

FINAL STATUS

SB 8 INTRODUCED BY VAN VALKENBURG, ET AL.
CHANGING THE METHOD OF VALUING AND ASSESSING CERTAIN
CLASS 15 PROPERTY
BY REQUEST OF GOVERNOR

3/25 INTRODUCED
3/25 REFERRED TO TAXATION
3/26 FISCAL NOTE REQUESTED
3/27 FISCAL NOTE RECEIVED
DIED IN COMMITTEE

REFER TO
TAXATION

1 SB BILL NO. 8
2 INTRODUCED BY Sen. Volney Davis, Rep. Jeffery Simmons
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT CHANGING THE METHOD OF
5 VALUING AND ASSESSING CERTAIN FEDERALLY PROTECTED PROPERTIES
6 FOR TAXABLE YEARS 1986 THROUGH 1991; AMENDING SECTION
7 15-6-145, MCA; AND PROVIDING A RETROACTIVE APPLICABILITY
8 DATE AND AN IMMEDIATE EFFECTIVE DATE."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Section 15-6-145, MCA, is amended to read:
12 "15-6-145. Class fifteen property -- description --
13 taxable percentage. (1) Class fifteen property includes:
14 (a) all railroad transportation property as described
15 in the Railroad Revitalization and Regulatory Reform Act of
16 1976 as it read on January 1, 1986; and
17 (b) all airline transportation property as described
18 in the Tax Equity and Fiscal Responsibility Act of 1982 as
19 it read on January 1, 1986.
20 (2) (a) For taxable years 1986 through 1991:
21 (i) the maximum percentage rate "R" may not exceed
22 12%; and
23 (ii) the percentage rate "R" must be multiplied by 70%
24 for taxable year 1986 and 75% for taxable years 1987 through
25 1991, prior to its application to property described in

1 subsection (1)(a).
2 (2)(b) For the taxable year beginning January 1, 1986
3 1992, and for each taxable year thereafter, class fifteen
4 property is taxed at the percentage rate "R", to be
5 determined by the department as provided in subsection (3).
6 (3) R = A/B where:
7 (a) A is the total statewide taxable value of all
8 commercial property as commercial property is described in
9 15-1-101(1)(d), including class 1 and class 2 property; and
10 (b) B is the total statewide market value of all
11 commercial property as commercial property is described in
12 15-1-101(1)(d), including class 1 and class 2 property.
13 (4) (a) For the taxable year beginning January 1, 1986
14 1992, and for every taxable year thereafter, the department
15 shall conduct a sales assessment ratio study of all
16 commercial and industrial real property and improvements.
17 The study must be based on:
18 (i) assessments of such property as of January 1 of
19 the year for which the study is being conducted; and
20 (ii) a statistically valid sample of sales using data
21 from realty transfer certificates filed during the same
22 taxable year or from the immediately preceding taxable year,
23 but only if a sufficient number of certificates is
24 unavailable from the current taxable year to provide a
25 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 calculating "A" in subsection (3).

(c) The adjustment referred to in subsection (4)(b) will be made beginning January 1, 1986 1992, and in each subsequent tax year to equalize the railroad and airline taxable values.

(5) For the purpose of complying with the Railroad Revitalization and Regulatory Reform Act of 1976 and the Tax Equity and Fiscal Responsibility Act of 1982, as they 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 as commercial property is defined in 15-1-101(1)(d)."

NEW SECTION. Section 2. Valuation using depreciation accounting methods. In valuing railroads, the department may phase in the depreciation accounting method as defined in Interstate Commerce Commission Order No. 36988, "Alternative Methods of Accounting for Railroad Track Structures", in an orderly fashion so that the method is fully utilized in 1991.

NEW SECTION. Section 3. 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 4. Retroactive applicability date. Sections 1 through 3 apply retroactively, within the meaning of 1-2-109, to all tax years beginning on or after January 1, 1986.

NEW SECTION. Section 5. Effective date. This act is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB008, Version: as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act reducing 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%

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.

David L. Hunter 3/25/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Frank Van Valkenburg 3/25/86
PRIMARY SPONSOR DATE

Fiscal Note for SB008

SB 8

SB008

As originally introduced

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March 25, 1986

5) The proposed legislation establishes a 12 percent tax rate. To this is applied a 70% factor in tax year 1986 and a 75% factor in tax years 1987-1991.

6) Protested tax payments from airlines for tax years 1982 through 1985 of approximately \$4,157,900 will be released. Approximately 30% or \$1,175,270 will revert to the airlines; \$2,982,630 is distributed to various taxing jurisdictions.

RELATION TO EXECUTIVE REVENUE ESTIMATE:

The estimated impact for FY 1987 is based on the most recent information available. If the post-session revenue estimate assumptions were used for current law, the total impact for FY 1987 would be reduced from a loss of \$6.609 million to a loss of \$2.543 million. When the airline protested taxes are included, the net effect of the proposed legislation is a gain of \$440,000.

If the proposed legislation is not passed, it is assumed that both the railroads and airlines would pay property taxes under protest. In this case, none of the funds would be available for expenditure in FY 1987. This would reduce FY 1987 revenues by the total anticipated property taxes due.

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.

