

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB,
KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER,
PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON,
CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

IN THE SENATE

| | |
|---------------|---|
| June 19, 1986 | Introduced and referred to Committee on Taxation. |
| June 25, 1986 | Committee recommend bill do pass as amended. Report adopted. |
| June 26, 1986 | Second reading, do pass. Third reading, passed. Ayes, 49; Noes, 0. Transmitted to House. |

IN THE HOUSE

| | |
|---------------|--|
| June 26, 1986 | Introduced and referred to Committee on Taxation. |
| June 28, 1986 | Committee recommend bill be concurrred in. Report adopted. Second reading, concurrred in as amended. Third reading, concurrred in. Returned to Senate with amendments. |

IN THE SENATE

| | |
|---------------|--|
| June 28, 1986 | Received from House. Second reading, amendments not concurrred in. |
|---------------|--|

June 28, 1986

On motion, Conference committee requested and appointed.

Conference Committee dissolved.

On motion, Free Conference Committee requested and appointed.

June 30, 1986

Free Conference Committee reported.

Second reading, Free Conference Committee report adopted.

On motion, reconsider action on Free Conference Committee report. Taken from third reading and placed on second reading this day.

Free Conference Committee Report No. 2 reported.

Second reading, Free Conference Committee Report No. 2 adopted.

Third reading, Free Conference Committee Report No. 2 adopted. Ayes, 46; Noes, 2.

Free Conference Committee Report No. 2 adopted by House.

July 1, 1986

On motion, reconsider third reading action on Free Conference Committee Report No. 2. Free Conference Committee Report No. 3 placed on second reading.

July 1, 1986

Second reading, Free Conference
Committee Report No. 3 adopted.

Third reading, Free Conference
Committee Report No. 3 adopted.
Ayes, 43; Noes, 5.

Free Conference Committee Report
No. 3 adopted by House.

Sent to enrolling.

Reported correctly enrolled.

BILL NO.

20

History O'Hara

INTRODUCED BY

Michael J. Smith, Rep. Smith

Brandonie Phillips, Connolly

NATH

Patricia Durini

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA

FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS THREE OR
CLASS FOUR; TO EXTEND THE APPLICATION DEADLINE FOR REDUCTION
IN 1986 VALUATIONS; AMENDING SECTIONS 15-6-134 AND 15-7-202,
MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE
EFFECTIVE DATE."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description --
taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in
another class;

(b) all improvements except those specifically
included in another class;

(c) the first \$35,000 or less of the market value of
any improvement on real property and appurtenant land not
exceeding 5 acres owned or under contract for deed and
actually occupied for at least 10 months a year as the
primary residential dwelling of any person whose total
income from all sources including otherwise tax-exempt
income of all types is not more than \$10,000 for a single

person or \$12,000 for a married couple;

(d) all golf courses, including land and improvements
actually and necessarily used for that purpose, that consist
of at least 9 holes and not less than 3,000 lineal yards;

(e) all land, together with improvements, not devoted
to a residential, commercial, industrial, agricultural, or
timberland use if:

(i) the land contains more than 5 acres and less than
20 acres; or

(ii) the land contains not more than 5 acres and is
precluded from being devoted to residential, commercial, or
industrial use because of subdivision or zoning laws,
regulations, or ordinances.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501,
property described in subsections (1)(a) and (1)(b) is taxed
at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed
at the taxable percentage rate "P" of its market value
multiplied by a percentage figure based on income and
determined from the following table:

| Income | Income | Percentage |
|---------------|----------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0 - \$1,000 | \$0 - \$1,200 | 0% |
| 1,001 - 2,000 | 1,201 - 2,400 | 10% |

| | | | |
|---|----------------|-----------------|-----|
| 1 | 2,001 - 3,000 | 2,401 - 3,600 | 20% |
| 2 | 3,001 - 4,000 | 3,601 - 4,800 | 30% |
| 3 | 4,001 - 5,000 | 4,801 - 6,000 | 40% |
| 4 | 5,001 - 6,000 | 6,001 - 7,200 | 50% |
| 5 | 6,001 - 7,000 | 7,201 - 8,400 | 60% |
| 6 | 7,001 - 8,000 | 8,401 - 9,600 | 70% |
| 7 | 8,001 - 9,000 | 9,601 - 10,800 | 80% |
| 8 | 9,001 - 10,000 | 10,801 - 12,000 | 90% |

9 (c) Property described in subsection (1)(d) and (1)(e)
10 is taxed at one-half the taxable percentage rate "P"
11 established in subsection (2)(a).

12 (3) Until January 1, 1986, the taxable percentage rate
13 "P" for class four property is 8.55%.

14 (4) Prior to July 1, 1986, the department of revenue
15 shall determine the taxable percentage rate "P" applicable
16 to class four property for the revaluation cycle beginning
17 January 1, 1986, as follows:

18 (a) The director of the department of revenue shall
19 certify to the governor before July 1, 1986, the percentage
20 by which the appraised value of all property in the state
21 classified under class four as of January 1, 1986, has
22 increased due to the revaluation conducted under 15-7-111.
23 This figure is the certified statewide percentage increase.

24 (b) The taxable value of property in class four is
25 determined as a function of the certified statewide

1 percentage increase in accordance with the table shown
2 below.

3 (c) This table limits the statewide increase in
4 taxable valuation resulting from reappraisal to 0%. In
5 calculating the percentage increase, the department may not
6 consider changes resulting from new construction, additions,
7 or deletions during calendar year 1985.

8 (d) The taxable percentage must be calculated by
9 interpolation to coincide with the nearest whole number
10 certified statewide percentage increase from the following
11 table:

| 12 | Certified Statewide | Class Four Taxable |
|----|---------------------|--------------------|
| 13 | Percentage Increase | Percentage "P" |
| 14 | 0 | 8.55 |
| 15 | 10 | 7.77 |
| 16 | 20 | 7.12 |
| 17 | 30 | 6.57 |
| 18 | 40 | 6.10 |
| 19 | 50 | 5.70 |
| 20 | 60 | 5.34 |
| 21 | 70 | 5.02 |
| 22 | 80 | 4.75 |
| 23 | 90 | 4.50 |
| 24 | 100 | 4.27 |
| 25 | 110 | 4.07 |

| 1 | Certified Statewide | Class Four Taxable |
|----|---------------------|--------------------|
| 2 | Percentage Increase | Percentage "P" |
| 3 | 120 | 3.88 |
| 4 | 130 | 3.71 |
| 5 | 140 | 3.56 |
| 6 | 150 | 3.42 |
| 7 | 160 | 3.28 |
| 8 | 170 | 3.16 |
| 9 | 180 | 3.05 |
| 10 | 190 | 2.94 |
| 11 | 200 | 2.85 |
| 12 | 210 | 2.75 |
| 13 | 220 | 2.67 |
| 14 | 230 | 2.59 |
| 15 | 240 | 2.51 |
| 16 | 250 | 2.44 |
| 17 | 260 | 2.37 |
| 18 | 270 | 2.31 |
| 19 | 280 | 2.25 |
| 20 | 290 | 2.19 |
| 21 | 300 | 2.13 |

22 (5) After July 1, 1986, no adjustment may be made by
 23 the department to the taxable percentage rate "P" until a
 24 revaluation has been made as provided in 15-7-111.

