

SENATE BILL NO. 234

INTRODUCED BY E. SMITH, LANE, BOYLAN, MCCALLUM,
GOODOVER, BENGTON, HAGER, FARRELL, H. HAMMOND,
AKLESTAD, SEVERSON, HIRSCH, HARDING, YELLOWTAIL,
GALT, STIMATZ, KEATING, ANDERSON, SHAW, TVEIT,
THAYER, KOLSTAD, CRIPPEN, STEPHENS, STORY,
CONOVER, B. WILLIAMS, DANIELS, LYNCH

IN THE SENATE

January 24, 1985	Introduced and referred to Committee on Taxation.
February 1, 1985	On motion by Chief Sponsor, Senators Kolstad, Crippen, Stephens, Story, Conover, Williams, Daniels, and Lynch added as sponsors.
March 14, 1985	Committee recommend bill do pass as amended. Report adopted.
March 15, 1985	Bill printed and placed on members' desks.
March 18, 1985	Second reading, do pass.
March 19, 1985	Considered correctly engrossed.
March 20, 1985	Third reading, passed. Ayes, 50; Noes, 0. Transmitted to House.

IN THE HOUSE

March 21, 1985	Introduced and referred to Committee on Taxation.
March 25, 1985	Committee recommend bill be concurrent in. Report adopted.

March 30, 1985

Second reading, concurred in.

April 1, 1985

Third reading, concurred in.

Returned to Senate.

IN THE SENATE

April 1, 1985

Received from House.

Sent to enrolling.

Reported correctly enrolled.

Senate BILL NO. 234

INTRODUCED BY *E. Smith* *LANE* *Boyer* *M. Gable*
Goodman, *Benjamin Hager* *Farnell* *St. Lawrence* *W. K. ESTERD*
Samson *Hines*
A BILL FOR AN ACT ENTITLED: "AN ACT TO PROHIBIT THE
DEPARTMENT OF REVENUE FROM USING REPLACEMENT COST AS A
SUBSTITUTE FOR MARKET VALUE WHEN APPRAISING PROPERTY FOR TAX
PURPOSES; AMENDING SECTION 15-8-111, MCA."

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

Section 1. Section 15-8-111, MCA, is amended to read:

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

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

(b) The market value of all motor trucks; agricultural
tools, implements, and machinery; and vehicles of all kinds,
including but not limited to motorcycles, aircraft, and
boats and all watercraft, is the average wholesale value
shown in national appraisal guides and manuals or the value
of the vehicle before reconditioning and profit margin. The
department of revenue shall prepare valuation schedules

showing the average wholesale value when no national
appraisal guide exists.

(3) (a) In making the official assessment and
appraisal of the value of property in 15-6-134 through
15-6-140, the department of revenue or its agents may
not:

(i) adopt a lower or different standard of value from
market value; or in making the official assessment and
appraisal of the value of property in 15-6-134 through
15-6-140;

(ii) use replacement cost as a substitute for market
value.

(b) For purposes of taxation, assessed value is the
same as appraised value.

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

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

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

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

(c) Properties in 15-6-133, under class three, are



INTRODUCED BILL
SB 234

1 assessed at 100% of the productive capacity of the lands
2 when valued for agricultural purposes. All lands that meet
3 the qualifications of 15-7-202 are valued as agricultural
4 lands for tax purposes.

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

7 (a) ownership of the improvements is different from
8 ownership of the land;

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

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

11 (7) The taxable value of all property in 15-6-131 and
12 classes two and three is the percentage of assessed value
13 established in 15-6-131(2), 15-6-132, and 15-6-133 for each
14 class of property."

