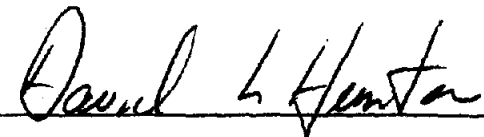
In compliance with a written request received January 16, 19 85, there is hereby submitted a Fiscal Note for S.B. 48 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program 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 commercial and industrial property; defining the term "commercial" as it applies to property subject to taxation; clarifying the term "market value" for property tax purposes.

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, which includes a 6 mill University levy and a 45 mill School Foundation Program levy.
- 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 in FY1986 and \$27,378 in FY1987.
- 6) Additional costs associated with annual revaluations of all Commercial/Industrial property are estimated contingent upon the following alternatives:



BUDGET DIRECTOR
Office of Budget and Program Planning

Date:

JAN 18, 1985
SB 48

| | <u>FY86</u> | <u>FY87</u> |
|---|-------------|-------------|
| Alternative 1 | \$245,505 | \$145,505 |
| - Annually reinspect 20% of commercial/industrial properties | | |
| - Annually revalue all commercial/industrial properties; static depreciation, adjusted if appropriate to reflect market conditions | | |
| - Value commercial/industrial land in first year of reappraisal cycle; static land value for remainder of cycle, adjusted if appropriate to reflect market transactions | | |
| Alternative 2 | \$245,735 | \$245,735 |
| - Annually reinspect 20 % of commercial/industrial properties | | |
| - Annually revalue all commercial/industrial properties; static depreciation, adjusted if appropriate | | |
| - Annually revalue all commercial/industrial land. | | |
| Alternative 3 | \$745,905 | \$745,905 |
| - Annually reinspect and revalue all commercial/industrial properties | | |
| - Annually revalue all commercial/industrial land | | |

FISCAL IMPACT

| | <u>FY87</u> | | | | | |
|--------------------------|---------------------------|-------------|--------------|-------------------------------------|--------------|--------------|
| | WHOLESALE TO RETAIL | AIRLINES | RAILROADS | ONE FARM ACRE TO MARKET VALUE | ALL OTHER | TOTAL |
| Change in taxable value: | \$7,780,791 | \$(601,243) | \$12,919,338 | \$280,596 | \$(396,798) | \$19,982,684 |
| 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 |

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.

STATE OF MONTANA
FISCAL NOTE

AMENDED
REQUEST NO. FNN089-85

Form BD-15

In compliance with a written request received February 7, 1985, there is hereby submitted a Fiscal Note for S.B. 48 (Amended) 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 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 commercial and industrial property; defining the term "commercial" as it applies to property subject to taxation; clarifying the term "market value" for property tax purposes.

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, which includes a 6 mill University levy and a 45 mill School Foundation Program levy.
3. The proportion of total property tax required for all school funding is 60%.
4. Additional costs to provide additional audit functions are \$28,058 in FY 1986 and \$27,378 in FY1987.
5. Additional costs associated with annual revaluations of all Commercial/Industrial property are estimated contingent upon the following alternatives.

David L Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 7, 1985

Amended SB48

| | <u>FY 86</u> | <u>FY87</u> |
|--|--------------|-------------|
| Alternative 1 | | |
| -Annually reinspect 20% of commercial/industrial properties | \$245,505 | \$145,505 |
| -Annually revalue all commercial/industrial properties; static depreciation, adjusted if appropriate to reflect market conditions | | |
| -Value commercial/industrial land in first year of reappraisal cycle; static land value for remainder of cycle, adjusted if appropriate to reflect market transactions | | |
| Alternative 2 | | |
| -Annually reinspect 20% of commercial/industrial properties | \$245,735 | \$245,735 |
| -Annually revalue all commercial/industrial properties; static depreciation, adjusted if appropriate | | |
| -Annually revalue all commercial/industrial land. | | |
| Alternative 3 | | |
| -Annually reinspect and revalue all commercial/industrial properties | \$745,905 | \$745,905 |
| -Annually revalue all commercial/industrial land | | |

FISCAL IMPACT:

| | <u>FY87</u> | | |
|--------------------------|-----------------|------------------|--------------|
| | <u>AIRLINES</u> | <u>RAILROADS</u> | <u>TOTAL</u> |
| Change in taxable value: | \$(601,243) | \$12,919,338 | \$12,318,095 |
| Change in tax revenue | | | |
| (192.773 mills) | (115,903) | 2,490,500 | 2,374,597 |
| Universities (6 mills) | (3,607) | 77,516 | 73,909 |
| School Foundation | | | |
| Program (45 mills) | (27,056) | 581,370 | 554,314 |
| Net Local Govt. Impact | \$(85,240) | \$ 1,831,614 | \$ 1,746,374 |
| Total Impact on Schools | \$(69,542) | \$ 1,494,300 | \$ 1,424,758 |

EFFECT ON COUNTY OR OTHER LOCAL REVENUE:

The total impact of the proposed legislation is to increase total property tax collections by \$2,374,597. When the effects on University and School Foundation Program levies are removed the net impact to local governments is an increase of \$1,746,374 annually. The total increase to all school funding is \$1,424,758.

APPROVED BY COMMITTEE
ON TAXATION

1 SENATE BILL NO. 48
2 INTRODUCED BY TOWE, M. WILLIAMS, KEENAN, NORMAN, MAZUREK
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 IMPLEMENT
7 PROVISIONS OF THE MONTANA CONSTITUTION AND TO COMPLY WITH
8 FEDERAL LAW GRANTING CERTAIN TYPES OF PROPERTY SPECIAL
9 CONSIDERATION; 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 COMMERCIAL AND INDUSTRIAL PROPERTY; DEFINING
13 THE TERM "COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO
14 TAXATION; CLARIFYING THE TERM "MARKET VALUE" FOR PROPERTY
15 TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101,
16 15-6-133, 15-6-134, 15-6-135, 15-6-137 THROUGH 15-6-142,
17 15-6-151, 15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111,
18 15-16-611, AND 15-23-202, MCA; AND PROVIDING EFFECTIVE
19 DATES."

20
21 WHEREAS, the federal government has granted special
22 consideration to certain types of property with respect to
23 property taxation; and

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

1 law; and

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

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

9 WHEREAS, the Legislature wishes to retain as much as
10 possible the sovereignty guaranteed to the State by the 10th
11 amendment to the Constitution of the United States of
12 America; and

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

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

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

21
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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

24 "15-1-101. Definitions. (1) When terms mentioned in
25 this section are used in connection with taxation, they are

1 defined in the following manner:

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

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

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

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

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

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

1 feasibly be relocated and only when the wheels are removed.

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

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

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

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

23 (j)(k) The term "property" includes moneys, credits,
24 bonds, stocks, franchises, and all other matters and things,
25 real, personal, and mixed, capable of private ownership.

1 This definition must not be construed to authorize the
 2 taxation of the stocks of any company or corporation when
 3 the property of such company or corporation represented by
 4 the stocks is within the state and has been taxed.

5 ~~(k)~~(l) 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 ~~(j)~~(m) The term "taxable value" means the percentage
 14 of market or assessed value as provided for in 15-6-131
 15 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 IMPLEMENT PROVISIONS OF THE MONTANA CONSTITUTION
 4 AND to comply with federal law requiring special
 5 consideration of certain types of property. To meet the
 6 requirements of federal law, the legislature finds it
 7 necessary to separate the several types of property into
 8 classes, each class containing property reasonably related
 9 to other property in the same class and reasonably different
 10 from property in every other class. It is further the
 11 purpose of this chapter and the policy of the legislature to
 12 treat all similar property subject to taxation in an
 13 equitable manner.

14 ~~(1)~~(2) All property in this state is subject to
 15 taxation, except as provided otherwise.

16 ~~(2)~~(3) For the purpose of taxation, the taxable
 17 property in the state shall be classified in accordance with
 18 ~~15-6-131-through-15-6-141~~ this part."

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

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

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

25 (b) all noncommercial improvements except those

1 specifically included in another class, Noncommercial
2 improvements include single family residences and ancillary
3 improvements and improvements necessary to the function of a
4 bona fide farm, ranch, or stock operation.

