

SENATE BILL NO. 11
INTRODUCED BY TOWE, KEENAN

IN THE SENATE

March 26, 1986	Introduced and referred to Committee on Taxation.
March 27, 1986	Committee recommend bill do pass. Report adopted.
	Second reading, do pass.
	Third reading, passed. Ayes, 48; Noes, 1.
	Transmitted to House.

IN THE HOUSE

March 27, 1986	Introduced and referred to Committee on Taxation.
March 28, 1986	Committee recommend bill be concurred in as amended. Report adopted.
March 29, 1986	Second reading, concurred in as amended.
	Third reading, concurred in.
	Returned to Senate with amendments.

IN THE SENATE

March 29, 1986	Received from House.
	On motion, Senate Bill 11 be placed on second reading this day.

March 29, 1986

Second reading, amendments
concurred in.

Third reading, amendments
concurred in. Ayes, 48; Noes,
1.

Sent to enrolling.

Reported correctly enrolled.

REFER TO
TAXATION

1 Senate BILL NO. 11
2 INTRODUCED BY Sen. Keenan
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE AIRLINE
5 TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12
6 PERCENT; SEPARATING RAILROAD AND AIRLINE TRANSPORTATION
7 PROPERTY INTO DIFFERENT TAX CLASSES; AMENDING SECTIONS
8 15-6-141, 15-6-145, AND 15-8-111, MCA; AND PROVIDING A
9 RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE
10 DATE."
11

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

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

14 "15-6-145. Class fifteen property -- description --
15 taxable percentage. (1) Class fifteen property includes:

16 (a) all railroad transportation property as described
17 in the Railroad Revitalization and Regulatory Reform Act of
18 1976 as it read on January 1, 1986; and

19 ~~(b) all airline transportation property as described~~
20 ~~in the Tax Equity and Fiscal Responsibility Act of 1982 as~~
21 ~~it read on January 1, 1986.~~

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

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

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

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

10 (4) (a) For the taxable year beginning January 1,
11 1986, and for every taxable year thereafter, the department
12 shall conduct a sales assessment ratio study of all
13 commercial and industrial real property and improvements.
14 The study must be based on:

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

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

23 (b) The department shall determine the value-weighted
24 mean sales assessment ratio "M" for all such property and
25 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) will be made beginning January 1, 1986, 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 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. Class seventeen property -- description -- taxable percentage. (1) Class seventeen property includes all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

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

(3) $R = A/B$ or 12%, whichever is less, where:

(a) A is the total statewide taxable value of all commercial property, except class seventeen 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 seventeen 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

1 of property described in subsection (4) by "M" prior to
2 calculating "A" in subsection (3).

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

6 (5) For the purpose of complying with the Tax Equity
7 and Fiscal Responsibility Act of 1982, as it read on January
8 1, 1986, the rate "R" referred to in this section is the
9 equalized average tax rate generally applicable to
10 commercial and industrial property, except class seventeen
11 property, as commercial property is defined in
12 15-1-101(1)(d).

13 Section 3. Section 15-6-141, MCA, is amended to read:

14 "15-6-141. Class eleven property -- description --
15 taxable percentage. (1) Class eleven property includes:

16 (a) centrally assessed electric power companies'
17 allocations, including, if congress passes legislation that
18 allows the state to tax property owned by an agency created
19 by congress to transmit or distribute electrical energy,
20 allocations of properties constructed, owned, or operated by
21 a public agency created by the congress to transmit or
22 distribute electric energy produced at privately owned
23 generating facilities (not including rural electric
24 cooperatives);

25 (b) allocations for centrally assessed natural gas

1 companies having a major distribution system in this state;
2 and

3 (c) centrally assessed companies' allocations except:
4 (i) electric power and natural gas companies'
5 property;

6 (ii) property owned by cooperative rural electric and
7 cooperative rural telephone associations and classified in
8 class five;

9 (iii) property owned by organizations providing
10 telephone communications to rural areas and classified in
11 class seven; and

12 (iv) ~~airline~~---and railroad transportation property
13 included in class fifteen; and

14 (v) airline transportation property included in class
15 seventeen.

16 (2) Class eleven property is taxed at 12% of market
17 value."

18 Section 4. Section 15-8-111, MCA, is amended to read:

19 "15-8-111. Assessment -- market value standard --
20 exceptions. (1) All taxable property must be assessed at
21 100% of its market value except as provided in subsection
22 (5) of this section and in 15-7-111 through 15-7-114.