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

-End-

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 234

INTRODUCED BY E. SMITH, LANE, BOYLAN, MCCALLUM,
GOODOVER, BENGTSON, HAGER, FARRELL, H. HAMMOND,
AKLESTAD, SEVERSON, HIRSCH, HARDING, YELLOWTAIL,
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A BILL FOR AN ACT ENTITLED: "AN ACT TO PROHIBIT DIRECT THE
DEPARTMENT OF REVENUE FROM--USING--REPLACEMENT--COST--AS-A
SUBSTITUTE TO USE CERTAIN SUBSTITUTES FOR MARKET VALUE WHEN
APPRAISING AND ASSESSING PROPERTY FOR TAX PURPOSES;
PROVIDING AN EXEMPTION FOR CERTAIN PROPERTIES; AMENDING
SECTION SECTIONS 15-6-201 AND 15-8-111, MCA; AND PROVIDING
AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, THE APPRAISAL AND ASSESSMENT OF AGRICULTURAL
IMPLEMENTS AND MACHINERY COULD BE ACCOMPLISHED MOST
EFFICIENTLY AND EQUITABLY BY THE USE OF THE OFFICIAL GUIDE,
TRACTOR AND FARM EQUIPMENT, PUBLISHED BY THE NATIONAL FARM
AND POWER EQUIPMENT DEALERS ASSOCIATION, ST. LOUIS,
MISSOURI; AND

WHEREAS, THE MOST ACCURATE REFLECTION OF MARKET VALUE
OF AGRICULTURAL IMPLEMENTS AND MACHINERY LISTED BY THE ABOVE
OFFICIAL GUIDE IS THAT OF LOAN VALUE AS COMPARED TO

WHOLESALE VALUE IN OTHER NATIONAL GUIDES.

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

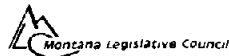
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exceptions. (1) All taxable property must be assessed at
100% of its market value except as provided in subsection
(5) of this section and in 15-7-111 through 15-7-114.

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

(b) THE EXCEPT AS PROVIDED IN SUBSECTION (3), THE
market value of all motor trucks; agricultural tools,
implements, and machinery; and vehicles of all kinds,
including but not limited to motorcycles, aircraft, and
boats and all watercraft, is the average wholesale value
shown in national appraisal guides and manuals or the value
of the vehicle before reconditioning and profit margin. The
department of revenue shall prepare valuation schedules
showing the average wholesale value when no national
appraisal guide exists.

(3) ~~(a) In making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, the department of revenue or its agents may~~

SECOND READING
SB 234



1 not:

2 ~~(i) adopt a lower or different standard of value from~~
 3 ~~market value; or in making the official assessment and~~
 4 ~~appraisal of the value of property in 15-6-134 through~~
 5 ~~15-6-140.~~

6 ~~(ii) use replacement cost as a substitute for market~~
 7 ~~value. THE DEPARTMENT OF REVENUE OR ITS AGENTS MAY NOT ADOPT~~
 8 ~~A LOWER OR DIFFERENT STANDARD OF VALUE FROM MARKET VALUE IN~~
 9 ~~MAKING THE OFFICIAL ASSESSMENT AND APPRAISAL OF THE VALUE OF~~
 10 ~~PROPERTY IN 15-6-134 THROUGH 15-6-140, EXCEPT:~~

11 ~~(A) THE WHOLESALE VALUE FOR AGRICULTURAL IMPLEMENTS~~
 12 ~~AND MACHINERY IS THE LOAN VALUE AS SHOWN IN THE OFFICIAL~~
 13 ~~GUIDE, TRACTOR AND FARM EQUIPMENT, PUBLISHED BY THE NATIONAL~~
 14 ~~FARM AND POWER EQUIPMENT DEALERS ASSOCIATION, ST. LOUIS,~~
 15 ~~MISSOURI; AND~~

16 ~~(B) FOR AGRICULTURAL IMPLEMENTS AND MACHINERY NOT~~
 17 ~~LISTED IN THE OFFICIAL GUIDE, THE DEPARTMENT SHALL PREPARE A~~
 18 ~~SUPPLEMENTAL MANUAL WHERE THE VALUES REFLECT THE SAME~~
 19 ~~DEPRECIATION AS THOSE FOUND IN THE OFFICIAL GUIDE.~~

20 ~~(b)(4)~~ For purposes of taxation, assessed value is the
 21 same as appraised value.

22 ~~(4)(5)~~ The taxable value for all property in classes
 23 four through eleven is the percentage of market value
 24 established for each class of property in 15-6-134 through
 25 15-6-141.