5 (c) a trailer or mobile home used as a residence
6 except when:

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

9 (ii) specifically included in another class;

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

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

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

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

1 (e) the first \$35,000 or less of the market value of a
2 trailer or mobile home used as a residence and actually
3 occupied for at least 10 months a year as the primary
4 dwelling of any person described in subsections (1)(d)(i)
5 through (1)(d)(iii);

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

9 (i) consist of at least 9 holes and not less than
10 3,000 lineal yards; and

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

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

14 (a) ~~Except--as--provided--in--15-24-1402--or--15-24-1501,~~
15 property Property described in subsections (1)(a) and ~~(1)(b)~~
16 through (1)(c) is taxed at 8-55% THE TAXABLE PERCENTAGE RATE
17 "P" of its market value.

18 (b) Property described in ~~subsection--(1)(c)~~
19 subsection (1)(d) and (1)(e) is taxed at 8-55% THE TAXABLE
20 PERCENTAGE RATE "P" of its market value multiplied by a
21 percentage figure based on income and determined from the
22 following table:

| Income | Income | Percentage |
|---------------|----------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0 - \$1,000 | \$0 - \$1,000 | 0% |

| | | | |
|---|---------------|----------------|-----|
| 1 | 1,001 - 2,000 | 1,001 - 2,000 | 10% |
| 2 | 2,001 - 2,800 | 2,001 - 3,000 | 20% |
| 3 | 2,801 - 3,600 | 3,001 - 4,000 | 30% |
| 4 | 3,601 - 4,400 | 4,001 - 5,000 | 40% |
| 5 | 4,401 - 5,200 | 5,001 - 6,000 | 50% |
| 6 | 5,201 - 6,000 | 6,001 - 7,000 | 60% |
| 7 | 6,001 - 6,800 | 7,001 - 8,000 | 70% |
| 8 | 6,801 - 7,600 | 8,001 - 9,000 | 80% |
| 9 | 7,601 - 8,000 | 9,001 - 10,000 | 90% |

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

13 (3) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1986, AND
 14 THEREAFTER, THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO
 15 CLASS FOUR PROPERTY IS 8.55%/B, WHERE B IS THE CERTIFIED
 16 STATEWIDE PERCENTAGE INCREASE TO BE DETERMINED BY THE
 17 DEPARTMENT OF REVENUE AS PROVIDED IN SUBSECTION (4). THE
 18 TAXABLE PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE
 19 NEAREST 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT OF
 20 REVENUE BEFORE JULY 1, 1986.

21 (4) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 22 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 23 CLASS FOUR PROPERTY USING THE FORMULA B = X/Y, WHERE:

24 (1) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986,
 25 OF ALL PROPERTY IN THE STATE, EXCLUDING NEW CONSTRUCTION,

1 ADDITIONS, OR DELETIONS OF PROPERTY DURING THE PRECEDING
 2 YEAR, CLASSIFIED UNDER CLASS FOUR AS CLASS FOUR IS DESCRIBED
 3 IN THIS SECTION; AND

4 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 5 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 6 WOULD BE CLASSIFIED UNDER CLASS FOUR AS CLASS FOUR IS
 7 DESCRIBED IN THIS SECTION.

8 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 9 0.0001%.

10 (5) AFTER JULY 1, 1986, NO ADJUSTMENT MAY BE MADE BY
 11 THE DEPARTMENT TO THE TAXABLE PERCENTAGE RATE "P" UNTIL A
 12 REVALUATION HAS BEEN MADE AS PROVIDED IN 15-7-111."

13 Section 4. Section 15-6-135, MCA, is amended to read:
 14 "15-6-135. Class five property -- description --
 15 taxable percentage. (1) Class five property includes:

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

21 (b) air and water pollution control equipment as
 22 defined in this section;

23 (c) new industrial property as defined in this
 24 section;

25 (d) any personal or real property used primarily in

1 the production of gasohol during construction and for the
2 first 3 years of its operation.

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

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

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

23 (4) (a) "New industry" means any person, corporation,
24 firm, partnership, association, or other group that
25 establishes a new plant in Montana for the operation of a

1 new industrial endeavor, as distinguished from a mere
2 expansion, reorganization, or merger of an existing
3 industry.

4 (b) New industry includes only those industries that:

5 (i) manufacture, mill, mine, produce, process, or
6 fabricate materials;

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

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

17 (5) New industrial property does not include:

18 (a) property used by retail or wholesale merchants,
19 commercial services of any type, agriculture, trades, or
20 professions;

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

23 (c) property used or employed in any industrial plant
24 that has been in operation in this state for 3 years or
25 longer.

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

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

4 "15-6-137. Class seven property -- description --
5 taxable percentage. (1) Class seven property includes:

6 (a) 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;~~

11 ~~(b)--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;~~

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

21 ~~(d)--tools;--implements;--and--machinery--used--to--repair~~
22 ~~and--maintain--machinery--not--used--for--manufacturing--and--mining~~
23 ~~purposes;~~

24 ~~(2)--To--qualify--for--this--classification,--the--average~~
25 ~~circuit--miles--for--each--station--on--the--telephone~~

1 ~~communication--system--described--in--subsection--(i)(b)--must--be~~
2 ~~more--than--1--mile;--used--for--noncommercial--purposes--which--is~~
3 ~~not--real--property--or--an--improvement--to--real--property--and~~
4 ~~which--is--not--in--another--class--or--exempt--from--taxation--under~~
5 ~~Title--15,--chapter--6,--part--2;--and~~

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

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

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

11 "15-6-138. Class eight property -- description --
12 taxable percentage. (1) Class eight property includes:

13 (a) all ~~agricultural--implements--and--equipment~~ land
14 except that specifically included in another class; and

15 (b) all improvements except those specifically
16 included in another class.

17 ~~(b)--all--mining--machinery;--fixtures;--equipment;--tools;~~
18 ~~and--supplies--except:~~

19 ~~(i)--those--included--in--class--five;--and~~

20 ~~(ii)--coal--and--ore--haulers;~~

21 ~~(c)--all--manufacturing--machinery;--fixtures;--equipment;~~
22 ~~tools;--and--supplies--except--those--included--in--class--five;~~

23 ~~(d)--motorcycles;~~

24 ~~(e)--watercraft;~~

25 ~~(f)--all--trailers--up--to--and--including--10,000--pounds~~

1 ~~maximum-gross-loaded-weight,-except-those-subject-to-a-fee~~
 2 ~~in-lieu-of-property-tax;~~
 3 ~~(g)--aircraft;~~
 4 ~~(h)--all-terrain-vehicles;~~
 5 ~~(i)--harness,-saddlery,-and-other-tack-equipment;~~
 6 ~~(j)--all-goods-and-equipment-intended-for-rent-or~~
 7 ~~lease,-except-goods-and-equipment-specifically-included-and~~
 8 ~~taxed-in-another-class;-and~~
 9 ~~(k)--all-other-machinery-except-that-specifically~~
 10 ~~included-in-another-class-~~

11 (2) Class eight property is taxed at ~~11%~~ 8.55% ~~THE~~
 12 TAXABLE PERCENTAGE RATE "P" of its market value.

13 (3) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1986,
 14 THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO CLASS EIGHT
 15 PROPERTY IS 8.55%/B, WHERE B IS THE CERTIFIED STATEWIDE
 16 PERCENTAGE INCREASE TO BE DETERMINED BY THE DEPARTMENT OF
 17 REVENUE AS PROVIDED IN SUBSECTION (4). THE TAXABLE
 18 PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 19 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT BEFORE JULY
 20 1, 1986.

21 (4) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 22 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 23 CLASS EIGHT PROPERTY USING THE FORMULA $B = X/Y$, WHERE:

24 (I) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986,
 25 OF ALL PROPERTY IN THE STATE, EXCLUDING NEW CONSTRUCTION,

1 ADDITIONS, OR DELETIONS OF PROPERTY DURING THE PRECEDING
 2 YEAR, CLASSIFIED UNDER CLASS EIGHT AS CLASS EIGHT IS
 3 DESCRIBED IN THIS SECTION; AND

4 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 5 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 6 WOULD BE CLASSIFIED UNDER CLASS EIGHT AS CLASS EIGHT IS
 7 DESCRIBED IN THIS SECTION.

