

HOUSE BILL NO. 38

INTRODUCED BY M. WILLIAMS, BLAYLOCK, CONOVER, TOWE,  
QUILICI, SCHYE, ADDY, KEENAN, PECK, MCCORMICK, REAM,  
RANEY, MARKS, HARP, GILBERT, HAGER, NATHE, SPAETH,  
BARDANOUVE, ASAY, PISTORIA, ABRAMS

IN THE HOUSE

June 20, 1986	Introduced and referred to Committee on Taxation.
June 23, 1986	On motion by Chief Sponsor, Representatives Raney, Marks, Harp, Gilbert, Hager, Nathe, Spaeth, Bardanouve, Asay, Pistoria, and Abrams added as sponsors.
June 24, 1986	Committee recommend bill do pass. Report adopted.  Bill printed and placed on members' desks.
June 25, 1986	Second reading, do pass.  Third reading, passed.  Transmitted to Senate.

IN THE SENATE

June 25, 1986	Introduced and referred to Committee on Taxation.
June 27, 1986	Committee recommend bill be concurrred in. Report adopted.  Second reading, concurrred in.  Third reading, concurrred in. Ayes, 48; Noes, 2.  Returned to House.

IN THE HOUSE

June 28, 1986

Received from Senate.

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *38*  
2 INTRODUCED BY *M. Williams, Blaylock, Conover, For*  
3 *Julien, Schy, Kelly, Keenan, Rock, McBrink, Ream*  
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX RATE  
5 APPLICABLE TO CLASS 15 RAILROAD TRANSPORTATION PROPERTY;  
6 AMENDING SECTION 15-6-145, MCA; AND PROVIDING AN IMMEDIATE  
7 EFFECTIVE DATE AND AN APPLICABILITY DATE."  
8

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 all  
13 railroad transportation property as described in the  
14 Railroad Revitalization and Regulatory Reform Act of 1976 as  
15 it read on January 1, 1986.

16 (2) For the taxable year beginning January 1, 1986,  
17 and for each taxable year thereafter, class fifteen property  
18 is taxed at the percentage rate "R", to be determined by the  
19 department as provided in subsection (3), or 12%, whichever  
20 is less.

21 (3)  $R = A/B$  where:

22 (a) A is the total statewide taxable value of all  
23 commercial property, except class fifteen property, as  
24 commercial property is described in 15-1-101(1)(d),  
25 including class 1 and class 2 property; and

1 (b) B is the total statewide market value of all  
2 commercial property, except class fifteen property, as  
3 commercial property is described in 15-1-101(1)(d),  
4 including class 1 and class 2 property.

5 (4) (a) For the taxable year beginning January 1,  
6 1986, and for every taxable year thereafter, the department  
7 shall conduct a sales assessment ratio study of all  
8 commercial and industrial real property and improvements.  
9 The study must be based on:

10 (i) assessments of such property as of January 1 of  
11 the year for which the study is being conducted; and

12 (ii) a statistically valid sample of sales using data  
13 from realty transfer certificates filed during the same  
14 taxable year or from the immediately preceding taxable year,  
15 but only if a sufficient number of certificates is  
16 unavailable from the current taxable year to provide a  
17 statistically valid sample.

18 (b) The department shall determine the value-weighted  
19 mean sales assessment ratio "M" for all such property and  
20 reduce the taxable value of property described in subsection  
21 (4) only, by multiplying the total statewide taxable value  
22 of property described in subsection (4) by "M" prior to  
23 calculating "A" in subsection (3).

24 (c) The adjustment referred to in subsection (4)(b)  
25 will be made beginning January 1, 1986, and in each

subsequent tax year to equalize the railroad taxable values.

(5) For the purpose of complying with the Railroad Revitalization and Regulatory Reform Act of 1976, as it read on January 1, 1986, the rate "R" referred to in this section is the equalized average tax rate generally applicable to commercial and industrial property, except class fifteen property, as commercial property is defined in 15-1-101(1)(d)."

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

NEW SECTION. Section 3. Effective date -- applicability. This act is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to the tax year beginning January 1, 1986.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for HB038, as introduced.

Description of Proposed Legislation:

A bill to revise the tax rate applicable to class 15 railroad transportation 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

These estimates reflect the required calculations contained in Section 15-6-145 and forecasts for net and gross proceeds 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 Montana allocated value of railroads for tax year 1986 is tentatively estimated to be \$690,900,200. This estimate of system value assumes utilization of depreciation accounting. This value is assumed to apply to future tax years.
3. Average mill levies are assumed constant and are 240 mills for railroad property. University and school foundation levies are assumed constant at 6 and 45 mills, respectively.