23 (2) (a) Market value is the value at which property
24 would change hands between a willing buyer and a willing
25 seller, neither being under any compulsion to buy or to sell

1 and both having reasonable knowledge of relevant facts.

2 (b) Except as provided in subsection (3), the market
3 value of all motor trucks; agricultural tools, implements
4 and machinery; and vehicles of all kinds, including but not
5 limited to aircraft and boats and all watercraft, is the
6 average wholesale value shown in national appraisal guides
7 and manuals or the value of the vehicle before
8 reconditioning and profit margin. The department of revenue
9 shall prepare valuation schedules showing the average
10 wholesale value when no national appraisal guide exists.

11 (3) The department of revenue or its agents may not
12 adopt a lower or different standard of value from market
13 value in making the official assessment and appraisal of the
14 value of property in 15-6-134 through 15-6-140, 15-6-145,
15 and 15-6-146, and [section 2], except:

16 (a) the wholesale value for agricultural implements
17 and machinery is the loan value as shown in the Official
18 Guide, Tractor and Farm Equipment, published by the national
19 farm and power equipment dealers association, St. Louis,
20 Missouri; and

21 (b) for agricultural implements and machinery not
22 listed in the official guide, the department shall prepare a
23 supplemental manual where the values reflect the same
24 depreciation as those found in the official guide.

25 (4) For purposes of taxation, assessed value is the

1 same as appraised value.

2 (5) The taxable value for all property in classes four
3 through eleven, and fifteen, and sixteen through seventeen
4 is the percentage of market value established for each class
5 of property in 15-6-134 through 15-6-141, 15-6-145, and
6 15-6-146, and [section 2].

7 (6) 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 15-6-143, under class thirteen, are
20 assessed at 100% of the combined appraised value of the
21 standing timber and grazing productivity of the land when
22 valued as timberland.

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

25 (a) ownership of the improvements is different from

ownership of the land;

(b) the taxpayer makes a written request; or

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

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property."

NEW SECTION. Section 5. Codification instruction. Section 2 is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to section 2.

NEW SECTION. Section 6. Coordination instruction. If Senate Bill No. 8 [LC 23] is passed and approved, any provisions in Senate Bill No. 8 pertaining to tax rates for airline transportation property that conflict with the provisions of this act are void.

NEW SECTION. Section 7. 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 8. Retroactive applicability -- effective date. (1) Sections 1 and 2 apply retroactively, within the meaning of 1-2-109, to all tax years beginning after December 31, 1985.

(2) 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 SB011, Version: as amended with House Amendments.

DESCRIPTION OF PROPOSED LEGISLATION:

An act limiting the airline transportation property tax rate to not more than 12 percent; separating railroad and airline transportation property into different tax classes.

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 3/28/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

John E. Car 28 March 1986
PRIMARY SPONSOR DATE

Fiscal Note for SB011
as amended with House Amendments.

SB 11

SB011

As amended with House Amendments

Page 2

March 28, 1986

- 5) 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.

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.

SB011
AS AMENDED WITH HOUSE AMENDMENTS
DATE: 03/28/86

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	69,237	16,617	415	3,116	13,086	0	0	0	0
1987	1988	12.85%	61,638	14,793	370	2,774	11,649	61,638	14,793	370	2,774	11,649	0	0	0	(8)
1988	1989	11.90%	62,887	15,093	377	2,839	11,886	62,887	15,093	377	2,839	11,886	0	0	0	0
1989	1990	11.69%	63,759	15,302	383	2,869	12,051	63,759	15,302	383	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)

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	12.85%	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

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	73,094	17,901	438	3,290	14,174	(215)	(4)	(29)	(181)
1987	1988	65,509	16,083	393	2,948	12,741	65,493	16,077	393	2,948	12,737	(6)	0	0	(4)
1988	1989	66,712	16,367	400	3,002	12,965	66,744	16,377	400	3,004	12,974	10	0	2	9
1989	1990	67,516	16,553	406	3,038	13,110	67,616	16,586	406	3,043	13,139	33	0	5	29
1990	1991	67,894	16,636	407	3,055	13,173	68,080	16,698	408	3,064	13,226	62	1	9	53

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		20,084	492	3,693	16,700	2,768	50	374	2,345