8 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 9 0.0001%.

10 (5) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1987, AND
 11 FOR EVERY TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL,
 12 BEFORE JULY 1 OF EACH YEAR, DETERMINE THE TAXABLE PERCENTAGE
 13 RATE "P" APPLICABLE TO CLASS EIGHT PROPERTY. THE
 14 DETERMINATION SHALL BE MADE AS PROVIDED IN SUBSECTION (6).

15 (6) P = A/B, WHERE:

16 (A) P IS THE TAXABLE PERCENTAGE RATE APPLICABLE TO
 17 CLASS EIGHT PROPERTY FOR THE CALENDAR YEAR BEGINNING JANUARY
 18 1 IN THE YEAR IN WHICH P IS CALCULATED. THE TAXABLE
 19 PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 20 0.01%.

21 (B) A IS THE TAXABLE PERCENTAGE RATE P APPLICABLE TO
 22 CLASS EIGHT PROPERTY AS ESTABLISHED BY THE DEPARTMENT FOR
 23 THE IMMEDIATELY PRECEDING YEAR; AND

24 (C) B IS THE CERTIFIED STATEWIDE PERCENTAGE INCREASE
 25 TO BE DETERMINED BY THE DEPARTMENT USING THE FORMULA $B =$

1 X/Y, WHERE:

2 (I) X IS THE APPRAISED VALUE, AS OF JANUARY 1 OF THE
 3 YEAR FOR WHICH P IS BEING CALCULATED, OF ALL PROPERTY IN THE
 4 STATE, EXCLUDING NEW CONSTRUCTION, ADDITIONS, OR DELETIONS
 5 OF PROPERTY DURING THE PRECEDING YEAR, CLASSIFIED UNDER
 6 CLASS EIGHT AS CLASS EIGHT IS DESCRIBED IN THIS SECTION; AND

7 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1 OF THE
 8 YEAR PRECEDING THE YEAR FOR WHICH P IS BEING CALCULATED, OF
 9 ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1 OF THE YEAR
 10 FOR WHICH P IS BEING CALCULATED, WOULD BE CLASSIFIED UNDER
 11 CLASS EIGHT AS CLASS EIGHT IS DESCRIBED IN THIS SECTION.

12 (D) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 13 0.0001%."

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

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

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

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

25 (c) furniture, fixtures, and equipment, except that

1 specifically included in another class, used in commercial
 2 establishments as defined in this section;

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

4 (e) citizens' band radios and mobile telephones;

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

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

9 (h) motorcycles;

10 (i) watercraft;

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

14 (k) aircraft;

15 (l) all-terrain vehicles;

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

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

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

22 (p) radio and television broadcasting and transmitting
 23 equipment;

24 (q) cable television systems;

25 (r) coal and ore haulers;

1 (s) all trailers exceeding 18,000 pounds maximum gross
2 loaded weight, including those prorated under 15-24-102 and
3 except those subject to a fee in lieu of property tax;

4 (t) theater projectors and sound equipment;

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

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

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

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

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

22 Section 8. Section 15-6-140, MCA, is amended to read:
23 "15-6-140. Class ten property -- description --
24 taxable percentage. (1) Class ten property includes:

25 ~~(a) radio and television broadcasting and transmitting~~

1 equipment;

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

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

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

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

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

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

13 (a) all railroad transportation property as described
14 in the Railroad Revitalization and Regulatory Reform Act of
15 1976 as it reads on [the effective date of this act];

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

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

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

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

1 (a) R is the taxable percentage applicable to class
2 ten property;

3 (b) A is the total statewide taxable value of all
4 property included in class eight and is determined by
5 multiplying the total statewide market value of class eight
6 property by the taxable percentage RATE "P" provided in
7 15-6-138;

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

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

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

22 (f) E is the total statewide market value of all
23 property included in class eight, class nine, and class
24 eleven.

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 eight, class nine, and class
10 eleven."

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

12 "15-6-141. Class eleven property -- description --
13 taxable percentage. (1) Class eleven property includes:

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

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

19 (c) centrally assessed companies' allocations except:

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

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

25 (iii) property owned by organizations providing

1 telephone communications to rural areas and classified in
 2 class ~~seven; nine; and~~
 3 (iv) motor carrier, airline, and railroad
 4 transportation property included in class ten;
 5 (d) all property used and owned by persons, firms,
 6 corporations, or other organizations that are engaged in the
 7 business of furnishing telephone communications exclusively
 8 to rural areas or to rural areas and cities and towns of 800
 9 persons or less; and
 10 (e) all property owned by cooperative rural electrical
 11 and cooperative rural telephone associations that serve less
 12 than 95% of the electricity consumers or telephone users
 13 within the incorporated limits of a city or town where the
 14 average circuit miles for each station on the telephone
 15 communication system is more than 1 mile.
 16 (2) Class eleven property is taxed as follows:
 17 (a) Property described in subsection subsections
 18 (1)(a), and (1)(b), (1)(d), and (1)(e) is taxed at ~~12%~~ 12.8%
 19 of market value.
 20 (b) Except as provided in 15-23-202, property
 21 described in subsection (1)(c) is taxed at ~~15%~~ 12.8% of
 22 market value."
 23 Section 10. Section 15-6-142, MCA, is amended to read:
 24 "15-6-142. Class twelve property -- description --
 25 taxable percentage. (1) Class twelve property includes: all

1 commercial timberland.
 2 ~~(a) a trailer or mobile home used as a residence~~
 3 ~~except when:~~
 4 ~~(i) held by a distributor or dealer of trailers or~~
 5 ~~mobile homes as his stock in trade; or~~
 6 ~~(ii) specifically included in another class;~~
 7 ~~(b) the first \$35,000 or less of the market value of a~~
 8 ~~trailer or mobile home used as a residence and actually~~
 9 ~~occupied for at least 10 months a year as the primary~~
 10 ~~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 (2) Commercial timberland is land in one ownership and
 23 from which is harvested 30,000 or more board feet in any
 24 year during the appraisal cycle; INCLUDING:
 25 (A) TIMBERLAND FROM WHICH IS HARVESTED 30,000 OR MORE

1 BOARD FEET IN ANY YEAR DURING THE APPRAISAL CYCLE; OR
 2 (B) TIMBERLAND WHICH IS ENROLLED IN THE PRIVATE
 3 FORESTRY ASSISTANCE PROGRAM ADMINISTERED BY THE DEPARTMENT
 4 OF STATE LANDS FORESTRY DIVISION. A TIMBER MANAGEMENT PLAN
 5 PREPARED AND APPROVED BY THE DEPARTMENT OF STATE LANDS,
 6 FORESTRY DIVISION MUST BE FILED WITH THE DEPARTMENT OF
 7 REVENUE.

8 (3) FOR PURPOSES OF THIS SECTION, TIMBER CLEARED TO
 9 ESTABLISH AN AGRICULTURAL USE SHALL NOT BE INCLUDED IN THE
 10 30,000 BOARD FOOT LIMIT IF THE TIMBER HARVESTED IS NOT USED
 11 FOR COMMERCIAL PURPOSES.

12 ~~{2}{3}(4) Class twelve property is taxed as follows:~~
 13 ~~{a}--Property described in subsection--(1){a}--that--is~~
 14 ~~not--of--the--type--described--in--subsection--(1){b}--is--taxed--at~~
 15 ~~8.55%--of--its--market--value.~~

16 ~~{b}--Property described in subsection--(1){b}--is--taxed~~
 17 ~~at--8.55%--of--its--market--value--multiplied--by--a--percentage~~
 18 ~~figure--based--on--income--and--determined--from--the--table~~
 19 ~~established--in--subsection--(2){b}--of--15-6-134 at 30% THE~~
 20 ~~PERCENTAGE RATE "P" of the combined appraised value of the~~
 21 ~~standing timber and grazing productivity of the property.~~

22 (5) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1986, AND
 23 THEREAFTER, THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO
 24 CLASS TWELVE PROPERTY IS 30%/B, WHERE B IS THE CERTIFIED
 25 STATEWIDE PERCENTAGE INCREASE TO BE DETERMINED BY THE

1 DEPARTMENT OF REVENUE AS PROVIDED IN SUBSECTION (6). THE
 2 TAXABLE PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE
 3 NEAREST 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT
 4 BEFORE JULY 1, 1986.