25 (6) Within the meaning of comparable property as

1 defined in 15-1-101, property assessed as commercial
 2 property is comparable only to other property assessed as
 3 commercial property, and property assessed as other than
 4 commercial property is comparable only to other property
 5 assessed as other than commercial property."

6 Section 2. Section 15-7-202, MCA, is amended to read:

7 "15-7-202. Eligibility of land for valuation as
 8 agricultural. (1) Contiguous or noncontiguous parcels of
 9 land totaling 20 acres or more under one ownership shall be
 10 eligible for valuation, assessment, and taxation as
 11 agricultural land each year that none of the parcels is
 12 devoted to a commercial or industrial use.

13 ~~††~~(2) Contiguous or noncontiguous parcels of land
 14 totaling less than 20 acres under one ownership that are
 15 actively devoted to agricultural use shall be eligible for
 16 valuation, assessment, and taxation as herein provided each
 17 year the parcels meet any of the following qualifications:

18 (a) the parcels produce and the owner or the owner's
 19 agent, employee, or lessee markets not less than \$1,500 in
 20 annual gross income from the raising of livestock, poultry,
 21 field crops, fruit, and other animal and vegetable matter
 22 for food or fiber; or

23 (b) the parcels would have met the qualification set
 24 out in subsection ~~††~~(2)(a) were it not for independent
 25 intervening causes of production failure beyond the control

1 of the producer or marketing delay for economic advantage,
2 in which case proof of qualification in a prior year will
3 suffice.

4 ~~{2}--Parcels-that-do-not-meet--the--qualifications--set~~
5 ~~out--in--subsection--{1}--shall-not-be-classified-or-valued-as~~
6 ~~agricultural-if-they-are-part-of-a-platted-subdivision--that~~
7 ~~is--filed--with--the-county-clerk-and-recorder-in-compliance~~
8 ~~with-the-Montana-Subdivision-and-Platting-Act.~~

9 {3} Contiguous parcels of land containing less than 20
10 acres per parcel under differing ownership that are actively
11 devoted to agricultural use shall be eligible for valuation,
12 assessment, and taxation as agricultural land each year that
13 the parcels as one combined operating entity meet any of the
14 qualifications in subsection (2).

15 ~~{3}{4}~~ Land shall not be classified or valued as
16 agricultural if it is subdivided with stated restrictions
17 prohibiting its use for agricultural purposes.

18 ~~{4}--The-grazing-on-land-by-a-horse--or--other--animals~~
19 ~~kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide~~
20 ~~agricultural-enterprise-shall-not-be-considered-a--bona-fide~~
21 ~~agricultural-operation.~~

22 (5) If land has been valued, assessed, and taxed as
23 agricultural land in any year, it shall continue to be so
24 valued, assessed, and taxed until the department
25 reclassifies the property. A reclassification does not mean

1 revaluation pursuant to 15-7-111.

2 (6) For the purposes of this part, growing timber is
3 not an agricultural use. (Subsection (6) terminates January
4 1, 1991--sec. 10, Ch. 681, L. 1985.)"

5 NEW SECTION. Section 3. Application deadline for
6 reduction in 1986 valuation. Notwithstanding the provisions
7 of 15-15-102, the application deadline for reduction in 1986
8 taxable valuations is August 1, 1986.

9 NEW SECTION. Section 4. Extension of authority. Any
10 existing authority of the department of revenue to make
11 rules on the subject of the provisions of this act is
12 extended to the provisions of this act.

13 NEW SECTION. Section 5. Applicability. This act
14 applies retroactively, within the meaning of 1-2-109, to
15 taxable years beginning after December 31, 1985.

16 NEW SECTION. Section 6. Effective date. This act is
17 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 SB 20, Version: As IntroducedDescription:

A bill to revise the criteria for classification of certain property as class three or class four.

Assumptions:

- | | 0 - 4.999 ac. | 5 - 19.999 ac. | Over 20 ac. |
|---|---------------|----------------|---------------|
| 1. Total "undeveloped (bare land)" parcels | 17,075 | 13,173 | 9,720 |
| Total acres of "undeveloped (bare land)" parcels | 28,309 | 139,920 | 357,477 |
| Total market value of "undeveloped (bare land)" parcels | \$175,025,183 | \$191,150,573 | \$276,546,575 |
| 2. Total "developed" parcels | 23,373 | 8,783 | 2,519 |
| Total acres of "developed" parcels | 38,216 | 80,237 | 94,080 |
| Total market value of "developed" parcels | \$289,200,339 | \$198,686,436 | \$120,775,002 |
| 3. Total improvement value of "developed" parcels | \$954,768,715 | \$394,259,360 | \$137,406,909 |
- Average taxable value of agricultural land is \$2.66 per acre.
 - The improvements on land granted agricultural or timber land status by the proposal would be given the 20 percent tax rate reduction for class 14 property.
 - Mill levies are 6 mills for the university levy, 45 mills for the school foundation program and 160.85 mills for local governments (1985 average).
 - The proposal affects 74,643 parcels containing 738,149 acres. It would require 112 (grade 9, step 2) staff members working for four months to review parcels, update records, and provide taxpayer notification.
 - The proposal would require the mailing of 74,643 assessment notices to property owners at a cost of \$7,465 for forms and \$16,420 for postage.
 - County computers would have to be reprogrammed to accommodate the reduction in tax rate and the value changes at a cost of \$20,000.

David L. Hunter 6/24/86
 BUDGET DIRECTOR DATE

Office of Budget and Program Planning

George McWilliam 6/24/86
 PRIMARY SPONSOR DATE

Fiscal Note for _____

Expenditures:

| | |
|--|---------------|
| Personnel (86 payplan incl. benefits) -- | \$ 723,827 |
| Forms and postage -- | 23,885 |
| <u>Programming --</u> | <u>20,000</u> |
| Total | \$ 767,712 |

Fiscal Impact:

As introduced:

- a.) Land and improvements on 5 to 20 acres get a 50 percent tax rate reduction.
- b.) Land over 20 acres gets agricultural status.
- c.) Land under 20 acres with multiple ownership gets agricultural status.