NOTE : FIGURES MAY NOT ADD DUE TO ROUNDING

APPROVED BY COMMITTEE
ON TAXATION

1 Senate BILL NO. 11
2 INTRODUCED BY Sen. Keenan

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE AIRLINE
5 TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12
6 PERCENT; SEPARATING RAILROAD AND AIRLINE TRANSPORTATION
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8 15-6-141, 15-6-145, AND 15-8-111, MCA; AND PROVIDING A
9 RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE
10 DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 15-6-145, MCA, is amended to read:
14 "15-6-145. Class fifteen property -- description --
15 taxable percentage. (1) Class fifteen property includes:

16 (a) all railroad transportation property as described
17 in the Railroad Revitalization and Regulatory Reform Act of
18 1976 as it read on January 1, 1986; and

19 (b) ~~all airline transportation property as described~~
20 ~~in the Tax Equity and Fiscal Responsibility Act of 1982 as~~
21 ~~it read on January 1, 1986.~~

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

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

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

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

10 (4) (a) For the taxable year beginning January 1,
11 1986, and for every taxable year thereafter, the department
12 shall conduct a sales assessment ratio study of all
13 commercial and industrial real property and improvements.
14 The study must be based on:

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

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

23 (b) The department shall determine the value-weighted
24 mean sales assessment ratio "M" for all such property and
25 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) will be made beginning January 1, 1986, 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 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. Class seventeen property -- description -- taxable percentage. (1) Class seventeen property includes all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

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

(3) $R = A/B$ or 12%, whichever is less, where:

(a) A is the total statewide taxable value of all commercial property, except class seventeen 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 seventeen 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 calculating "A" in subsection (3).

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

(5) For the purpose of complying with the Tax Equity and Fiscal Responsibility Act of 1982, 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 seventeen property, as commercial property is defined in 15-1-101(1)(d).

Section 3. Section 15-6-141, MCA, is amended to read:

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

(a) centrally assessed electric power companies' allocations, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

(b) allocations for centrally assessed natural gas

companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

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

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

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

(iv) ~~airline~~ and railroad transportation property included in class fifteen; and

(v) airline transportation property included in class seventeen.

(2) Class eleven property is taxed at 12% of market value."

Section 4. 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 as 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

1 and both having reasonable knowledge of relevant facts.

2 (b) Except as provided in subsection (3), the market
3 value of all motor trucks; agricultural tools, implements,
4 and machinery; and vehicles of all kinds, including but not
5 limited to aircraft and boats and all watercraft, is the
6 average wholesale value shown in national appraisal guides
7 and manuals or the value of the vehicle before
8 reconditioning and profit margin. The department of revenue
9 shall prepare valuation schedules showing the average
10 wholesale value when no national appraisal guide exists.

11 (3) The department of revenue or its agents may not
12 adopt a lower or different standard of value from market
13 value in making the official assessment and appraisal of the
14 value of property in 15-6-134 through 15-6-140, 15-6-145,
15 and 15-6-146, and [section 2], except:

16 (a) the wholesale value for agricultural implements
17 and machinery is the loan value as shown in the Official
18 Guide, Tractor and Farm Equipment, published by the national
19 farm and power equipment dealers association, St. Louis,
20 Missouri; and

21 (b) for agricultural implements and machinery not
22 listed in the official guide, the department shall prepare a
23 supplemental manual where the values reflect the same
24 depreciation as those found in the official guide.

25 (4) For purposes of taxation, assessed value is the

1 same as appraised value.

2 (5) The taxable value for all property in classes four
3 through eleven, and fifteen, and sixteen through seventeen
4 is the percentage of market value established for each class
5 of property in 15-6-134 through 15-6-141, 15-6-145, and
6 15-6-146, and [section 2].

7 (6) 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 15-6-143, under class thirteen, are
20 assessed at 100% of the combined appraised value of the
21 standing timber and grazing productivity of the land when
22 valued as timberland.

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

25 (a) ownership of the improvements is different from

1 ownership of the land;

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

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

4 (8) The taxable value of all property in 15-6-131 and
5 classes two, three, and thirteen is the percentage of
6 assessed value established in 15-6-131(2), 15-6-132,
7 15-6-133, and 15-6-143 for each class of property."

8 NEW SECTION. Section 5. Codification instruction.
9 Section 2 is intended to be codified as an integral part of
10 Title 15, chapter 6, part 1, and the provisions of Title 15,
11 chapter 6, part 1, apply to section 2.

12 NEW SECTION. Section 6. Coordination instruction. If
13 Senate Bill No. 8 [LC 23] is passed and approved, any
14 provisions in Senate Bill No. 8 pertaining to tax rates for
15 airline transportation property that conflict with the
16 provisions of this act are void.