5 (6) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 6 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 7 CLASS TWELVE PROPERTY USING THE FORMULA B = X/Y, WHERE:

8 (1) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986,
 9 OF ALL PROPERTY IN THE STATE, EXCLUDING USE CHANGES
 10 OCCURRING DURING THE PRECEDING YEAR, CLASSIFIED UNDER CLASS
 11 TWELVE AS CLASS TWELVE IS DESCRIBED IN THIS SECTION; AND

12 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 13 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 14 WOULD BE CLASSIFIED UNDER CLASS TWELVE AS CLASS TWELVE IS
 15 DESCRIBED IN THIS SECTION.

16 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 17 0.0001%.

18 (7) AFTER JULY 1, 1986, NO ADJUSTMENT MAY BE MADE BY
 19 THE DEPARTMENT TO THE TAXABLE PERCENTAGE RATE "P" UNTIL A
 20 REVALUATION HAS BEEN MADE AS PROVIDED IN 15-7-111."

21 Section 11. Section 15-6-151, MCA, is amended to read:
 22 "15-6-151. Application for certain class four
 23 classifications. (1) A person applying for classification of
 24 property described in subsection (1)(d) or (1)(e) of
 25 15-6-134 shall make an affidavit to the department of

1 revenue, on a form provided by the department without cost,
2 stating:

- 3 (a) his income;
- 4 (b) his retirement benefits;
- 5 (c) his marital status;
- 6 (d) the fact that he maintains the land and
7 improvements as his primary residential dwelling, where
8 applicable; and
- 9 (e) such other information as is relevant to the
10 applicant's eligibility.

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

19 (3) The affidavit is sufficient if the applicant signs
20 a statement affirming the correctness of the information
21 supplied, whether or not the statement is signed before a
22 person authorized to administer oaths, and mails the
23 application and statement to the department of revenue.
24 This signed statement shall be treated as a statement under
25 oath or equivalent affirmation for the purposes of 45-7-202,

1 relating to the criminal offense of false swearing."

2 Section 12. Section 15-7-202, MCA, is amended to read:

3 "15-7-202. Eligibility of land for valuation as
4 agricultural. (1) Land which is actively devoted to
5 agricultural use shall be eligible for valuation,
6 assessment, and taxation as herein provided each year it
7 meets any of the following qualifications:

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

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

15 (ii) it is used for grazing and it is not classified as
16 commercial timberland as defined in 15-6-142; or

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

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

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

23 (c) it is used to raise animals in confined areas for
24 the production of food or fiber, including but not limited
25 to livestock, feedlots, dairies, fish hatcheries, and

1 poultry farms.

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

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

9 Section 13. Section 15-7-307, MCA, is amended to read:

10 "15-7-307. Certificate -- exceptions. The certificate
11 imposed by this part shall not apply to:

- 12 (1) an instrument recorded prior to July 1, 1975;
- 13 (2) the sale of agricultural land when the land is
14 used for agricultural purposes;
- 15 (3) the United States of America, this state, or any
16 instrumentality, agency, or subdivision thereof;
- 17 (4) an instrument which (without added consideration)
18 confirms, corrects, modifies, or supplements a previously
19 recorded instrument;
- 20 (5) a transfer pursuant to court decree;
- 21 (6) a transfer pursuant to mergers, consolidations, or
22 reorganizations of corporations, partnerships, or other
23 business entities;
- 24 (7) a transfer by a subsidiary corporation to its
25 parent corporation without actual consideration or in sole

1 consideration of the cancellation or surrender of subsidiary
2 stock;

3 (8) a transfer of decedents' estates;

4 (9) a transfer of a gift;

5 (10) a transfer between husband and wife or parent and
6 child with only nominal actual consideration therefor;

7 (11) an instrument the effect of which is to transfer
8 the property to the same party or parties;

9 (12) a sale for delinquent taxes or assessments,
10 sheriff sale, bankruptcy action, or mortgage foreclosure;

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

12 (14) the sale of timberland when the land is classified
13 for tax purposes as commercial timberland."

14 Section 14. Section 15-8-111, MCA, is amended to read:

15 "15-8-111. Assessment -- market value standard --
16 exceptions. (1) All taxable property must be assessed at
17 100% of its market value except as provided in subsection
18 (5) of this section and in 15-7-111 through 15-7-114.

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

23 (b) The market value of all ~~motor-trucks, agricultural~~
24 ~~tools, implements, and machinery, and vehicles of all kinds,~~
25 ~~including-but-not--limited--to--motorcycles,--aircraft,--and~~

1 ~~boats--and--all-watercraft,~~ property included in class seven
 2 is the average wholesale value shown in national appraisal
 3 guides and manuals or the value of the vehicle before
 4 reconditioning and profit margin. The department of revenue
 5 shall prepare valuation schedules showing the average
 6 wholesale value when no national appraisal guide exists.

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

13 (d) For real property and improvements, in the absence
 14 of contradictory market data information, market value is
 15 considered to be replacement cost depreciated. TO BE
 16 DETERMINED IN THE SAME MANNER THAT MARKET VALUE WAS
 17 DETERMINED BEFORE [THE EFFECTIVE DATE OF THIS ACT] EXCEPT TO
 18 THE EXTENT THAT A SALES-ASSESSMENT RATIO STUDY INDICATES
 19 THAT A DIFFERENT VALUE WOULD MORE CLOSELY APPROXIMATE MARKET
 20 VALUE.

21 (3) The department of revenue or its agents may not
 22 adopt a lower or different standard of value from market
 23 value in making the official assessment and appraisal of the
 24 value of property in 15-6-134 through ~~15-6-140~~ 15-6-141.
 25 For purposes of taxation, assessed value is the same as

1 appraised value.

2 (4) The taxable value for all property in classes four
 3 through eleven is the percentage of market value established
 4 for each class of property in 15-6-134 through 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 15-6-142, under class twelve, 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 twelve is the percentage of
 3 assessed value established in 15-6-131(2), 15-6-132, and
 4 15-6-133, and 15-6-142 for each class of property."

5 Section 15. 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 16. 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 provided for in ~~15-6-141~~ 15-6-140 in
 20 order to achieve compliance with the requirements of the
 21 federal Railroad Revitalization and Regulatory Reform Act of
 22 1976, as amended."

23 Section 17. 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 eight, class nine, class
 16 ten, and class eleven shall be revalued annually under a
 17 program developed, administered, and supervised by the
 18 department."

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

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

1 (2) The department of revenue shall conduct audits of
 2 the assessment of property in class eight and class nine to
 3 assure that the value of the property in those classes
 4 reflects market value. IF THE DEPARTMENT DETERMINES THAT A
 5 SALES-ASSESSMENT RATIO STUDY IS APPLICABLE, HELPFUL IN
 6 DETERMINING TRUE MARKET VALUE, AND REASONABLY AVAILABLE, IT
 7 MAY USE SUCH STUDY AS AN AUDIT TOOL.

8 {2}{3} The cost of the any audit performed under
 9 subsection (1) or (2) shall be paid by the department."

10 SECTION 19. SECTION 15-6-133, MCA, IS AMENDED TO READ:

11 "15-6-133. Class three property -- description --
 12 taxable percentage. (1) Class three property includes
 13 agricultural land as defined in 15-7-202.

14 (2) Class three property is taxed at 30% the
 15 percentage rate "P" of its productive capacity.

16 (3) For taxable years beginning January 1, 1986, and
 17 thereafter, the taxable percentage rate "P" applicable to
 18 class three property is 30%/B, where B is the certified
 19 statewide percentage increase to be determined by the
 20 department of revenue as provided in subsection (4). The
 21 taxable percentage rate "P" shall be rounded downward to the
 22 nearest 0.01% and shall be calculated by the department of
 23 revenue before July 1, 1986.

24 (4) (a) Prior to July 1, 1986, the department shall
 25 determine the certified statewide percentage increase for

1 class three property using the formula $B = X/Y$, where:

2 (i) X is the appraised value, as of January 1, 1986,
 3 of all property in the state, excluding agricultural use
 4 changes occurring during the preceding year, classified
 5 under class three as class three is described in this
 6 section; and

7 (ii) Y is the appraised value, as of January 1, 1985,
 8 of all property in the state that, as of January 1, 1986,
 9 would be classified under class three as class three is
 10 described in this section.