Loss in taxable value -- \$57,977,009

Loss in revenue (FY 87):

| | |
|------------------------------|--------------|
| University Levy -- | \$ 347,862 |
| School Foundation Program -- | \$ 2,608,965 |
| Local Governments -- | \$ 9,325,602 |

Alternative options:

Option 1 -- Current Law with :

- a.) Land and improvements on 5 to 20 acres get 50 percent tax rate reduction.

Loss in taxable value -- \$15,133,060

Loss in revenue (FY 87):

| | |
|------------------------------|--------------|
| University Levy -- | \$ 90,798 |
| School Foundation Program -- | \$ 680,988 |
| Local Governments -- | \$ 2,434,153 |

Option 2 -- Current Law with :

- a.) All land over 20 acres get agricultural status.

Loss in taxable value -- \$15,200,768

Loss in revenue (FY 87):

| | |
|------------------------------|--------------|
| University Levy -- | \$ 91,205 |
| School Foundation Program -- | \$ 684,035 |
| Local Governments -- | \$ 2,445,044 |

Option 3 -- Current Law with:

a.) All land under 20 acres with multiple ownership gets agricultural status.

Loss in taxable value -- \$42,776,241

Loss in revenue (FY 87):

University Levy -- \$ 256,657

School Foundation Program -- \$ 1,924,930

Local Governments -- \$ 6,880,558

Option 4 -- Current Law with:

a.) Undeveloped (bare) land over 20 acres gets agricultural status.

Loss in taxable value -- \$ 9,737,384

Loss in revenue (FY 87):

University Levy -- \$ 58,424

School Foundation Program -- \$ 438,182

Local Governments -- \$ 1,566,258

APPROVED BY COMMITTEE
ON TAXATION

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB,
KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER,
PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON,
CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA
FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS-THREE-OR
CLASS FOUR; TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR
NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE; TO
ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL PROPERTY
CONTAINING LESS THAN 20 ACRES AND THAT IS RENDERED
NONPRODUCTIVE BY LAND USE LAWS; TO EXTEND THE APPLICATION
DEADLINE FOR REDUCTION IN 1986 VALUATIONS; AMENDING SECTIONS
15-6-134--AND-15-7-202 SECTION 15-8-111, MCA; AND PROVIDING
AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

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

Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property description

taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in
another class;

(b) all improvements except those specifically
included in another class;

(c) the first \$35,000 or less of the market value of
any improvement on real property and appurtenant land not
exceeding 5 acres owned or under contract for deed and
actually occupied for at least 10 months a year as the
primary residential dwelling of any person whose total
income from all sources including otherwise tax-exempt
income of all types is not more than \$10,000 for a single
person or \$12,000 for a married couple;

(d) all golf courses, including land and improvements
actually and necessarily used for that purpose, that consist
of at least 9 holes and not less than 3,000 lineal yards;

(e) all land, together with improvements, not devoted
to a residential, commercial, industrial, agricultural, or
timberland use if:

(i) the land contains more than 5 acres and less than
20 acres; or

(ii) the land contains not more than 5 acres and is
precluded from being devoted to residential, commercial, or
industrial use because of subdivision or zoning laws,
regulations, or ordinances;

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501,
property described in subsections (1)(a) and (1)(b) is taxed
at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed

SECOND READING

at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

| Income | Income | Percentage |
|-----------------|------------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0-----\$1,000 | \$0-----\$1,200 | 0% |
| 1,001----2,000 | 1,201----2,400 | 10% |
| 2,001----3,000 | 2,401----3,600 | 20% |
| 3,001----4,000 | 3,601----4,800 | 30% |
| 4,001----5,000 | 4,801----6,000 | 40% |
| 5,001----6,000 | 6,001----7,200 | 50% |
| 6,001----7,000 | 7,201----8,400 | 60% |
| 7,001----8,000 | 8,401----9,600 | 70% |
| 8,001----9,000 | 9,601----10,800 | 80% |
| 9,001----10,000 | 10,801----12,000 | 90% |

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a):

(3) Until January 17, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 17, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 17, 1986, as follows:

(a) The director of the department of revenue shall

certify to the governor before July 17, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 17, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase. (b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below:

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0% in calculating the percentage increase; the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

| Certified Statewide Percentage Increase | Class Four Taxable Percentage "P" |
|--|--------------------------------------|
| 0 | 8.55 |
| 10 | 7.77 |
| 20 | 7.12 |
| 30 | 6.57 |
| 40 | 6.10 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|---------------------|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 50 | 5.70 |
| 4 | 60 | 5.34 |
| 5 | 70 | 5.02 |
| 6 | 80 | 4.75 |
| 7 | 90 | 4.50 |
| 8 | 100 | 4.27 |
| 9 | 110 | 4.07 |
| 10 | 120 | 3.88 |
| 11 | 130 | 3.71 |
| 12 | 140 | 3.56 |
| 13 | 150 | 3.42 |
| 14 | 160 | 3.28 |
| 15 | 170 | 3.16 |
| 16 | 180 | 3.05 |
| 17 | 190 | 2.94 |
| 18 | 200 | 2.85 |
| 19 | 210 | 2.75 |
| 20 | 220 | 2.67 |
| 21 | 230 | 2.59 |
| 22 | 240 | 2.51 |
| 23 | 250 | 2.44 |
| 24 | 260 | 2.37 |
| 25 | 270 | 2.31 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|--|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 280 | 2.25 |
| 4 | 290 | 2.19 |
| 5 | 300 | 2.13 |
| 6 | {5}--After-July-1, 1986, no adjustment may be made by | |
| 7 | the department to the taxable percentage rate "P" until a | |
| 8 | revaluation has been made as provided in 15-7-111. | |
| 9 | {6}--Within the meaning of comparable property as | |
| 10 | defined in 15-1-101, property assessed as commercial | |
| 11 | property is comparable only to other property assessed as | |
| 12 | commercial property, and property assessed as other than | |
| 13 | commercial property is comparable only to other property | |
| 14 | assessed as other than commercial property." | |
| 15 | Section 2--Section 15-7-202, MCA, is amended to read: | |
| 16 | "15-7-202. Eligibility of land for valuation as | |
| 17 | agricultural: <u>{1} Contiguous or noncontiguous parcels of</u> | |
| 18 | <u>land totaling 20 acres or more under one ownership shall be</u> | |
| 19 | <u>eligible for valuation, assessment, and taxation as</u> | |
| 20 | <u>agricultural land each year that none of the parcels is</u> | |
| 21 | <u>devoted to a commercial or industrial use.</u> | |
| 22 | {1}{2} Contiguous or noncontiguous parcels of land | |
| 23 | <u>totaling less than 20 acres</u> under one ownership that are | |
| 24 | actively devoted to agricultural use shall be eligible for | |
| 25 | valuation, assessment, and taxation as herein provided each | |

year--the--parcels--meet--any--of--the--following--qualifications--

(a)--the--parcels--produce--and--the--owner--or--the--owner's
agent--employee--or--lessee--markets--not--less--than--\$1,500--in
annual--gross--income--from--the--raising--of--livestock--poultry--
field--crops--fruit--and--other--animal--and--vegetable--matter
for--food--or--fiber--or