Fiscal Impact:

					<u>Current</u>		
<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Taxable Value</u>	<u>Total Tax</u>	<u>Univ. 6 mills</u>	<u>Found. 45 mills</u>	<u>Loc. Gov. Tax</u>
1986	87	14.00%	\$96,726,028	\$23,214,247	\$580,356	\$4,352,671	\$18,281,219
1987	88	12.05%	83,253,474	19,980,834	499,521	3,746,406	15,734,907
1988	89	11.90%	82,217,124	19,732,110	493,303	3,699,771	15,539,036

					<u>Proposed</u>		
<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Taxable Value</u>	<u>Total Tax</u>	<u>Univ. 6 mills</u>	<u>Found. 45 mills</u>	<u>Loc. Gov. Tax</u>
1986	87	12.00%	\$82,908,024	\$19,897,926	\$497,448	\$3,730,861	\$15,669,617
1987	88	12.00%	82,908,024	19,897,926	497,448	3,730,861	15,669,617
1988	89	11.90%	82,217,124	19,732,110	493,303	3,699,771	15,539,036

David L. Hunter 6/25/86  
BUDGET DIRECTOR DATE  
Office of Budget and Program Planning

L. Melvin Williams 6/25/86  
PRIMARY SPONSOR DATE

Fiscal Note for HB-38

Fiscal Note Request HB038, as introduced.  
Form BD15 page 2  
(continued)

Tax Year	Fiscal Year	Tax Rate	Taxable Value	Total Tax	Difference		
					Univ. 6 mills	Found. 45 mills	Loc. Gov. Tax
1986	87	N/A	(\$13,818,004)	(\$3,316,321)	(\$ 82,908)	(\$ 621,810)	(\$ 2,611,603)
1987	88	N/A	(345,450)	(82,908)	(2,073)	(15,545)	(65,290)
1988	89	N/A	0	0	0	0	0

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 38

INTRODUCED BY M. WILLIAMS, BLAYLOCK, CONOVER, TOWE,  
QUILICI, SCHYE, ADDY, KEENAN, PECK, MCCORMICK, REAM,  
RANEY, MARKS, HARP, GILBERT, HAGER, NATHE, SPAETH,  
BARDANOUVE, ASAY, PISTORIA, ABRAMS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX RATE  
APPLICABLE TO CLASS 15 RAILROAD TRANSPORTATION PROPERTY;  
AMENDING SECTION 15-6-145, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-6-145, MCA, is amended to read:

"15-6-145. Class fifteen property -- description --  
taxable percentage. (1) Class fifteen property includes all  
railroad transportation property as described in the  
Railroad Revitalization and Regulatory Reform Act of 1976 as  
it read on January 1, 1986.

(2) For the taxable year beginning January 1, 1986,  
and for each taxable year thereafter, class fifteen property  
is taxed at the percentage rate "R", to be determined by the  
department as provided in subsection (3), or 12%, whichever  
is less.

(3)  $R = A/B$  where:

(a) A is the total statewide taxable value of all

commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property; and

(b) B is the total statewide market value of all  
commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property.

(4) (a) For the taxable year beginning January 1,  
1986, and for every taxable year thereafter, the department  
shall conduct a sales assessment ratio study of all  
commercial and industrial real property and improvements.  
The study must be based on:

(i) assessments of such property as of January 1 of  
the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data  
from realty transfer certificates filed during the same  
taxable year or from the immediately preceding taxable year,  
but only if a sufficient number of certificates is  
unavailable from the current taxable year to provide a  
statistically valid sample.

(b) The department shall determine the value-weighted  
mean sales assessment ratio "M" for all such property and  
reduce the taxable value of property described in subsection  
(4) only, by multiplying the total statewide taxable value  
of property described in subsection (4) by "M" prior to

SECOND READING  
HB 38

1 calculating "A" in subsection (3).

2 (c) The adjustment referred to in subsection (4)(b)  
3 will be made beginning January 1, 1986, and in each  
4 subsequent tax year to equalize the railroad taxable values.

5 (5) For the purpose of complying with the Railroad  
6 Revitalization and Regulatory Reform Act of 1976, as it 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, except class fifteen  
10 property, as commercial property is defined in  
11 15-1-101(1)(d)."

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

16 NEW SECTION. Section 3. Effective date --  
17 applicability. This act is effective on passage and approval  
18 and applies retroactively, within the meaning of 1-2-109, to  
19 the tax year beginning January 1, 1986.

-End-



HOUSE BILL NO. 38

INTRODUCED BY M. WILLIAMS, BLAYLOCK, CONOVER, TOWE,  
QUILICI, SCHYE, ADDY, KEENAN, PECK, MCCORMICK, REAM,  
RANEY, MARKS, HARP, GILBERT, HAGER, NATHE, SPAETH,  
BARDANOUVE, ASAY, PISTORIA, ABRAMS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX RATE  
APPLICABLE TO CLASS 15 RAILROAD TRANSPORTATION PROPERTY;  
AMENDING SECTION 15-6-145, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-6-145, MCA, is amended to read:

"15-6-145. Class fifteen property -- description --  
taxable percentage. (1) Class fifteen property includes all  
railroad transportation property as described in the  
Railroad Revitalization and Regulatory Reform Act of 1976 as  
it read on January 1, 1986.