11 (b) B shall be rounded downward to the nearest
 12 0.0001%.

13 (5) After July 1, 1986, no adjustment may be made by
 14 the department to the taxable percentage rate "P" applicable
 15 to class three property until a revaluation has been made as
 16 provided in 15-7-111."

17 NEW SECTION. Section 20. Extension of authority. (1)
 18 Any existing authority of the department of revenue to make
 19 rules on the subject of the provisions of this act is
 20 extended to the provisions of this act.

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

25 NEW SECTION. Section 21. Severability. If a part of

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

6 NEW SECTION. Section 22. Effective dates. (1) This
 7 act, except section 19 20 and this section, is effective
 8 January 1, 1986.

9 (2) Section 19 20 and this section are effective on
 10 passage and approval.

-End-

1 SENATE BILL NO. 48

2 INTRODUCED BY TOWE, M. WILLIAMS, KEENAN, NORMAN, MAZUREK

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 IMPLEMENT

7 PROVISIONS OF THE MONTANA CONSTITUTION AND TO COMPLY WITH

8 FEDERAL LAW GRANTING CERTAIN TYPES OF PROPERTY SPECIAL

9 CONSIDERATION; 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 COMMERCIAL AND INDUSTRIAL PROPERTY; DEFINING

13 THE TERM "COMMERCIAL" AS IT APPLIES TO PROPERTY SUBJECT TO

14 TAXATION; CLARIFYING THE TERM "MARKET VALUE" FOR PROPERTY

15 TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-101,

16 15-6-133, 15-6-134, 15-6-135, 15-6-137 THROUGH 15-6-142,

17 15-6-151, 15-7-111, 15-7-202, 15-7-307, 15-8-104, 15-8-111,

18 15-16-611, AND 15-23-202, MCA; AND PROVIDING EFFECTIVE

19 DATES."

20

21 WHEREAS, the federal government has granted special

22 consideration to certain types of property with respect to

23 property taxation; and

24 WHEREAS, the Legislature and the people of the State of

25 Montana desire to be in full compliance with all federal

1 law; and

2 WHEREAS, there have been questions in the past

3 regarding the validity of Montana's property tax

4 classification laws with respect to federal law granting

5 special consideration to certain types of property; and

6 WHEREAS, state tax policy is best determined by the

7 state's primary policymaking body, which is the Legislature;

8 and

9 WHEREAS, the Legislature wishes to retain as much as

10 possible the sovereignty guaranteed to the State by the 10th

11 amendment to the Constitution of the United States of

12 America; and

13 WHEREAS, the 48th Legislature of the State of Montana

14 adopted House Joint Resolution 31, requiring a study of

15 Montana's property tax classification system; and

16 WHEREAS, the Revenue Oversight Committee has examined

17 Montana's property tax system; and

18 WHEREAS, that examination causes the Revenue Oversight

19 Committee to recommend a general revision of Montana's

20 property tax classification system.

21

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

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

24 "15-1-101. Definitions. (1) When terms mentioned in

25 this section are used in connection with taxation, they are

1 defined in the following manner:

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

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

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

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

15 (e) The term "credit" means solvent debts, secured
16 or unsecured, owing to a person.

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

1 feasibly be relocated and only when the wheels are removed.

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

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

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

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

23 (k) The term "property" includes moneys, credits,
24 bonds, stocks, franchises, and all other matters and things,
25 real, personal, and mixed, capable of private ownership.

1 This definition must not be construed to authorize the
2 taxation of the stocks of any company or corporation when
3 the property of such company or corporation represented by
4 the stocks is within the state and has been taxed.

5 ~~(*)~~(1) 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) The term "taxable value" means the percentage
14 of market or assessed value as provided for in 15-6-131
15 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 IMPLEMENT PROVISIONS OF THE MONTANA CONSTITUTION
4 AND to comply with federal law requiring special
5 consideration of certain types of property. To meet the
6 requirements of federal law, the legislature finds it
7 necessary to separate the several types of property into
8 classes, each class containing property reasonably related
9 to other property in the same class and reasonably different
10 from property in every other class. It is further the
11 purpose of this chapter and the policy of the legislature to
12 treat all similar property subject to taxation in an
13 equitable manner.

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

16 ~~(2)~~(3) For the purpose of taxation, the taxable
17 property in the state shall be classified in accordance with
18 ~~15-6-131-through-15-6-141~~ this part.

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

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

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

25 (b) all noncommercial improvements except those

1 specifically included in another class. Noncommercial
 2 improvements include single family residences and ancillary
 3 improvements and improvements necessary to the function of a
 4 bona fide farm, ranch, or stock operation.

5 (c) a trailer or mobile home used as a residence
 6 except when:

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

9 (ii) specifically included in another class;

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

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

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

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

1 (e) the first \$35,000 or less of the market value of a
 2 trailer or mobile home used as a residence and actually
 3 occupied for at least 10 months a year as the primary
 4 dwelling of any person described in subsections (1)(d)(i)
 5 through (1)(d)(iii);

6 (f) all golf courses, including land and
 7 improvements actually and necessarily used for that purpose,
 8 that:

9 (i) consist of at least 9 holes and not less than
 10 3,000 lineal yards; and

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

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

14 (a) ~~Except as provided in 15-24-1402 or 15-24-1501,~~
 15 property described in subsections (1)(a) and (1)(b)
 16 through (1)(c) is taxed at 8.55% THE TAXABLE PERCENTAGE RATE
 17 "P" of its market value.

18 (b) Property described in ~~subsection (1)(c)~~
 19 subsections (1)(d) and (1)(e) is taxed at 8.55% THE TAXABLE
 20 PERCENTAGE RATE "P" of its market value multiplied by a
 21 percentage figure based on income and determined from the
 22 following table:

| Income | Income | Percentage |
|---------------|----------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0 - \$1,000 | \$0 - \$1,000 | 0% |

| | | | |
|---|---------------|----------------|-----|
| 1 | 1,001 - 2,000 | 1,001 - 2,000 | 10% |
| 2 | 2,001 - 2,800 | 2,001 - 3,000 | 20% |
| 3 | 2,801 - 3,600 | 3,001 - 4,000 | 30% |
| 4 | 3,601 - 4,400 | 4,001 - 5,000 | 40% |
| 5 | 4,401 - 5,200 | 5,001 - 6,000 | 50% |
| 6 | 5,201 - 6,000 | 6,001 - 7,000 | 60% |
| 7 | 6,001 - 6,800 | 7,001 - 8,000 | 70% |
| 8 | 6,801 - 7,600 | 8,001 - 9,000 | 80% |
| 9 | 7,601 - 8,000 | 9,001 - 10,000 | 90% |

10 (c) Property described in subsection (1)(f) is
 11 taxed at one-half the taxable percentage established in
 12 subsection (2)(a), or 4.275% RATE "P".

13 (3) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1986, AND
 14 THEREAFTER, THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO
 15 CLASS FOUR PROPERTY IS 8.55%/B, WHERE B IS THE CERTIFIED
 16 STATEWIDE PERCENTAGE INCREASE TO BE DETERMINED BY THE
 17 DEPARTMENT OF REVENUE AS PROVIDED IN SUBSECTION (4). THE
 18 TAXABLE PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE
 19 NEAREST 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT OF
 20 REVENUE BEFORE JULY 1, 1986.

21 (4) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 22 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 23 CLASS FOUR PROPERTY USING THE FORMULA $B = X/Y$, WHERE:

24 (I) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986,
 25 OF ALL PROPERTY IN THE STATE, EXCLUDING NEW CONSTRUCTION,

1 ADDITIONS, OR DELETIONS OF PROPERTY DURING THE PRECEDING
 2 YEAR, CLASSIFIED UNDER CLASS FOUR AS CLASS FOUR IS DESCRIBED
 3 IN THIS SECTION; AND

4 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 5 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 6 WOULD BE CLASSIFIED UNDER CLASS FOUR AS CLASS FOUR IS
 7 DESCRIBED IN THIS SECTION.

8 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 9 0.0001%.