(b)--the--parcels--would--have--met--the--qualification--set
out--in--subsection--(1)(2)(a)--were--it--not--for--independent
intervening--causes--of--production--failure--beyond--the--control
of--the--producer--or--marketing--delay--for--economic--advantage--
in--which--case--proof--of--qualification--in--a--prior--year--will
suffice--

(2)--Parcels--that--do--not--meet--the--qualifications--set
out--in--subsection--(1)--shall--not--be--classified--or--valued--as
agricultural--if--they--are--part--of--a--platted--subdivision--that
is--filed--with--the--county--clerk--and--recorder--in--compliance
with--the--Montana--Subdivision--and--Platting--Act--

(3)--Contiguous--parcels--of--land--containing--less--than--20
acres--per--parcel--under--differing--ownership--that--are--actively
devoted--to--agricultural--use--shall--be--eligible--for--valuation--
assessment--and--taxation--as--agricultural--land--each--year--that
the--parcels--as--one--combined--operating--entity--meet--any--of--the
qualifications--in--subsection--(2)--

(3)(4)--land--shall--not--be--classified--or--valued--as
agricultural--if--it--is--subdivided--with--stated--restrictions

prohibiting--its--use--for--agricultural--purposes--

(4)--The--grazing--on--land--by--a--horse--or--other--animals
kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide
agricultural--enterprise--shall--not--be--considered--a--bona--fide
agricultural--operation--

(5)--If--land--has--been--valued--assessed--and--taxed--as
agricultural--land--in--any--year--it--shall--continue--to--be--so
valued--assessed--and--taxed--until--the--department
reclassifies--the--property--A--reclassification--does--not--mean
revaluation--pursuant--to--15-7-111--

(6)--For--the--purposes--of--this--part--growing--timber--is
not--an--agricultural--use--(Subsection--(6)--terminates--January
1--1991--sec--10--Ch--681--B--1985--)"

NEW SECTION. SECTION 1. CLASS EIGHTEEN PROPERTY --
DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS EIGHTEEN
PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE REAL PROPERTY
CONTAINING 20 OR MORE CONTIGUOUS ACRES UNDER ONE OWNERSHIP
THAT DO NOT QUALIFY AS AGRICULTURAL LAND, TIMBERLAND, OR
COMMERCIAL OR INDUSTRIAL PROPERTY.

(2) IMPROVEMENTS TO CLASS EIGHTEEN PROPERTY ARE TAXED
AS CLASS FOUR PROPERTY.

(3) CLASS EIGHTEEN PROPERTY IS TAXED AT 2% OF ITS
MARKET VALUE.

NEW SECTION. SECTION 2. CLASS NINETEEN PROPERTY --
DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS NINETEEN

PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE REAL PROPERTY CONTAINING LESS THAN 20 ACRES THAT ARE PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR THAT ARE PRECLUDED FROM BEING SO DEVELOPED FOR OTHER REASONS.

(2) IMPROVEMENTS TO CLASS NINETEEN PROPERTY ARE TAXED AS CLASS FOUR PROPERTY.

(3) CLASS NINETEEN PROPERTY IS TAXED AT 2% OF ITS MARKET VALUE.

NEW SECTION. SECTION 3. APPLICATION FOR CLASSIFICATION AS CLASS NINETEEN PROPERTY. A PERSON APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS NINETEEN PROPERTY SHALL MAKE AN AFFIDAVIT TO THE DEPARTMENT OF REVENUE, ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT COST, STATING:

(1) THAT THE PROPERTY IS PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR FOR OTHER REASONS;

(2) WHAT LAW, REGULATION, OR ORDINANCE OR OTHER REASON PRECLUDES SUCH USE;

(3) WHAT DETERMINATIONS, IF ANY, BY A GOVERNMENTAL ENTITY HAVE BEEN MADE TO SUBSTANTIATE THE APPLICATION FOR CLASSIFICATION AS CLASS NINETEEN PROPERTY; AND

(4) SUCH OTHER INFORMATION AS IS RELEVANT TO THE

APPLICATION OR AS MAY BE REQUIRED BY THE DEPARTMENT.

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.

(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) 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 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) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements

and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

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

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

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) 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 assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet

the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when 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. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. SECTION 5. CODIFICATION INSTRUCTION.
SECTIONS 1 THROUGH 3 ARE INTENDED TO BE CODIFIED AS AN
INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE
PROVISIONS OF TITLE 15 APPLY TO SECTIONS 1 THROUGH 3.

1 NEW SECTION. Section 6. Application deadline for
2 reduction in 1986 valuation. Notwithstanding the provisions
3 of 15-15-102, the application deadline for reduction in 1986
4 taxable valuations is August 1, 1986, OR 15 DAYS AFTER
5 RECEIPT BY THE TAXPAYER OF A REVISED NOTICE OF
6 CLASSIFICATION AND APPRAISAL.

7 NEW SECTION. Section 7. Extension of authority. Any
8 existing authority of the department of revenue to make
9 rules on the subject of the provisions of this act is
10 extended to the provisions of this act.

11 NEW SECTION. Section 8. Applicability. This act
12 applies retroactively, within the meaning of 1-2-109, to
13 taxable years beginning after December 31, 1985.

14 NEW SECTION. Section 9. Effective date. This act is
15 effective on passage and approval.

-End-

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB,

KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER,

PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON,

CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS-THREE-OR CLASS FOUR; TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE; TO ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL PROPERTY CONTAINING LESS THAN 20 ACRES AND THAT IS RENDERED NONPRODUCTIVE BY LAND USE LAWS; TO EXTEND THE APPLICATION DEADLINE FOR REDUCTION IN 1986 VALUATIONS; AMENDING SECTIONS 15-6-134--AND-15-7-202 SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

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

Section 1,--Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property description tax-
taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) the first \$35,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 18 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than \$10,000 for a single person or \$12,000 for a married couple;

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 linear yards;

(e) all land, together with improvements, not devoted to a residential, commercial, industrial, agricultural, or timberland use if:

(i) the land contains more than 5 acres and less than 20 acres; or

(ii) the land contains not more than 5 acres and is precluded from being devoted to residential, commercial, or industrial use because of subdivision or zoning laws, regulations, or ordinances;

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at the taxable percentage rate "P" of its market value;