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

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

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

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

13 ~~(6)(7)~~ Land and the improvements thereon are
 14 separately assessed when any of the following conditions
 15 occur:

16 (a) ownership of the improvements is different from
 17 ownership of the land;

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

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

20 ~~(7)(8)~~ The taxable value of all property in 15-6-131
 21 and classes two and three is the percentage of assessed
 22 value established in 15-6-131(2), 15-6-132, and 15-6-133 for
 23 each class of property."

24 SECTION 2. SECTION 15-6-201, MCA, IS AMENDED TO READ:

25 "15-6-201. Exempt categories. (1) The following

1 categories of property are exempt from taxation:

2 (a) the property of:

3 (i) the United States, the state, counties, cities,

4 towns, school districts;

5 (ii) irrigation districts organized under the laws of

6 Montana and not operating for profit;

7 (iii) municipal corporations; and

8 (iv) public libraries;

9 (b) buildings, with land they occupy and furnishings

10 therein, owned by a church and used for actual religious

11 worship or for residences of the clergy, together with

12 adjacent land reasonably necessary for convenient use of

13 such buildings;

14 (c) property used exclusively for agricultural and

15 horticultural societies, for educational purposes, and for

16 hospitals;

17 (d) property that meets the following conditions:

18 (i) is owned and held by any association or

19 corporation organized under Title 35, chapter 2, 3, 20, or

20 21;

21 (ii) is devoted exclusively to use in connection with a

22 cemetery or cemeteries for which a permanent care and

23 improvement fund has been established as provided for in

24 Title 35, chapter 20, part 3; and

25 (iii) is not maintained and operated for private or

1 corporate profit;

2 (e) institutions of purely public charity;

3 (f) evidence of debt secured by mortgages of record

4 upon real or personal property in the state of Montana;

5 (g) public art galleries and public observatories not

6 used or held for private or corporate profit;

7 (h) all household goods and furniture, including but

8 not limited to clocks, musical instruments, sewing machines,

9 and wearing apparel of members of the family, used by the

10 owner for personal and domestic purposes or for furnishing

11 or equipping the family residence;

12 (i) a truck canopy cover or topper weighing less than

13 300 pounds and having no accommodations attached. Such

14 property is also exempt from the fee in lieu of tax.

15 (j) a bicycle, as defined in 61-1-123, used by the

16 owner for personal transportation purposes;

17 (k) automobiles and trucks having a rated capacity of

18 three-quarters of a ton or less;

19 (l) fixtures, buildings, and improvements owned by a

20 cooperative association or nonprofit corporation organized

21 to furnish potable water to its members or customers for

22 uses other than the irrigation of agricultural land;

23 (m) the right of entry that is a property right

24 reserved in land or received by mesne conveyance (exclusive

25 of leasehold interests), devise, or succession to enter land

1 whose surface title is held by another to explore, prospect,
2 or dig for oil, gas, coal, or minerals; and

3 (n) property owned and used by a corporation or
4 association organized and operated exclusively for the care
5 of the developmentally disabled, mentally ill, or
6 vocationally handicapped as defined in 18-5-101, which is
7 not operated for gain or profit; and

8 (o) all farm buildings with a market value of less
9 than \$500 and all agricultural implements and machinery with
10 a market value of less than \$100.

11 (2) (a) The term "institutions of purely public
12 charity" includes organizations owning and operating
13 facilities for the care of the retired or aged or
14 chronically ill, which are not operated for gain or profit.

15 (b) The terms "public art galleries" and "public
16 observatories" include only those art galleries and
17 observatories, whether of public or private ownership, that
18 are open to the public without charge at all reasonable
19 hours and are used for the purpose of education only.

20 (3) The following portions of the appraised value of a
21 capital investment made after January 1, 1979, in a
22 recognized nonfossil form of energy generation, as defined
23 in 15-32-102, are exempt from taxation for a period of 10
24 years following installation of the property:

25 (a) \$20,000 in the case of a single-family residential

1 dwelling;

2 (b) \$100,000 in the case of a multifamily residential
3 dwelling or a nonresidential structure."

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

8 NEW SECTION. SECTION 4. EFFECTIVE DATE --
9 APPLICABILITY. THIS ACT IS EFFECTIVE ON PASSAGE AND
10 APPROVAL AND IS APPLICABLE TO TAX YEARS BEGINNING AFTER
11 DECEMBER 31, 1985.