10 (5) AFTER JULY 1, 1986, NO ADJUSTMENT MAY BE MADE BY
 11 THE DEPARTMENT TO THE TAXABLE PERCENTAGE RATE "P" UNTIL A
 12 REVALUATION HAS BEEN MADE AS PROVIDED IN 15-7-111."

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

14 "15-6-135. Class five property -- description --
 15 taxable percentage. (1) Class five property includes:

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

21 (b) air and water pollution control equipment as
 22 defined in this section;

23 (c) new industrial property as defined in this
 24 section;

25 (d) any personal or real property used primarily in

1 the production of gasohol during construction and for the
2 first 3 years of its operation.

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

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

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

23 (4) (a) "New industry" means any person, corporation,
24 firm, partnership, association, or other group that
25 establishes a new plant in Montana for the operation of a

1 new industrial endeavor, as distinguished from a mere
2 expansion, reorganization, or merger of an existing
3 industry.

4 (b) New industry includes only those industries that:

5 (i) manufacture, mill, mine, produce, process, or
6 fabricate materials;

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

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

17 (5) New industrial property does not include:

18 (a) property used by retail or wholesale merchants,
19 commercial services of any type, agriculture, trades, or
20 professions;

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

23 (c) property used or employed in any industrial plant
24 that has been in operation in this state for 3 years or
25 longer.

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

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

4 "15-6-137. Class seven property -- description --
5 taxable percentage. (1) Class seven property includes:

6 (a) 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;

11 (b) 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;

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

21 (d) tools, implements, and machinery used to repair
22 and maintain machinery not used for manufacturing and mining
23 purposes;

24 (2) To qualify for this classification, the average
25 circuit miles for each station on the telephone

1 ~~communication system described in subsection (1)(b) must be~~
2 ~~more than 1 mile used for noncommercial purposes which is~~
3 ~~not real property or an improvement to real property and~~
4 ~~which is not in another class or exempt from taxation under~~
5 ~~Title 15, chapter 6, part 2; and~~

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

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

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

11 "15-6-138. Class eight property -- description --
12 taxable percentage. (1) Class eight property includes:

13 (a) all agricultural implements and equipment land
14 except that specifically included in another class; and

15 (b) all improvements except those specifically
16 included in another class.

17 (b) all mining machinery, fixtures, equipment, tools,
18 and supplies except:

19 (i) those included in class five; and

20 (ii) coal and ore haulers;

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

23 (d) motorcycles;

24 (e) watercraft;

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

1 ~~maximum-gross-loaded-weight, except those subject to a fee~~
 2 ~~in lieu of property tax;~~
 3 ~~(g) aircraft;~~
 4 ~~(h) all-terrain vehicles;~~
 5 ~~(i) harness, saddlery, and other tack equipment;~~
 6 ~~(j) all goods and equipment intended for rent or~~
 7 ~~lease, except goods and equipment specifically included and~~
 8 ~~taxed in another class; and~~
 9 ~~(k) all other machinery except that specifically~~
 10 ~~included in another class;~~

11 (2) Class eight property is taxed at ~~the~~ 8.55% ~~the~~
 12 TAXABLE PERCENTAGE RATE "P" of its market value.

13 (3) FOR THE TAXABLE YEAR BEGINNING JANUARY 1, 1986,
 14 THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO CLASS EIGHT
 15 PROPERTY IS 8.55%/B, WHERE B IS THE CERTIFIED STATEWIDE
 16 PERCENTAGE INCREASE TO BE DETERMINED BY THE DEPARTMENT OF
 17 REVENUE AS PROVIDED IN SUBSECTION (4). THE TAXABLE
 18 PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 19 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT BEFORE JULY
 20 1, 1986.

21 (4) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 22 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 23 CLASS EIGHT PROPERTY USING THE FORMULA $B = X/Y$, WHERE:

24 (I) X IS THE APPRAISED VALUE, AS OF JANUARY 1, 1986,
 25 OF ALL PROPERTY IN THE STATE, EXCLUDING NEW CONSTRUCTION.

1 ADDITIONS, OR DELETIONS OF PROPERTY DURING THE PRECEDING
 2 YEAR, CLASSIFIED UNDER CLASS EIGHT AS CLASS EIGHT IS
 3 DESCRIBED IN THIS SECTION; AND

4 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 5 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 6 WOULD BE CLASSIFIED UNDER CLASS EIGHT AS CLASS EIGHT IS
 7 DESCRIBED IN THIS SECTION.

8 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 9 0.0001%.

10 (5) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1987, AND
 11 FOR EVERY TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL,
 12 BEFORE JULY 1 OF EACH YEAR, DETERMINE THE TAXABLE PERCENTAGE
 13 RATE "P" APPLICABLE TO CLASS EIGHT PROPERTY. THE
 14 DETERMINATION SHALL BE MADE AS PROVIDED IN SUBSECTION (6).

15 (6) P = A/B, WHERE:

16 (A) P IS THE TAXABLE PERCENTAGE RATE APPLICABLE TO
 17 CLASS EIGHT PROPERTY FOR THE CALENDAR YEAR BEGINNING JANUARY
 18 1 IN THE YEAR IN WHICH P IS CALCULATED. THE TAXABLE
 19 PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 20 0.01%.

21 (B) A IS THE TAXABLE PERCENTAGE RATE P APPLICABLE TO
 22 CLASS EIGHT PROPERTY AS ESTABLISHED BY THE DEPARTMENT FOR
 23 THE IMMEDIATELY PRECEDING YEAR; AND

24 (C) B IS THE CERTIFIED STATEWIDE PERCENTAGE INCREASE
 25 TO BE DETERMINED BY THE DEPARTMENT USING THE FORMULA $B =$

1 X/Y, WHERE:

2 (I) X IS THE APPRAISED VALUE, AS OF JANUARY 1 OF THE
3 YEAR FOR WHICH P IS BEING CALCULATED, OF ALL PROPERTY IN THE
4 STATE, EXCLUDING NEW CONSTRUCTION, ADDITIONS, OR DELETIONS
5 OF PROPERTY DURING THE PRECEDING YEAR, CLASSIFIED UNDER
6 CLASS EIGHT AS CLASS EIGHT IS DESCRIBED IN THIS SECTION; AND

7 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1 OF THE
8 YEAR PRECEDING THE YEAR FOR WHICH P IS BEING CALCULATED, OF
9 ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1 OF THE YEAR
10 FOR WHICH P IS BEING CALCULATED, WOULD BE CLASSIFIED UNDER
11 CLASS EIGHT AS CLASS EIGHT IS DESCRIBED IN THIS SECTION.

12 (D) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
13 0.0001%."

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

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

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

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

25 (c) furniture, fixtures, and equipment, except that

1 specifically included in another class, used in commercial
2 establishments as defined in this section;

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

4 (e) citizens' band radios and mobile telephones;

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

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

9 (h) motorcycles;

10 (i) watercraft;

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

14 (k) aircraft;

15 (l) all-terrain vehicles;

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

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

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

22 (p) radio and television broadcasting and transmitting
23 equipment;

24 (q) cable television systems;

25 (r) coal and ore haulers;

1 (s) all trailers exceeding 18,000 pounds maximum gross
 2 loaded weight, including those prorated under 15-24-102 and
 3 except those subject to a fee in lieu of property tax;

4 (t) theater projectors and sound equipment;

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

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

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

17 (2) "Commercial establishment" includes any hotel;
 18 motel; office; petroleum marketing station; or service,
 19 whole ale, retail, or food-handling business.

20 (3) Class nine property is taxed at ~~13%~~ 11.7% of its
 21 market value."

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

23 "15-6-140. Class ten property -- description --
 24 taxable percentage. (1) Class ten property includes:

25 ~~(a) radio and television broadcasting and transmitting~~

1 equipment;

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

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

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

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

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

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

13 (a) all railroad transportation property as described
 14 in the Railroad Revitalization and Regulatory Reform Act of
 15 1976 as it reads on [the effective date of this act];

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

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

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

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

1 (a) R is the taxable percentage applicable to class
2 ten property;

3 (b) A is the total statewide taxable value of all
4 property included in class eight and is determined by
5 multiplying the total statewide market value of class eight
6 property by the taxable percentage RATE "P" provided in
7 15-6-138;

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

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

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

22 (f) E is the total statewide market value of all
23 property included in class eight, class nine, and class
24 eleven.