(b) Property described in subsection (1)(c) is taxed

THIRD READING

at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

| Income | Income | Percentage |
|------------------|-------------------|------------|
| Single Person | Married Couple | Multiplier |
| 90-----\$1,000 | 90-----\$1,200 | 0% |
| 1,001-----2,000 | 1,201-----2,400 | 10% |
| 2,001-----3,000 | 2,401-----3,600 | 20% |
| 3,001-----4,000 | 3,601-----4,800 | 30% |
| 4,001-----5,000 | 4,801-----6,000 | 40% |
| 5,001-----6,000 | 6,001-----7,200 | 50% |
| 6,001-----7,000 | 7,201-----8,400 | 60% |
| 7,001-----8,000 | 8,401-----9,600 | 70% |
| 8,001-----9,000 | 9,601-----10,800 | 80% |
| 9,001-----10,000 | 10,801-----12,000 | 90% |

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a):

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 0.55%:

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall

certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase:

(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below:

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0% in calculating the percentage increase; the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985:

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

| Certified Statewide Percentage Increase | Class Four Taxable Percentage "P" |
|--|--------------------------------------|
| 0 | 0.55 |
| 10 | 7.77 |
| 20 | 7.12 |
| 30 | 6.57 |
| 40 | 6.10 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|---------------------|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 50 | 5.70 |
| 4 | 60 | 5.34 |
| 5 | 70 | 5.02 |
| 6 | 80 | 4.75 |
| 7 | 90 | 4.50 |
| 8 | 100 | 4.27 |
| 9 | 110 | 4.07 |
| 10 | 120 | 3.88 |
| 11 | 130 | 3.71 |
| 12 | 140 | 3.56 |
| 13 | 150 | 3.42 |
| 14 | 160 | 3.28 |
| 15 | 170 | 3.16 |
| 16 | 180 | 3.05 |
| 17 | 190 | 2.94 |
| 18 | 200 | 2.85 |
| 19 | 210 | 2.75 |
| 20 | 220 | 2.67 |
| 21 | 230 | 2.59 |
| 22 | 240 | 2.51 |
| 23 | 250 | 2.44 |
| 24 | 260 | 2.37 |
| 25 | 270 | 2.31 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|--|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 280 | 2.25 |
| 4 | 290 | 2.19 |
| 5 | 300 | 2.13 |
| 6 | {5}--After-July-1, 1986, no adjustment may be made by | |
| 7 | the department to the taxable percentage rate "P" until a | |
| 8 | revaluation has been made as provided in 15-7-111. | |
| 9 | {6}--Within the meaning of comparable property as | |
| 10 | defined in 15-1-101, property assessed as commercial | |
| 11 | property is comparable only to other property assessed as | |
| 12 | commercial property, and property assessed as other than | |
| 13 | commercial property is comparable only to other property | |
| 14 | assessed as other than commercial property." | |
| 15 | Section 2, Section 15-7-202, MCA, is amended to read: | |
| 16 | "15-7-202. Eligibility of land for valuation as | |
| 17 | agricultural: <u>{1}--Contiguous or noncontiguous parcels of</u> | |
| 18 | <u>land totaling 20 acres or more under one ownership shall be</u> | |
| 19 | <u>eligible for valuation, assessment, and taxation as</u> | |
| 20 | <u>agricultural land each year that none of the parcels is</u> | |
| 21 | <u>devoted to a commercial or industrial use.</u> | |
| 22 | {1}{2}--Contiguous or noncontiguous parcels of land | |
| 23 | <u>totaling less than 20 acres</u> under one ownership that are | |
| 24 | actively devoted to agricultural use shall be eligible for | |
| 25 | valuation, assessment, and taxation as herein provided each | |

1 year--the--parcels--meet--any--of--the--following--qualifications:

2 (a)--the--parcels--produce--and--the--owner--or--the--owner's
3 agent,--employee,--or--lessee--markets--not--less--than--\$1,500--in
4 annual--gross--income--from--the--raising--of--livestock,--poultry,
5 field--crops,--fruit,--and--other--animal--and--vegetable--matter
6 for--food--or--fiber,--or

7 (b)--the--parcels--would--have--met--the--qualification--set
8 out--in--subsection--(1)(2)(a)--were--it--not--for--independent
9 intervening--causes--of--production--failure--beyond--the--control
10 of--the--producer--or--marketing--delay--for--economic--advantage,
11 in--which--case--proof--of--qualification--in--a--prior--year--will
12 suffice;

13 (2)--Parcels--that--do--not--meet--the--qualifications--set
14 out--in--subsection--(1)--shall--not--be--classified--or--valued--as
15 agricultural--if--they--are--part--of--a--platted--subdivision--that
16 is--filed--with--the--county--clerk--and--recorder--in--compliance
17 with--the--Montana--Subdivision--and--Platting--Act;

18 (3)--Contiguous--parcels--of--land--containing--less--than--20
19 acres--per--parcel--under--differing--ownership--that--are--actively
20 devoted--to--agricultural--use--shall--be--eligible--for--valuation,
21 assessment,--and--taxation--as--agricultural--land--each--year--that
22 the--parcels--as--one--combined--operating--entity--meet--any--of--the
23 qualifications--in--subsection--(2);

24 (3)(4)--Land--shall--not--be--classified--or--valued--as
25 agricultural--if--it--is--subdivided--with--stated--restrictions

1 prohibiting--its--use--for--agricultural--purposes;

2 (4)--The--grazing--on--land--by--a--horse--or--other--animals
3 kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide
4 agricultural--enterprise--shall--not--be--considered--a--bona--fide
5 agricultural--operation;

6 (5)--If--land--has--been--valued,--assessed,--and--taxed--as
7 agricultural--land--in--any--year,--it--shall--continue--to--be--so
8 valued,--assessed,--and--taxed--until--the--department
9 reclassifies--the--property--A--reclassification--does--not--mean
10 revaluation--pursuant--to--15-7-111;

11 (6)--For--the--purposes--of--this--part,--growing--timber--is
12 not--an--agricultural--use;--(Subsection--(6)--terminates--January
13 17,--1991--sec.--107--Ch--681,--b--1985.)"

14 NEW SECTION. SECTION 1. CLASS EIGHTEEN PROPERTY --
15 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS EIGHTEEN
16 PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE REAL PROPERTY
17 CONTAINING 20 OR MORE CONTIGUOUS ACRES UNDER ONE OWNERSHIP
18 THAT DO NOT QUALIFY AS AGRICULTURAL LAND, TIMBERLAND, OR
19 COMMERCIAL OR INDUSTRIAL PROPERTY.

20 (2) IMPROVEMENTS TO CLASS EIGHTEEN PROPERTY ARE TAXED
21 AS CLASS FOUR PROPERTY.