-End-

SENATE BILL NO. 234

INTRODUCED BY E. SMITH, LANE, BOYLAN, MCCALLUM, GOODOVER, BENGTON, HAGER, FARRELL, H. HAMMOND, AKLESTAD, SEVERSON, HIRSCH, HARDING, YELLOWTAIL, GALT, STIMATZ, KEATING, ANDERSON, SHAW, TVEIT, THAYER, KOLSTAD, CRIPPEN, STEPHENS, STORY, CONOVER, B. WILLIAMS, DANIELS, LYNCH

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WHEREAS, THE APPRAISAL AND ASSESSMENT OF AGRICULTURAL IMPLEMENTS AND MACHINERY COULD BE ACCOMPLISHED MOST EFFICIENTLY AND EQUITABLY BY THE USE OF THE OFFICIAL GUIDE, TRACTOR AND FARM EQUIPMENT, PUBLISHED BY THE NATIONAL FARM AND POWER EQUIPMENT DEALERS ASSOCIATION, ST. LOUIS, MISSOURI; AND

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 18 IMPLEMENTS AND MACHINERY COULD BE ACCOMPLISHED MOST
 19 EFFICIENTLY AND EQUITABLY BY THE USE OF THE OFFICIAL GUIDE,
 20 TRACTOR AND FARM EQUIPMENT, PUBLISHED BY THE NATIONAL FARM
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 20 department of revenue shall prepare valuation schedules
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23 (3) IN MAKING THE OFFICIAL ASSESSMENT AND
 24 APPRAISAL OF THE VALUE OF PROPERTY IN 15-6-134 THROUGH
 25 15-6-140, THE THE DEPARTMENT OF REVENUE OR ITS AGENTS MAY

1 not;

2 ~~(i) adopt a lower or different standard of value from~~

3 ~~market value; or in making the official assessment and~~

4 ~~appraisal of the value of property in 15-6-134 through~~

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10 ~~PROPERTY IN 15-6-134 THROUGH 15-6-140, EXCEPT:~~

11 ~~(A) THE WHOLESALE VALUE FOR AGRICULTURAL IMPLEMENTS~~

12 ~~AND MACHINERY IS THE LOAN VALUE AS SHOWN IN THE OFFICIAL~~

13 ~~GUIDE, TRACTOR AND FARM EQUIPMENT, PUBLISHED BY THE NATIONAL~~

14 ~~FARM AND POWER EQUIPMENT DEALERS ASSOCIATION, ST. LOUIS,~~

15 ~~MISSOURI; AND~~

16 ~~(B) FOR AGRICULTURAL IMPLEMENTS AND MACHINERY NOT~~

17 ~~LISTED IN THE OFFICIAL GUIDE, THE DEPARTMENT SHALL PREPARE A~~

18 ~~SUPPLEMENTAL MANUAL WHERE THE VALUES REFLECT THE SAME~~

19 ~~DEPRECIATION AS THOSE FOUND IN THE OFFICIAL GUIDE.~~

20 ~~(b)(4) For purposes of taxation, assessed value is the~~

21 ~~same as appraised value.~~

22 ~~(4)(5) The taxable value for all property in classes~~

23 ~~four through eleven is the percentage of market value~~

24 ~~established for each class of property in 15-6-134 through~~

25 ~~15-6-141.~~

1 ~~(5)(6)~~ The assessed value of properties in 15-6-131

2 through 15-6-133 is as follows:

3 (a) Properties in 15-6-131, under class one, are

4 assessed at 100% of the annual net proceeds after deducting

5 the expenses specified and allowed by 15-23-503.

6 (b) Properties in 15-6-132 under class two are

7 assessed at 100% of the annual gross proceeds.

8 (c) Properties in 15-6-133, under class three, are

9 assessed at 100% of the productive capacity of the lands

10 when valued for agricultural purposes. All lands that meet

11 the qualifications of 15-7-202 are valued as agricultural

12 lands for tax purposes.