17 NEW SECTION. Section 7. Extension of authority. Any
18 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 NEW SECTION. Section 8. Retroactive applicability --
22 effective date. (1) Sections 1 and 2 apply retroactively,
23 within the meaning of 1-2-109, to all tax years beginning
24 after December 31, 1985.

25 (2) This act is effective on passage and approval.

-End-

SENATE BILL NO. 11

INTRODUCED BY TOWE, KEENAN

A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE AIRLINE
TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12
PERCENT; SEPARATING RAILROAD AND AIRLINE TRANSPORTATION
PROPERTY INTO DIFFERENT TAX CLASSES; AMENDING SECTIONS
15-6-141, 15-6-145, AND 15-8-111, MCA; AND PROVIDING A
RETROACTIVE APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE
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:

(a) all railroad transportation property as described
in the Railroad Revitalization and Regulatory Reform Act of
1976 as it read on January 1, 1986; and

(b) ~~all airline transportation property as described~~
~~in the Tax Equity and Fiscal Responsibility Act of 1982 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).

(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 calculating "A" in subsection (3).

(c) The adjustment referred to in subsection (4)(b) will be made beginning January 1, 1986, 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 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. Class seventeen property -- description -- taxable percentage. (1) Class seventeen property includes all airline transportation property as described in the Tax Equity and Fiscal Responsibility Act of 1982 as it read on January 1, 1986.

(2) For the taxable year--beginning January 1--1986 YEARS 1986 THROUGH 1990 CLASS SEVENTEEN PROPERTY IS TAXED AT 12%, and for each taxable year thereafter, class seventeen property is taxed at the--percentage--rate--"R"--to--be determined by the department as provided in subsection--(3)--

THE LESSER OF 12% OR THE PERCENTAGE RATE FOR CLASS FIFTEEN PROPERTY WITHOUT ADJUSTMENT.

(3)--R--A/B--or--12%--whichever-is-less--where:

(a)--A-is-the-total--statewide--taxable--value--of--all commercial--property--except--class--seventeen--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--seventeen--property--as commercial--property--is--described--in--15-1-101(1)(d)--including--class-1-and--class-2--property--

(4){3}--(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
 calculating-"A"--in-subsection-(3);

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

(5)(4)(3) For the purpose of complying with the Tax
 Equity and Fiscal Responsibility Act of 1982, 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 seventeen
 property, as commercial property is defined in
 15-1-101(1)(d).

Section 3. Section 15-6-141, MCA, is amended to read:

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

(a) centrally assessed electric power companies'
 allocations, including, if congress passes legislation that
 allows the state to tax property owned by an agency created
 by congress to transmit or distribute electrical energy,
 allocations of properties constructed, owned, or operated by
 a public agency created by the congress to transmit or
 distribute electric energy produced at privately owned

generating facilities (not including rural electric
 cooperatives);

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

(c) centrally assessed companies' allocations except:

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

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

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

(iv) ~~airline--and~~ railroad transportation property
 included in class fifteen; and

(v) airline transportation property included in class
 seventeen.

(2) Class eleven property is taxed at 12% of market
 value."

Section 4. 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.

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) Except as provided in subsection (3), the market
6 value of all motor trucks; agricultural tools, implements,
7 and machinery; and vehicles of all kinds, including but not
8 limited to aircraft and boats and all watercraft, is the
9 average wholesale value shown in national appraisal guides
10 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 (3) The department of revenue or its agents may not
15 adopt a lower or different standard of value from market
16 value in making the official assessment and appraisal of the
17 value of property in 15-6-134 through 15-6-140, 15-6-145,
18 and 15-6-146, and [section 2], except:

19 (a) the wholesale value for agricultural implements
20 and machinery is the can value as shown in the Official
21 Guide, Tractor and Farm Equipment, published by the national
22 farm and power equipment dealers association, St. Louis,
23 Missouri; and

24 (b) for agricultural implements and machinery not
25 listed in the official guide, the department shall prepare a

1 supplemental manual where the values reflect the same
2 depreciation as those found in the official guide.

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

5 (5) The taxable value for all property in classes four
6 through eleven, and fifteen, and sixteen through seventeen
7 is the percentage of market value established for each class
8 of property in 15-6-134 through 15-6-141, 15-6-145, and
9 15-6-146, and [section 2].

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

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

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

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

22 (d) Properties in 15-6-143, under class thirteen, are
23 assessed at 100% of the combined appraised value of the
24 standing timber and grazing productivity of the land when
25 valued as timberland.

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

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

(b) the taxpayer makes a written request; or

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

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property."