22 (3) CLASS EIGHTEEN PROPERTY IS TAXED AT 2% OF ITS
23 MARKET VALUE.

24 NEW SECTION. SECTION 2. CLASS NINETEEN PROPERTY --
25 DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS NINETEEN

PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE REAL PROPERTY CONTAINING LESS THAN 20 ACRES THAT ARE PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR THAT ARE PRECLUDED FROM BEING SO DEVELOPED FOR OTHER REASONS.

(2) IMPROVEMENTS TO CLASS NINETEEN PROPERTY ARE TAXED AS CLASS FOUR PROPERTY.

(3) CLASS NINETEEN PROPERTY IS TAXED AT 2% OF ITS MARKET VALUE.

NEW SECTION. SECTION 3. APPLICATION FOR CLASSIFICATION AS CLASS NINETEEN PROPERTY. A PERSON APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS NINETEEN PROPERTY SHALL MAKE AN AFFIDAVIT TO THE DEPARTMENT OF REVENUE, ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT COST, STATING:

(1) THAT THE PROPERTY IS PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS, OR ORDINANCES OR FOR OTHER REASONS;

(2) WHAT LAW, REGULATION, OR ORDINANCE OR OTHER REASON PRECLUDES SUCH USE;

(3) WHAT DETERMINATIONS, IF ANY, BY A GOVERNMENTAL ENTITY HAVE BEEN MADE TO SUBSTANTIATE THE APPLICATION FOR CLASSIFICATION AS CLASS NINETEEN PROPERTY; AND

(4) SUCH OTHER INFORMATION AS IS RELEVANT TO THE

APPLICATION OR AS MAY BE REQUIRED BY THE DEPARTMENT.

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.

(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) 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 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) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements

and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

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

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

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) 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 assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet

the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when 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. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 601, L. 1985.)"

NEW SECTION. SECTION 5. CODIFICATION INSTRUCTION.

SECTIONS 1 THROUGH 3 ARE INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE PROVISIONS OF TITLE 15 APPLY TO SECTIONS 1 THROUGH 3.

1 NEW SECTION. Section 6. Application deadline for
2 reduction in 1986 valuation. Notwithstanding the provisions
3 of 15-15-102, the application deadline for reduction in 1986
4 taxable valuations is August 1, 1986, OR 15 DAYS AFTER
5 RECEIPT BY THE TAXPAYER OF A REVISED NOTICE OF
6 CLASSIFICATION AND APPRAISAL.

7 NEW SECTION. Section 7. Extension of authority. Any
8 existing authority of the department of revenue to make
9 rules on the subject of the provisions of this act is
10 extended to the provisions of this act.

11 NEW SECTION. Section 8. Applicability. This act
12 applies retroactively, within the meaning of 1-2-109, to
13 taxable years beginning after December 31, 1985.

14 NEW SECTION. Section 9. Effective date. This act is
15 effective on passage and approval.

-End-

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB,
KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER,
PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON,
CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA
FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS-THREE-OR
CLASS FOUR; ~~TO ESTABLISH A NEW CLASS EIGHTEEN--PROPERTY--FOR~~
~~NONPRODUCTIVE--REAL-PROPERTY-CONTAINING-20-ACRES-OR-MORE, TO~~
~~ESTABLISH A NEW CLASS NINETEEN-PROPERTY--FOR--REAL--PROPERTY~~
~~CONTAINING--LESS--THAN--20--ACRES--AND--THAT--IS--RENDERED~~
~~NONPRODUCTIVE-BY-LAND-USE-LAWS~~ TO REVISE THE ELIGIBILITY OF
LAND FOR VALUATION AS AGRICULTURAL; TO EXTEND THE
APPLICATION DEADLINE FOR REDUCTION IN 1986 VALUATIONS;
AMENDING SECTIONS--15-6-134--AND--15-7-202 SECTION SECTIONS
15-6-134, 15-7-202, AND 15-8-111, MCA; AND PROVIDING AN
APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

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

Section-17--Section--15-6-134, MCA, is amended to read:

"15-6-134. Class--four--property-----description-----

taxable-percentage:--(1)--Class-four-property--includes:

(a)--all--land--except--that--specifically--included-in
another-class;

(b)--all--improvements--except--those--specifically
included-in-another-class;

(c)--the--first--\$35,000-or-less-of-the-market-value-of
any-improvement-on-real-property-and-appurtenant--land--not
exceeding--5--acres--owned--or--under--contract-for-deed-and
actually-occupied-for-at-least--18--months--a--year--as--the
primary--residential--dwelling--of--any--person--whose-total
income--from--all--sources--including--otherwise--tax-exempt
income--of--all--types-is-not-more-than-\$10,000-for-a-single
person-or-\$12,000-for-a-married-couple;

(d)--all-golf-courses, including-land-and--improvements
actually-and-necessarily-used-for-that-purpose, that-consist
of--at-least-9-holes-and-not-less-than-3,000-linear-yards;

(e)--all-land, together-with-improvements, not--devoted
to--a--residential, commercial, industrial, agricultural, or
timberland-use-if:

(i)--the-land-contains-more-than-5-acres-and-less--than
20-acres; or

(ii)--the--land--contains--not--more--than--5--acres--and--is
precluded-from-being-devoted-to-residential, commercial, or
industrial--use--because--of--subdivision--or--zoning--laws,
regulations, or ordinances;

(2)--Class-four-property-is-taxed-as-follows:

(a)--Except-as-provided-in--15-24-1402--or--15-24-1501,
property-described-in-subsections-(1)(a)-and-(1)(b)-is-taxed

REFERENCE BILL

1 at-the-taxable-percentage-rate-"P"-of-its-market-value;
 2 (b)--Property--described--in-subsection-(1)(c)-is-taxed
 3 at-the-taxable-percentage--rate--"P"--of--its--market--value
 4 multiplied--by--a--percentage--figure--based--on--income-and
 5 determined-from-the-following-table:

| Income | Income | Percentage |
|-----------------|------------------|------------|
| Single-Person | Married-Couple | Multiplier |
| \$0-----\$1,000 | \$0-----\$1,200 | 0% |
| 1,001----2,000 | 1,201----2,400 | 10% |
| 2,001----3,000 | 2,401----3,600 | 20% |
| 3,001----4,000 | 3,601----4,800 | 30% |
| 4,001----5,000 | 4,801----6,000 | 40% |
| 5,001----6,000 | 6,001----7,200 | 50% |
| 6,001----7,000 | 7,201----8,400 | 60% |
| 7,001----8,000 | 8,401----9,600 | 70% |
| 8,001----9,000 | 9,601----10,800 | 80% |
| 9,001----10,000 | 10,801----12,000 | 90% |