13 ~~(6)(7)~~ Land and the improvements thereon are

14 separately assessed when any of the following conditions

15 occur:

16 (a) ownership of the improvements is different from

17 ownership of the land;

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

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

20 ~~(7)(8)~~ The taxable value of all property in 15-6-131

21 and classes two and three is the percentage of assessed

22 value established in 15-6-131(2), 15-6-132, and 15-6-133 for

23 each class of property."

24 SECTION 2. SECTION 15-6-201, MCA, IS AMENDED TO READ:

25 "15-6-201. Exempt categories. (1) The following

1 categories of property are exempt from taxation:

2 (a) the property of:

3 (i) the United States, the state, counties, cities,
4 towns, school districts;

5 (ii) irrigation districts organized under the laws of
6 Montana and not operating for profit;

7 (iii) municipal corporations; and

8 (iv) public libraries;

9 (b) buildings, with land they occupy and furnishings
10 therein, owned by a church and used for actual religious
11 worship or for residences of the clergy, together with
12 adjacent land reasonably necessary for convenient use of
13 such buildings;

14 (c) property used exclusively for agricultural and
15 horticultural societies, for educational purposes, and for
16 hospitals;

17 (d) property that meets the following conditions:

18 (i) is owned and held by any association or
19 corporation organized under Title 35, chapter 2, 3, 20, or
20 21;

21 (ii) is devoted exclusively to use in connection with a
22 cemetery or cemeteries for which a permanent care and
23 improvement fund has been established as provided for in
24 Title 35, chapter 20, part 3; and

25 (iii) is not maintained and operated for private or

1 corporate profit;

2 (e) institutions of purely public charity;

3 (f) evidence of debt secured by mortgages of record
4 upon real or personal property in the state of Montana;

5 (g) public art galleries and public observatories not
6 used or held for private or corporate profit;

7 (h) all household goods and furniture, including but
8 not limited to clocks, musical instruments, sewing machines,
9 and wearing apparel of members of the family, used by the
10 owner for personal and domestic purposes or for furnishing
11 or equipping the family residence;

12 (i) a truck canopy cover or topper weighing less than
13 300 pounds and having no accommodations attached. Such
14 property is also exempt from the fee in lieu of tax.

15 (j) a bicycle, as defined in 61-1-123, used by the
16 owner for personal transportation purposes;

17 (k) automobiles and trucks having a rated capacity of
18 three-quarters of a ton or less;

19 (l) fixtures, buildings, and improvements owned by a
20 cooperative association or nonprofit corporation organized
21 to furnish potable water to its members or customers for
22 uses other than the irrigation of agricultural land;

23 (m) the right of entry that is a property right
24 reserved in land or received by mesne conveyance (exclusive
25 of leasold interests), devise, or succession to enter land

1 whose surface title is held by another to explore, prospect,
2 or dig for oil, gas, coal, or minerals; and

3 (n) property owned and used by a corporation or
4 association organized and operated exclusively for the care
5 of the developmentally disabled, mentally ill, or
6 vocationally handicapped as defined in 18-5-101, which is
7 not operated for gain or profit; and

8 (o) all farm buildings with a market value of less
9 than \$500 and all agricultural implements and machinery with
10 a market value of less than \$100.

11 (2) (a) The term "institutions of purely public
12 charity" includes organizations owning and operating
13 facilities for the care of the retired or aged or
14 chronically ill, which are not operated for gain or profit.

15 (b) The terms "public art galleries" and "public
16 observatories" include only those art galleries and
17 observatories, whether of public or private ownership, that
18 are open to the public without charge at all reasonable
19 hours and are used for the purpose of education only.

20 (3) The following portions of the appraised value of a
21 capital investment made after January 1, 1979, in a
22 recognized nonfossil form of energy generation, as defined
23 in 15-32-102, are exempt from taxation for a period of 10
24 years following installation of the property:

25 (a) \$20,000 in the case of a single-family residential

1 dwelling;

2 (b) \$100,000 in the case of a multifamily residential
3 dwelling or a nonresidential structure."

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

8 NEW SECTION. SECTION 4. EFFECTIVE DATE --
9 APPLICABILITY. THIS ACT IS EFFECTIVE ON PASSAGE AND
10 APPROVAL AND IS APPLICABLE TO TAX YEARS BEGINNING AFTER
11 DECEMBER 31, 1985.

-End-