FIGURES IN THOUSANDS

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		44,200	10,608	265	1,989	8,354	(16,009)	(150)	(1,127)	(4,732)
1987	1988	12.05%	61,636	14,793	370	2,774	11,649		46,036	11,049	276	2,072	8,701	(3,744)	(94)	(702)	(2,948)
1988	1989	11.90%	62,887	15,093	377	2,830	11,886		47,562	11,415	285	2,140	8,989	(3,678)	(92)	(690)	(2,897)
1989	1990	11.69%	63,759	15,302	383	2,869	12,051		49,088	11,781	295	2,209	9,278	(3,521)	(88)	(660)	(2,773)
1990	1991	11.42%	64,223	15,414	385	2,890	12,138		50,614	12,147	304	2,278	9,566	(3,267)	(81)	(612)	(2,572)
1991	1992	11.34%	65,696	15,767	394	2,956	12,417		52,140	12,514	313	2,346	9,854	(3,253)	(81)	(610)	(2,563)

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		2,700	899	16	122	761	(600)	(11)	(81)	(508)
1987	1988	12.05%	3,873	1,290	23	174	1,092		2,893	963	17	130	816	(327)	(6)	(44)	(276)
1988	1989	11.90%	3,825	1,274	23	172	1,079		2,893	963	17	130	816	(311)	(6)	(42)	(263)
1989	1990	11.69%	3,757	1,251	23	169	1,059		2,893	963	17	130	816	(288)	(6)	(39)	(243)
1990	1991	11.42%	3,671	1,222	22	165	1,035		2,893	963	17	130	816	(259)	(5)	(35)	(219)
1991	1992	11.34%	3,645	1,214	22	164	1,028		2,893	963	17	130	816	(251)	(5)	(34)	(212)

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	18,116	442	3,319	14,355		46,900	11,507	281	2,111	9,115	(16,609)	(161)	(1,208)	(5,240)
1987	1988		65,509	16,083	393	2,948	12,741		48,929	12,012	293	2,202	9,517	(4,071)	(100)	(746)	(3,224)
1988	1989		66,712	16,367	400	3,002	12,965		50,455	12,378	302	2,270	9,805	(3,989)	(98)	(732)	(3,160)
1989	1990		67,516	16,553	406	3,038	13,110		51,981	12,744	312	2,339	10,094	(3,809)	(94)	(699)	(3,016)
1990	1991		67,894	16,636	407	3,055	13,173		53,507	13,110	321	2,408	10,382	(3,526)	(86)	(647)	(2,791)
1991	1992		69,341	16,981	416	3,120	13,445		55,033	13,477	330	2,476	10,670	(3,504)	(86)	(644)	(2,775)

Released Protest Funds :		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			0	0	0	0			2,983	54	403	2,526	2,983	54	403	2,526

Net Impact :		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			18,116	442	3,319	14,355			14,490	335	2,514	11,641	(3,626)	(107)	(805)	(2,714)

STATE OF MONTANA - FISCAL NOTE

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as corrected

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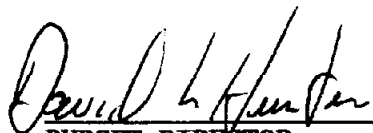
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 3/26/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 3/26/86
PRIMARY SPONSOR DATE

Fiscal Note for SB008
as corrected

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Figures in Thousands

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1987	1988	12.05%	61,636	14,793	370	2,774	11,649	46,036	11,049	276	2,072	8,701	(3,744)	(94)	(702)	(2,948)
1988	1989	11.90%	62,887	15,093	377	2,830	11,886	47,562	11,415	285	2,140	8,989	(3,678)	(92)	(690)	(2,897)
1989	1990	11.69%	63,759	15,302	383	2,869	12,051	49,088	11,781	295	2,209	9,278	(3,521)	(88)	(660)	(2,773)
1990	1991	11.42%	64,223	15,414	385	2,890	12,138	50,614	12,147	304	2,278	9,566	(3,267)	(81)	(612)	(2,572)
1991	1992	11.34%	65,696	15,767	394	2,956	12,417	52,140	12,514	313	2,346	9,854	(3,253)	(81)	(610)	(2,563)

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	11.90%	3,825	1,274	23	172	1,079	3,857	1,284	23	174	1,088	10	0	2	9
1989	1990	11.69%	3,757	1,251	23	169	1,059	3,857	1,284	23	174	1,088	33	0	5	29
1990	1991	11.42%	3,671	1,222	22	165	1,035	3,857	1,284	23	174	1,088	62	1	9	53
1991	1992	11.34%	3,645	1,214	22	164	1,028	3,857	1,284	23	174	1,088	70	1	10	60

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	18,116	442	3,319	14,355	48,057	11,892	288	2,163	9,442	(6,224)	(154)	(1,156)	(4,913)
1987	1988	65,509	16,083	393	2,948	12,741	49,893	12,333	299	2,246	9,789	(3,750)	(94)	(702)	(2,952)
1988	1989	66,712	16,367	400	3,002	12,965	51,419	12,699	308	2,314	10,077	(3,668)	(92)	(688)	(2,888)
1989	1990	67,516	16,553	406	3,038	13,110	52,945	13,065	318	2,383	10,366	(3,488)	(88)	(655)	(2,744)
1990	1991	67,894	16,636	407	3,055	13,173	54,471	13,431	327	2,452	10,654	(3,205)	(80)	(603)	(2,519)
1991	1992	69,341	16,981	416	3,120	13,445	55,997	13,798	336	2,520	10,942	(3,183)	(80)	(600)	(2,503)

Released Protest Funds :		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		0	0	0	0		2,983	54	403	2,526	2,983	54	403	2,526

Net Impact :		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		18,116	442	3,319	14,355		14,875	342	2,566	11,968	(3,241)	(100)	(753)	(2,387)

5 B 8
Corrected