18 (c)--Property-described-in-subsection-(1)(d) and-(1)(e)
 19 is--taxed--at--one-half--the--taxable--percentage--rate--"P"
 20 established-in-subsection-(2)(a);

21 (3)--Until-January-17-19867-the-taxable-percentage-rate
 22 "P"-for-class-four-property-is-0.55%;

23 (4)--Prior--to--July-17-19867-the-department-of-revenue
 24 shall-determine-the-taxable-percentage-rate--"P"--applicable
 25 to--class--four-property-for-the-revaluation-cycle-beginning

1 January-17-19867-as-follows:

2 (a)--The-director-of-the-department--of--revenue--shall
 3 certify--to-the-governor-before-July-17-19867-the-percentage
 4 by-which-the-appraised-value-of-all-property--in--the--state
 5 classified--under--class--four--as--of--January-17-19867-has
 6 increased-due-to-the-revaluation-conducted--under--15-7-1117
 7 This--figure-is-the-certified-statewide-percentage-increase;

8 (b)--The-taxable-value-of-property--in--class--four--is
 9 determined--as--a--function--of--the--certified--statewide
 10 percentage-increase--in--accordance--with--the--table--shown
 11 below;

12 (c)--This--table--limits--the--statewide--increase--in
 13 taxable-valuation--resulting--from--reappraisal--to--0%--in
 14 calculating--the-percentage-increase7-the-department-may-not
 15 consider-changes-resulting-from-new-construction7-additions7
 16 or-deletions-during-calendar-year-1985;

17 (d)--The--taxable--percentage--must--be--calculated--by
 18 interpolation--to--coincide--with--the--nearest-whole-number
 19 certified-statewide-percentage-increase-from--the--following
 20 table:

| Certified-Statewide Percentage-Increase | Class-Four-Taxable Percentage "P" |
|--|--------------------------------------|
| 0 | 0.55 |
| 10 | 7.77 |
| 20 | 7.12 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|---------------------|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 30 | 6-57 |
| 4 | 40 | 6-10 |
| 5 | 50 | 5-70 |
| 6 | 60 | 5-34 |
| 7 | 70 | 5-02 |
| 8 | 80 | 4-75 |
| 9 | 90 | 4-50 |
| 10 | 100 | 4-27 |
| 11 | 110 | 4-07 |
| 12 | 120 | 3-80 |
| 13 | 130 | 3-71 |
| 14 | 140 | 3-56 |
| 15 | 150 | 3-42 |
| 16 | 160 | 3-28 |
| 17 | 170 | 3-16 |
| 18 | 180 | 3-05 |
| 19 | 190 | 2-94 |
| 20 | 200 | 2-85 |
| 21 | 210 | 2-75 |
| 22 | 220 | 2-67 |
| 23 | 230 | 2-59 |
| 24 | 240 | 2-51 |
| 25 | 250 | 2-44 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|---|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 260 | 2-37 |
| 4 | 270 | 2-31 |
| 5 | 280 | 2-25 |
| 6 | 290 | 2-19 |
| 7 | 300 | 2-13 |
| 8 | {5}--After--July--17--1986, no adjustment may be made by | |
| 9 | the department to the taxable percentage rate--"P"--until--a | |
| 10 | revaluation has been made as provided in 15-7-111. | |
| 11 | {6}--Within--the--meaning--of--comparable--property--as | |
| 12 | defined--in--15-1-101,--property--assessed--as--commercial | |
| 13 | property--is--comparable--only--to--other--property--assessed--as | |
| 14 | commercial--property,--and--property--assessed--as--other--than | |
| 15 | commercial--property--is--comparable--only--to--other--property | |
| 16 | assessed--as--other--than--commercial--property." | |
| 17 | <u>SECTION 1. SECTION 15-6-134, MCA, IS AMENDED TO READ:</u> | |
| 18 | "15-6-134. Class four property -- description -- | |
| 19 | taxable percentage. (1) Class four property includes: | |
| 20 | (a) all land except that specifically included in | |
| 21 | another class; | |
| 22 | (b) all improvements except those specifically | |
| 23 | included in another class; | |
| 24 | (c) the first \$35,000 or less of the market value of | |
| 25 | any improvement on real property and appurtenant land not | |

1 exceeding 5 acres owned or under contract for deed and
 2 actually occupied for at least 10 months a year as the
 3 primary residential dwelling of any person whose total
 4 income from all sources including otherwise tax-exempt
 5 income of all types is not more than \$10,000 for a single
 6 person or \$12,000 for a married couple;

7 (d) all golf courses, including land and improvements
 8 actually and necessarily used for that purpose, that consist
 9 of at least 9 holes and not less than 3,000 lineal yards;

10 (e) all land, together with improvements, not devoted
 11 to a residential, commercial, industrial, agricultural, or
 12 timberland use if the land contains more than 5 acres and
 13 less than 20 acres.

14 (2) Class four property is taxed as follows:

15 (a) Except as provided in 15-24-1402 or 15-24-1501,
 16 property described in subsections (1)(a) and (1)(b) is taxed
 17 at the taxable percentage rate "P" of its market value.

18 (b) Property described in subsection (1)(c) is taxed
 19 at the taxable percentage rate "P" of its market value
 20 multiplied by a percentage figure based on income and
 21 determined from the following table:

| Income | Income | Percentage |
|---------------|----------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0 - \$1,000 | \$0 - \$1,200 | 0% |
| 1,001 - 2,000 | 1,201 - 2,400 | 10% |

| | | | |
|---|----------------|-----------------|-----|
| 1 | 2,001 - 3,000 | 2,401 - 3,600 | 20% |
| 2 | 3,001 - 4,000 | 3,601 - 4,800 | 30% |
| 3 | 4,001 - 5,000 | 4,801 - 6,000 | 40% |
| 4 | 5,001 - 6,000 | 6,001 - 7,200 | 50% |
| 5 | 6,001 - 7,000 | 7,201 - 8,400 | 60% |
| 6 | 7,001 - 8,000 | 8,401 - 9,600 | 70% |
| 7 | 8,001 - 9,000 | 9,601 - 10,800 | 80% |
| 8 | 9,001 - 10,000 | 10,801 - 12,000 | 90% |

9 (c) Property described in subsection subsections
 10 (1)(d) and (1)(e) is taxed at one-half the taxable
 11 percentage rate "P" established in subsection (2)(a).

12 (3) Until January 1, 1986, the taxable percentage rate
 13 "P" for class four property is 8.55%.

14 (4) Prior to July 1, 1986, the department of revenue
 15 shall determine the taxable percentage rate "P" applicable
 16 to class four property for the revaluation cycle beginning
 17 January 1, 1986, as follows:

18 (a) The director of the department of revenue shall
 19 certify to the governor before July 1, 1986, the percentage
 20 by which the appraised value of all property in the state
 21 classified under class four as of January 1, 1986, has
 22 increased due to the revaluation conducted under 15-7-111.
 23 This figure is the certified statewide percentage increase.