(2) For the taxable year beginning January 1, 1986,  
and for each taxable year thereafter, class fifteen property  
is taxed at the percentage rate "R", to be determined by the  
department as provided in subsection (3), or 12%, whichever  
is less.

(3)  $R = A/B$  where:

(a) A is the total statewide taxable value of all

commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property; and

(b) B is the total statewide market value of all  
commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property.

(4) (a) For the taxable year beginning January 1,  
1986, and for every taxable year thereafter, the department  
shall conduct a sales assessment ratio study of all  
commercial and industrial real property and improvements.  
The study must be based on:

(i) assessments of such property as of January 1 of  
the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data  
from realty transfer certificates filed during the same  
taxable year or from the immediately preceding taxable year,  
but only if a sufficient number of certificates is  
unavailable from the current taxable year to provide a  
statistically valid sample.

(b) The department shall determine the value-weighted  
mean sales assessment ratio "M" for all such property and  
reduce the taxable value of property described in subsection  
(4) only, by multiplying the total statewide taxable value  
of property described in subsection (4) by "M" prior to

THIRD READING

1 calculating "A" in subsection (3).

2 (c) The adjustment referred to in subsection (4)(b)  
3 will be made beginning January 1, 1986, and in each  
4 subsequent tax year to equalize the railroad taxable values.

5 (5) For the purpose of complying with the Railroad  
6 Revitalization and Regulatory Reform Act of 1976, as it 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, except class fifteen  
10 property, as commercial property is defined in  
11 15-1-101(1)(d)."

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

16 NEW SECTION. Section 3. Effective date --  
17 applicability. This act is effective on passage and approval  
18 and applies retroactively, within the meaning of 1-2-109, to  
19 the tax year beginning January 1, 1986.

-End-

HOUSE BILL NO. 38

INTRODUCED BY M. WILLIAMS, BLAYLOCK, CONOVER, TOWE,  
QUILICI, SCHYE, ADDY, KEENAN, PECK, MCCORMICK, REAM,  
RANEY, MARKS, HARP, GILBERT, HAGER, NATHE, SPAETH,  
BARDANOUVE, ASAY, PISTORIA, ABRAMS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAX RATE  
APPLICABLE TO CLASS 15 RAILROAD TRANSPORTATION PROPERTY;  
AMENDING SECTION 15-6-145, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-6-145, MCA, is amended to read:

"15-6-145. Class fifteen property -- description --  
taxable percentage. (1) Class fifteen property includes all  
railroad transportation property as described in the  
Railroad Revitalization and Regulatory Reform Act of 1976 as  
it read on January 1, 1986.

(2) For the taxable year beginning January 1, 1986,  
and for each taxable year thereafter, class fifteen property  
is taxed at the percentage rate "R", to be determined by the  
department as provided in subsection (3), or 12%, whichever  
is less.

(3)  $R = A/B$  where:

(a) A is the total statewide taxable value of all

commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property; and

(b) B is the total statewide market value of all  
commercial property, except class fifteen property, as  
commercial property is described in 15-1-101(1)(d),  
including class 1 and class 2 property.

(4) (a) For the taxable year beginning January 1,  
1986, and for every taxable year thereafter, the department  
shall conduct a sales assessment ratio study of all  
commercial and industrial real property and improvements.  
The study must be based on:

(i) assessments of such property as of January 1 of  
the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data  
from realty transfer certificates filed during the same  
taxable year or from the immediately preceding taxable year,  
but only if a sufficient number of certificates is  
unavailable from the current taxable year to provide a  
statistically valid sample.

(b) The department shall determine the value-weighted  
mean sales assessment ratio "M" for all such property and  
reduce the taxable value of property described in subsection  
(4) only, by multiplying the total statewide taxable value  
of property described in subsection (4) by "M" prior to

REFERENCE BILL  
HB 38

1 calculating "A" in subsection (3).

2 (c) The adjustment referred to in subsection (4)(b)  
3 will be made beginning January 1, 1986, and in each  
4 subsequent tax year to equalize the railroad taxable values.

5 (5) For the purpose of complying with the Railroad  
6 Revitalization and Regulatory Reform Act of 1976, as it 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, except class fifteen  
10 property, as commercial property is defined in  
11 15-1-101(1)(d)."

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

16 NEW SECTION. Section 3. Effective date --  
17 applicability. This act is effective on passage and approval  
18 and applies retroactively, within the meaning of 1-2-109, to  
19 the tax year beginning January 1, 1986.

-End-