NEW SECTION. Section 5. Codification instruction. Section 2 is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to section 2.

NEW SECTION. Section 6. Coordination instruction. (1) If Senate Bill No. 8 is passed and approved, any provisions in Senate Bill No. 8 pertaining to tax rates for airline transportation property that conflict with the provisions of this act are void, EXCEPT AS PROVIDED IN SUBSECTION (2).

(2) (A) IF SENATE BILL NO. 8 PASSES OR IF THE SETTLEMENT AGREEMENT WITH BURLINGTON NORTHERN IS RATIFIED, THEN DURING THE TAXABLE YEAR 1991 THE PERCENTAGE RATE FOR CLASS FIFTEEN PROPERTY WHICH IS INCORPORATED INTO [SECTION 2(2)] BY REFERENCE SHALL BE ADJUSTED FOR CLASS SEVENTEEN ONLY TO REFLECT THE VALUE-WEIGHTED MEAN SALES ASSESSMENT

RATIO "M" FOR ALL COMMERCIAL AND INDUSTRIAL PROPERTY AND REDUCE THE TAXABLE VALUE OF PROPERTY DESCRIBED IN 15-6-145(4) ONLY BY MULTIPLYING THE TOTAL STATEWIDE TAXABLE VALUE OF PROPERTY DESCRIBED IN 15-6-145(4) BY "M" PRIOR TO CALCULATING "A" IN 15-6-145(3).

(B) IF SENATE BILL NO. 8 IS PASSED AND APPROVED, THEN 1992 ON LINE 10, PAGE 2 OF SENATE BILL NO. 8 IS CHANGED TO 1990.

NEW SECTION. Section 7. 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 8. Retroactive applicability -- effective date. (1) Sections 1 and 2 apply retroactively, within the meaning of 1-2-109, to all tax years beginning after December 31, 1985.

(2) This act is effective on passage and approval.

-End-

STANDING COMMITTEE REPORT

March 28, 19 86

Mr. Speaker: We, the committee on TAXATION

report SENATE BILL 11

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

BGA

Gerry Devlin
GERRY DEVLIN,

Chairman

AN ACT LIMITING THE AIRLINE TRANSPORTATION PROPERTY TAX RATE TO NOT MORE THAN 12 PERCENT;

Be amended as follows:

1. Page 3, line 21.

Following "taxable"

Strike: "year beginning January 1, 1986~~x~~"

Insert: "years 1986 through 1990 class seventeen property is taxed at 12%~~x~~"

2. Page 3, line 23.

Following: "at"

Strike: "the percentage rate "R", to be"

Insert: "the lesser of 12% or the percentage rate for class fifteen property without adjustment."

3. Page 3, lines 24 to 25

Strike: lines 24 and 25 in their entirety.

Renumber: subsequent subsections

4. Page 4, lines 1 through 8.

Strike: lines 1 through 8 in their entirety

BGA

COMMITTEE OF THE WHOLE AMENDMENT

3/28/86

DATE

6:50 p.m.

TIME

MR. CHAIRMAN: I MOVE TO AMEND SENATE BILL 11

3rd reading copy (blue) as follows:
Color

1. Page 4, line 9 through line 5, page 5.
Strike: subsection (4) in its entirety

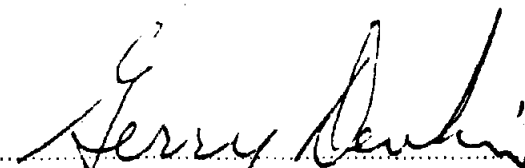
Renumber subsequent subsection

2. Page 9, line 12.
Following: "instruction."
Insert: "(a)"

3. Page 9, line 16.
Following: "void"
Insert: ", except as provided in subsection (b)"

4. Page 9, following line 16.
Insert: "(b) (i) If Senate Bill No. 8 [LC 23] passes or if the settlement agreement with Burlington Northern is ratified, then during the tax year 1991 the percentage rate for class 15 property which is incorporated into [section 2(2)] by reference shall be adjusted for class 17 only to reflect the value-weighted mean sales assessment ratio "M" for all commercial and industrial property and reduce the taxable value of property described in 15-6-145(4) only by multiplying the total statewide taxable value of property described in 15-6-145(4) by "M" prior to calculating A in 15-6-145(4).
(ii) If Senate Bill No. 8 is passed and approved, then 1992 on line 10, page 4 of Senate Bill No. 8 is changed to 1990."

ADOPT
REJECT


Rep. Devlin