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 eight, class nine, and class
10 eleven."

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

12 "15-6-141. Class eleven property -- description --
13 taxable percentage. (1) Class eleven property includes:

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

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

19 (c) centrally assessed companies' allocations except:

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

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

25 (iii) property owned by organizations providing

1 telephone communications to rural areas and classified in
2 class seven; nine; and

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

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

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

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

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

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

23 Section 10. Section 15-6-142, MCA, is amended to read:

24 "15-6-142. Class twelve property -- description --
25 taxable percentage. (1) Class twelve property includes: all

1 commercial timberland.

2 ~~(a) a trailer or mobile home used as a residence~~
3 ~~except when:~~

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

6 ~~(ii) specifically included in another class;~~

7 ~~(b) the first \$35,000 or less of the market value of a~~
8 ~~trailer or mobile home used as a residence and actually~~
9 ~~occupied for at least 10 months a year as the primary~~
10 ~~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 (2) Commercial timberland is land in one ownership and
23 from which is harvested 30,000 or more board feet in any
24 year during the appraisal cycle; INCLUDING:

25 (A) TIMBERLAND FROM WHICH IS HARVESTED 30,000 OR MORE

1 BOARD FEET IN ANY YEAR DURING THE APPRAISAL CYCLE; OR
 2 (B) TIMBERLAND WHICH IS ENROLLED IN THE PRIVATE
 3 FORESTRY ASSISTANCE PROGRAM ADMINISTERED BY THE DEPARTMENT
 4 OF STATE LANDS FORESTRY DIVISION. A TIMBER MANAGEMENT PLAN
 5 PREPARED AND APPROVED BY THE DEPARTMENT OF STATE LANDS,
 6 FORESTRY DIVISION MUST BE FILED WITH THE DEPARTMENT OF
 7 REVENUE.

8 (3) FOR PURPOSES OF THIS SECTION, TIMBER CLEARED TO
 9 ESTABLISH AN AGRICULTURAL USE SHALL NOT BE INCLUDED IN THE
 10 30,000 BOARD FOOT LIMIT IF THE TIMBER HARVESTED IS NOT USED
 11 FOR COMMERCIAL PURPOSES.

12 ~~(2)(3)(4) Class twelve property is taxed as follows:~~
 13 ~~(a) Property described in subsection (1)(a) that is~~
 14 ~~not of the type described in subsection (1)(b) is taxed at~~
 15 ~~8.55% of its market value.~~

16 ~~(b) Property described in subsection (1)(b) is taxed~~
 17 ~~at 8.55% of its market value multiplied by a percentage~~
 18 ~~figure based on income and determined from the table~~
 19 ~~established in subsection (2)(b) of 15-6-134 at 30% THE~~
 20 PERCENTAGE RATE "P" of the combined appraised value of the
 21 standing timber and grazing productivity of the property.

22 (5) FOR TAXABLE YEARS BEGINNING JANUARY 1, 1986, AND
 23 THEREAFTER, THE TAXABLE PERCENTAGE RATE "P" APPLICABLE TO
 24 CLASS TWELVE PROPERTY IS 30%/B, WHERE B IS THE CERTIFIED
 25 STATEWIDE PERCENTAGE INCREASE TO BE DETERMINED BY THE

1 DEPARTMENT OF REVENUE AS PROVIDED IN SUBSECTION (6). THE
 2 TAXABLE PERCENTAGE RATE "P" SHALL BE ROUNDED DOWNWARD TO THE
 3 NEAREST 0.01% AND SHALL BE CALCULATED BY THE DEPARTMENT
 4 BEFORE JULY 1, 1986.

5 (6) (A) PRIOR TO JULY 1, 1986, THE DEPARTMENT SHALL
 6 DETERMINE THE CERTIFIED STATEWIDE PERCENTAGE INCREASE FOR
 7 CLASS TWELVE 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 USE CHANGES
 10 OCCURRING DURING THE PRECEDING YEAR, CLASSIFIED UNDER CLASS
 11 TWELVE AS CLASS TWELVE IS DESCRIBED IN THIS SECTION; AND

12 (II) Y IS THE APPRAISED VALUE, AS OF JANUARY 1, 1985,
 13 OF ALL PROPERTY IN THE STATE THAT, AS OF JANUARY 1, 1986,
 14 WOULD BE CLASSIFIED UNDER CLASS TWELVE AS CLASS TWELVE IS
 15 DESCRIBED IN THIS SECTION.

16 (B) B SHALL BE ROUNDED DOWNWARD TO THE NEAREST
 17 0.0001%.

18 (7) AFTER JULY 1, 1986, NO ADJUSTMENT MAY BE MADE BY
 19 THE DEPARTMENT TO THE TAXABLE PERCENTAGE RATE "P" UNTIL A
 20 REVALUATION HAS BEEN MADE AS PROVIDED IN 15-7-111."

21 Section 11. Section 15-6-151, MCA, is amended to read:
 22 "15-6-151. Application for certain class four
 23 classifications. (1) A person applying for classification of
 24 property described in subsection (1)(d) or (1)(e) of
 25 15-6-134 shall make an affidavit to the department of

1 revenue, on a form provided by the department without cost,
2 stating:

- 3 (a) his income;
- 4 (b) his retirement benefits;
- 5 (c) his marital status;
- 6 (d) the fact that he maintains the land and
7 improvements as his primary residential dwelling, where
8 applicable; and
- 9 (e) such other information as is relevant to the
10 applicant's eligibility.

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

19 (3) The affidavit is sufficient if the applicant signs
20 a statement affirming the correctness of the information
21 supplied, whether or not the statement is signed before a
22 person authorized to administer oaths, and mails the
23 application and statement to the department of revenue.
24 This signed statement shall be treated as a statement under
25 oath or equivalent affirmation for the purposes of 45 7-202,

1 relating to the criminal offense of false swearing."

2 Section 12. Section 15-7-202, MCA, is amended to read:

3 "15-7-202. Eligibility of land for valuation as
4 agricultural. (1) Land which is actively devoted to
5 agricultural use shall be eligible for valuation,
6 assessment, and taxation as herein provided each year it
7 meets any of the following qualifications:

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

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

15 (ii) it is used for grazing and it is not classified as
16 commercial timberland as defined in 15-6-142; or

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

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

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

23 (c) it is used to raise animals in confined areas for
24 the production of food or fiber, including but not limited
25 to livestock, feedlots, dairies, fish hatcheries, and

1 poultry farms.

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

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

9 Section 13. Section 15-7-307, MCA, is amended to read:

10 "15-7-307. Certificate -- exceptions. The certificate
11 imposed by this part shall not apply to:

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

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

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

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

20 (5) a transfer pursuant to court decree;

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

24 (7) a transfer by a subsidiary corporation to its
25 parent corporation without actual consideration or in sole

1 consideration of the cancellation or surrender of subsidiary
2 stock;

3 (8) a transfer of decedents' estates;

4 (9) a transfer of a gift;

5 (10) a transfer between husband and wife or parent and
6 child with only nominal actual consideration therefor;

7 (11) an instrument the effect of which is to transfer
8 the property to the same party or parties;

9 (12) a sale for delinquent taxes or assessments,
10 sheriff sale, bankruptcy action, or mortgage foreclosure;

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

12 (14) the sale of timberland when the land is classified
13 for tax purposes as commercial timberland."

14 Section 14. Section 15-8-111, MCA, is amended to read:

15 "15-8-111. Assessment -- market value standard --
16 exceptions. (1) All taxable property must be assessed at
17 100% of its market value except as provided in subsection
18 (5) of this section and in 15-7-111 through 15-7-114.

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

23 (b) The market value of all ~~motor-trucks, agricultural~~
24 ~~tools, implements, and machinery, and vehicles of all kinds,~~
25 ~~including but not limited to motorcycles, aircraft, and~~

1 ~~boats--and--all--watercraft; property included in class seven~~
 2 is the average wholesale value shown in national appraisal
 3 guides and manuals or the value of the vehicle before
 4 reconditioning and profit margin. The department of revenue
 5 shall prepare valuation schedules showing the average
 6 wholesale value when no national appraisal guide exists.

