

FINAL STATUS

HB 15 INTRODUCED BY MEL WILLIAMS, BOB BROWN, ET AL.
 LIMITING THE TAX RATE APPLICABLE TO CLASS 15
 PROPERTY

3/26 INTRODUCED
3/26 REFERRED TO TAXATION
3/26 FISCAL NOTE REQUESTED
3/26 HEARING
3/27 FISCAL NOTE RECEIVED
3/27 COMMITTEE REPORT-BILL DO PASS
3/27 2ND READING NOT PASSED
 BILL KILLED

50 50

1 *House* BILL NO. *15* *E. J. Smith*
2 INTRODUCED BY *Met Williams Bob Brown Alvin Johnson*
3 *Bill Fangel Ted Lehn Anthony J. Lee Ralph Connor*
4 *Bryant Yellowtail Patrick J. Hays Dean*
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO LIMIT THE TAX RATE *therein*
6 APPLICABLE TO CLASS FIFTEEN PROPERTY; AMENDING SECTION
7 15-6-145, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
8 AN APPLICABILITY DATE."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 15-6-145, MCA, is amended to read:
11 "15-6-145. Class fifteen property -- description --
12 taxable percentage. (1) Class fifteen property includes:
13 (a) all railroad transportation property as described
14 in the Railroad Revitalization and Regulatory Reform Act of
15 1976 as it read on January 1, 1986; and
16 (b) all airline transportation property as described
17 in the Tax Equity and Fiscal Responsibility Act of 1982 as
18 it read on January 1, 1986.
19 (2) For the taxable year beginning January 1, 1986,
20 and for each taxable year thereafter, class fifteen property
21 is taxed at the percentage rate "R", to be determined by the
22 department as provided in subsection (3), or 12%, whichever
23 is less.
24 (3) R = A/B where:
25 (a) A is the total statewide taxable value of all

1 commercial property as commercial property is described in
2 15-1-101(1)(d), including class 1 and class 2 property; and
3 (b) B is the total statewide market value of all
4 commercial property as commercial property is described in
5 15-1-101(1)(d), including class 1 and class 2 property.
6 (4) (a) For the taxable year beginning January 1,
7 1986, and for every taxable year thereafter, the department
8 shall conduct a sales assessment ratio study of all
9 commercial and industrial real property and improvements.
10 The study must be based on:
11 (i) assessments of such property as of January 1 of
12 the year for which the study is being conducted; and
13 (ii) a statistically valid sample of sales using data
14 from realty transfer certificates filed during the same
15 taxable year or from the immediately preceding taxable year,
16 but only if a sufficient number of certificates is
17 unavailable from the current taxable year to provide a
18 statistically valid sample.
19 (b) The department shall determine the value-weighted
20 mean sales assessment ratio "M" for all such property and
21 reduce the taxable value of property described in subsection
22 (4) only, by multiplying the total statewide taxable value
23 of property described in subsection (4) by "M" prior to
24 calculating "A" in subsection (3).
25 (c) The adjustment referred to in subsection (4)(b)

1 will be made beginning January 1, 1986, and in each
2 subsequent tax year to equalize the railroad and airline
3 taxable values.

4 (5) For the purpose of complying with the Railroad
5 Revitalization and Regulatory Reform Act of 1976 and the Tax
6 Equity and Fiscal Responsibility Act of 1982, as they read
7 on January 1, 1986, the rate "R" referred to in this section
8 is the equalized average tax rate generally applicable to
9 commercial and industrial property as commercial property is
10 defined in 15-1-101(1)(d)."

11 NEW SECTION. Section 2. Effective date --
12 applicability. This act is effective on passage and approval
13 and applies retroactively, within the meaning of 1-2-109, to
14 the tax year beginning January 1, 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB015, Version: as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to limit the tax rate applicable to class 15 property.

ASSUMPTIONS:

1) The tax rate applicable under current law to Class 15 property is estimated to be:

<u>Tax Year</u>	<u>Rate</u>	<u>Sales Ratio</u>
1986	14.00%	80%
1987	12.05	75%
1988	11.90	70%
1989	11.69	65%
1990	11.42	60%
1991	11.34	55%

Compliance with 4R Act

These estimates reflect the required calculations contained in Section 15-6-145 and forecasts for net and gross proceed values estimated by OBPP. Further, the applicable tax rates assume that sales ratios for commercial property decline in 5 percent increments each year.

2) The system values of airlines remain constant at 1985 levels of \$32.141 million. The system values of railroads is \$3.5 billion in tax year 1986 and increases \$120 million per year reflecting changes in depreciation accounting. This assumption applies to both current and proposed calculations.

3) Montana's allocation factor for railroads is assumed constant at 14.13% of railroad system values.

4) Average mill levies are assumed to be constant and are 240 mills for railroads and 333 mills for airlines. University and school foundation program levies are assumed constant at 6 and 45 mills, respectively.

FISCAL IMPACT:

The attached tables provide a summary of the fiscal impact of the proposal for the next two bienniums. The tables provide estimates for railroads, airlines, and Class 15 property totals.

David L. Hunter
BUDGET DIRECTOR

3/26/86
DATE

Office of Budget and Program Planning

J. Michael Williams
PRIMARY SPONSOR

3/27
DATE

Fiscal Note for HB015

HB 15

HB015 AS INTRODUCED
FIGURES IN THOUSANDS
DATE: 03/26/88

HA-240

HB-15

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Railroads :

CURRENT								PROPOSED								DIFFERENCE			
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987	14.00%	69,237	16,617	415	3,116	13,086	59,346	14,243	356	2,671	11,216	(2,374)	(59)	(445)	(1,870)			
1987	1988	12.05%	61,636	14,793	370	2,774	11,649	61,381	14,731	368	2,762	11,601	(62)	(2)	(12)	(48)			
1988	1989	11.80%	62,887	15,093	377	2,830	11,886	62,887	15,093	377	2,830	11,886	0	0	0	0			
1989	1990	11.69%	63,759	15,302	382	2,869	12,051	63,759	15,302	382	2,869	12,051	0	0	0	0			
1990	1991	11.42%	64,223	15,414	385	2,890	12,138	64,223	15,414	385	2,890	12,138	0	0	0	(8)			
1991	1992	11.34%	65,696	15,767	394	2,956	12,417	65,696	15,767	394	2,956	12,417	0	0	0	0			

Airlines :

CURRENT								PROPOSED								DIFFERENCE			
Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987	14.00%	4,500	1,499	27	203	1,269	3,857	1,284	23	174	1,088	(215)	(4)	(29)	(181)			
1987	1988	12.05%	3,873	1,290	23	174	1,092	3,857	1,284	23	174	1,088	(6)	0	0	(4)			
1988	1989	11.80%	3,825	1,274	23	172	1,079	3,825	1,274	23	172	1,079	0	0	0	0			
1989	1990	11.69%	3,757	1,251	23	169	1,059	3,757	1,251	23	169	1,059	0	0	0	1			
1990	1991	11.42%	3,671	1,222	22	165	1,035	3,671	1,222	22	165	1,035	0	0	0	0			
1991	1992	11.34%	3,645	1,214	22	164	1,028	3,645	1,214	22	164	1,028	0	0	0	0			

Totals :

CURRENT								PROPOSED								DIFFERENCE			
Tax Year	Fiscal Year	Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax		Taxable Value	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax	Total Tax	Univ. 6 Mills	Found. 45 Mills	Loc. Gov. Tax			
1986	1987	73,737	16,116	442	3,319	14,355		63,203	15,527	378	2,845	12,304	(2,589)	(63)	(474)	(2,051)			
1987	1988	65,509	16,083	393	2,948	12,741		65,236	16,015	391	2,936	12,889	(68)	(2)	(12)	(52)			
1988	1989	66,712	16,367	400	3,002	12,965		66,712	16,367	400	3,002	12,965	0	0	0	0			
1989	1990	67,516	16,553	406	3,038	13,110		67,517	16,553	406	3,038	13,111	0	0	0	1			
1990	1991	67,894	16,636	407	3,055	13,173		67,894	16,636	407	3,055	13,173	0	0	0	(8)			
1991	1992	69,341	16,981	416	3,120	13,445		69,341	16,981	416	3,120	13,445	0	0	0	0			

NOTE: FIGURES MAY NOT ADD DUE TO ROUNDING

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 15

INTRODUCED BY M. WILLIAMS, B. BROWN, SEVERSON, E. SMITH,
HAMMOND, FARRELL, BLAYLOCK, SCHYE, YELLOWTAIL, CODY, GAGE,
HIRSCH, HAGER, SPAETH, REAM, CONOVER, HOLLIDAY, MANUEL,
PISTORIA, MCCALLUM, QUILICI, PECK, HAND, HARRINGTON,
BRADLEY, FRITZ, MONTAYNE, ABRAMS, POFF,
ADDY, O'CONNELL, BARDANOUVE

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mean sales assessment ratio "M" for all such property and

SECOND READING

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