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

13 ~~(d) For real property and improvements, in the absence~~
 14 ~~of contradictory market data information, market value is~~
 15 ~~considered to be replacement cost depreciated. TO BE~~
 16 ~~DETERMINED IN THE SAME MANNER THAT MARKET VALUE WAS~~
 17 ~~DETERMINED BEFORE [THE EFFECTIVE DATE OF THIS ACT] EXCEPT TO~~
 18 ~~THE EXTENT THAT A SALES-ASSESSMENT RATIO STUDY INDICATES~~
 19 ~~THAT A DIFFERENT VALUE WOULD MORE CLOSELY APPROXIMATE MARKET~~
 20 ~~VALUE.~~

21 (3) The department of revenue or its agents may not
 22 adopt a lower or different standard of value from market
 23 value in making the official assessment and appraisal of the
 24 value of property in 15-6-134 through ~~15-6-140~~ 15-6-141.
 25 For purposes of taxation, assessed value is the same as

1 appraised value.

2 (4) The taxable value for all property in classes four
 3 through eleven is the percentage of market value established
 4 for each class of property in 15-6-134 through 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 15-6-142, under class twelve, 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 twelve is the percentage of
 3 assessed value established in 15-6-131(2), 15-6-132, and
 4 15-6-133, and 15-6-142 for each class of property."

5 Section 15. 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 16. 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 provided for in ~~15-6-141~~ 15-6-140 in
 20 order to achieve compliance with the requirements of the
 21 federal Railroad Revitalization and Regulatory Reform Act of
 22 1976, as amended."

23 Section 17. 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 eight, class nine, class
 16 ten, and class eleven shall be revalued annually under a
 17 program developed, administered, and supervised by the
 18 department."

19 Section 18. Section 15-8-104, MCA, is amended to read:
 20 "15-8-104. Department audit of taxable value -- costs
 21 of audit paid by department. (1) When in the judgment of the
 22 director of revenue it is necessary, audits may be made for
 23 the purpose of determining the taxable value of net proceeds
 24 of mines and oil and gas wells and all other types of
 25 property subject to ad valorem taxation.

1 (2) The department of revenue shall conduct audits of
 2 the assessment of property in class eight and class nine to
 3 assure that the value of the property in those classes
 4 reflects market value. IF THE DEPARTMENT DETERMINES THAT A
 5 SALES-ASSESSMENT RATIO STUDY IS APPLICABLE, HELPFUL IN
 6 DETERMINING TRUE MARKET VALUE, AND REASONABLY AVAILABLE, IT
 7 MAY USE SUCH STUDY AS AN AUDIT TOOL.

8 ~~(2)~~(3) The cost of the any audit performed under
 9 subsection (1) or (2) shall be paid by the department."

10 SECTION 19. SECTION 15-6-133, MCA, IS AMENDED TO READ:

11 "15-6-133. Class three property -- description --
 12 taxable percentage. (1) Class three property includes
 13 agricultural land as defined in 15-7-202.

14 (2) Class three property is taxed at 30% the
 15 percentage rate "P" of its productive capacity.

16 (3) For taxable years beginning January 1, 1986, and
 17 thereafter, the taxable percentage rate "P" applicable to
 18 class three property is 30%/B, where B is the certified
 19 statewide percentage increase to be determined by the
 20 department of revenue as provided in subsection (4). The
 21 taxable percentage rate "P" shall be rounded downward to the
 22 nearest 0.01% and shall be calculated by the department of
 23 revenue before July 1, 1986.

24 (4) (a) Prior to July 1, 1986, the department shall
 25 determine the certified statewide percentage increase for

1 class three property using the formula $B = X/Y$, where:

2 (i) X is the appraised value, as of January 1, 1986,
 3 of all property in the state, excluding agricultural use
 4 changes occurring during the preceding year, classified
 5 under class three as class three is described in this
 6 section; and

7 (ii) Y is the appraised value, as of January 1, 1985,
 8 of all property in the state that, as of January 1, 1986,
 9 would be classified under class three as class three is
 10 described in this section.

11 (b) B shall be rounded downward to the nearest
 12 0.0001%.

13 (5) After July 1, 1986, no adjustment may be made by
 14 the department to the taxable percentage rate "P" applicable
 15 to class three property until a revaluation has been made as
 16 provided in 15-7-111."

17 NEW SECTION. Section 20. Extension of authority. (1)
 18 Any existing authority of the department of revenue to make
 19 rules on the subject of the provisions of this act is
 20 extended to the provisions of this act.

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

25 NEW SECTION. Section 21. Severability. If a part of

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

6 NEW SECTION. Section 22. Effective dates. (1) This
 7 act, except section ~~19~~ 20 and this section, is effective
 8 January 1, 1986.

9 (2) Section ~~19~~ 20 and this section are effective on
 10 passage and approval.

-End-

STANDING COMMITTEE REPORT

HOUSE

MARCH 28 19 85

Page 1 of 3

SENATE BILL NO. 48
AMENDMENTS

MARCH 28 19 85

Page 2 of 3

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 48

THIRD reading copy (BLUE color)

GEN. REVISE PROPERTY TAX CLASSIFICATION TO COMPLY WITH
FED. LAW; 12 CLASSES

Respectfully report as follows: That SENATE Bill No. 48

be amended as follows:

- 1. Page 10, line 3.
Following: "SECTION"
Insert: "and class eight property as class eight is described in [section 6]"
- 2. Page 10, line 7.
Following: "SECTION"
Insert: "and class eight property as class eight is described in [section 6]"

3. Page 10, line 10.

Following: "[5]"

Strike: the remainder of line 10 through line 12

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

(6) P = A/B where:

(a) P is the taxable percentage rate applicable to class four property for the calendar year beginning January 1 in the year in which P is calculated. The taxable percentage rate "P" must be rounded downward to the nearest 0.01%.

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

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

(i) X is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state, excluding new construction, additions, or deletions of property during the preceding year, classified under class four as class four is described in this section and under class eight as class eight is described in [section 6]; and

(ii) Y is the appraised value, as of January 1 of the year for which P is being calculated, of all property in the state that, as of January 1 of the year for which P is being calculated, would be classified under class four as class four is described in this section and under class eight as class eight is described in [section 6]; and

(d) B must be rounded downward to the nearest 0.0001%."

4. Page 15, line 12.

Following: ""P""

Insert: "applicable to class four property as provided in 15-6-134,"

5. Pages 15 through 17.

Following: line 12 on page 15

Strike: the remainder of page 15 through line 13 on page 17

OK RASS

(CONTINUED)

Chairman.

(CONTINUED)

Chairman.

6. Page 24, line 22.

Following: "land"

Insert: "of not less than 5 contiguous acres"

Following: "ownership"

Insert: "that is capable of producing timber of commercial quality that can be economically harvested in commercial quantity."

7. Pages 24 and 25.

Strike: "INCLUDING:" on line 24 of page 24 through line 11 on page 25

8. Page 32, line 6.

Following: "15-6-133"

Insert: "and 15-6-142"

9. Page 32, line 17.

Following: "(d)"

Strike: "Properties"

Insert: "(1) For the period beginning [the effective date of this act] and ending December 31, 1990, properties"

10. Page 32, line 18.

Following: "value of the"

Insert: "": (A)"

11. Page 32, line 19.

Following: "timber"

Insert: ", to be determined by the department under sections 42.20.113 through 42.20.116, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985;"

Following: "and"

Insert: "(B)"

Following: "productivity"

Insert: "to be determined by the department under sections 42.20.141 and 42.20.142, A.R.M., as those sections read on [the effective date of this act] and as those sections apply to taxable years beginning after December 31, 1985.

(ii) The department may adopt rules for the revaluation of class twelve properties or properties considered grazing land for the purposes of sections 42.20.141 and 42.20.142, A.R.M., or revise sections 42.20.113 through 42.20.116, 42.20.141, or 42.20.142, A.R.M., prior to December 31, 1990, but no rules so adopted or amended may be made effective before January 1, 1991"

AND AS AMENDED,
WITHOUT RECOMMENDATION

EW 7/28

Gerry Deylin
GERRY DEYLIN,

Chairman.