24 (b) The taxable value of property in class four is
 25 determined as a function of the certified statewide

1 percentage increase in accordance with the table shown
2 below.

3 (c) This table limits the statewide increase in
4 taxable valuation resulting from reappraisal to 0%. In
5 calculating the percentage increase, the department may not
6 consider changes resulting from new construction, additions,
7 or deletions during calendar year 1985.

8 (d) The taxable percentage must be calculated by
9 interpolation to coincide with the nearest whole number
10 certified statewide percentage increase from the following
11 table:

| 12 | Certified Statewide | Class Four Taxable |
|----|---------------------|--------------------|
| 13 | Percentage Increase | Percentage "P" |
| 14 | 0 | 8.55 |
| 15 | 10 | 7.77 |
| 16 | 20 | 7.12 |
| 17 | 30 | 6.57 |
| 18 | 40 | 6.10 |
| 19 | 50 | 5.70 |
| 20 | 60 | 5.34 |
| 21 | 70 | 5.02 |
| 22 | 80 | 4.75 |
| 23 | 90 | 4.50 |
| 24 | 100 | 4.27 |
| 25 | 110 | 4.07 |
| 26 | 120 | 3.88 |

| 1 | Certified Statewide | Class Four Taxable |
|----|---------------------|--------------------|
| 2 | Percentage Increase | Percentage "P" |
| 3 | 130 | 3.71 |
| 4 | 140 | 3.56 |
| 5 | 150 | 3.42 |
| 6 | 160 | 3.28 |
| 7 | 170 | 3.16 |
| 8 | 180 | 3.05 |
| 9 | 190 | 2.94 |
| 10 | 200 | 2.85 |
| 11 | 210 | 2.75 |
| 12 | 220 | 2.67 |
| 13 | 230 | 2.59 |
| 14 | 240 | 2.51 |
| 15 | 250 | 2.44 |
| 16 | 260 | 2.37 |
| 17 | 270 | 2.31 |
| 18 | 280 | 2.25 |
| 19 | 290 | 2.19 |
| 20 | 300 | 2.13 |

21 (5) After July 1, 1986, no adjustment may be made by
22 the department to the taxable percentage rate "P" until a
23 revaluation has been made as provided in 15-7-111.

24 (6) Within the meaning of comparable property as
25 defined in 15-1-101, property assessed as commercial
26 property is comparable only to other property assessed as

commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2--Section--15-7-202, MCA, is amended to read:

"15-7-202--Eligibility--of--land--for--valuation--as agricultural: (1)--Contiguous--or--noncontiguous--parcels--of--land--totaling--20--acres--or--more--under--one--ownership--shall--be--eligible--for--valuation,--assessment,--and--taxation--as--agricultural--land--each--year--that--none--of--the--parcels--is--devoted--to--a--commercial--or--industrial--use.

(1)(2)--Contiguous--or--noncontiguous--parcels--of--land--totaling--less--than--20--acres--under--one--ownership--that--are--actively--devoted--to--agricultural--use--shall--be--eligible--for--valuation,--assessment,--and--taxation--as--herein--provided--each--year--the--parcels--meet--any--of--the--following--qualifications:

(a)--the--parcels--produce--and--the--owner--or--the--owner's--agent,--employee,--or--lessee--markets--not--less--than--\$1,500--in--annual--gross--income--from--the--raising--of--livestock,--poultry,--field--crops,--fruit,--and--other--animal--and--vegetable--matter--for--food--or--fiber,--or

(b)--the--parcels--would--have--met--the--qualification--set--out--in--subsection--(1)(2)(a)--were--it--not--for--independent--intervening--causes--of--production--failure--beyond--the--control--of--the--producer--or--marketing--delay--for--economic--advantage,--in--which--case--proof--of--qualification--in--a--prior--year--will

suffice.

(2)--Parcels--that--do--not--meet--the--qualifications--set--out--in--subsection--(1)--shall--not--be--classified--or--valued--as--agricultural--if--they--are--part--of--a--platted--subdivision--that--is--filed--with--the--county--clerk--and--recorder--in--compliance--with--the--Montana--Subdivision--and--Platting--Act.

(3)--Contiguous--parcels--of--land--containing--less--than--20--acres--per--parcel--under--differing--ownership--that--are--actively--devoted--to--agricultural--use--shall--be--eligible--for--valuation,--assessment,--and--taxation--as--agricultural--land--each--year--that--the--parcels--as--one--combined--operating--entity--meet--any--of--the--qualifications--in--subsection--(2).

(3)(4)--Land--shall--not--be--classified--or--valued--as--agricultural--if--it--is--subdivided--with--stated--restrictions--prohibiting--its--use--for--agricultural--purposes.

(4)--The--grazing--on--land--by--a--horse--or--other--animals--kept--as--a--hobby--and--not--as--a--part--of--a--bona--fide--agricultural--enterprise--shall--not--be--considered--a--bona--fide--agricultural--operation.

(5)--If--land--has--been--valued,--assessed,--and--taxed--as--agricultural--land--in--any--year,--it--shall--continue--to--be--so--valued,--assessed,--and--taxed--until--the--department--reclassifies--the--property. A--reclassification--does--not--mean--revaluation--pursuant--to--15-7-111.

(6)--For--the--purposes--of--this--part,--growing--timber--is

~~not-an-agricultural-use---(Subsection-(6)-terminates-January
17-1991--sec-10, Ch-681, L-1985.)"~~

SECTION 2. SECTION 15-7-202, MCA, IS AMENDED TO READ:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

(1)(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 \$1,000 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection (1)(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(2)(3) Parcels that do not meet the qualifications set out in subsection subsections (1) and (2) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(3)(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(4)(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(5)(6) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

(6)(7) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) (now (7)) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW-SECTION--SECTION-17--CLASS--EIGHTEEN--PROPERTY----
DESCRIPTION-----TAXABLE--PERCENTAGE,----(1)--CLASS--EIGHTEEN
PROPERTY--INCLUDES--PARCELS--OF--NONPRODUCTIVE-REAL-PROPERTY
CONTAINING-20-OR-MORE-CONTIGUOUS-ACRES-UNDER--ONE--OWNERSHIP

~~THAT--DO--NOT--QUALIFY--AS--AGRICULTURAL--LAND,--TIMBERLAND,--OR
COMMERCIAL--OR--INDUSTRIAL--PROPERTY.~~

~~(2)--IMPROVEMENTS--TO--CLASS--EIGHTEEN--PROPERTY--ARE--TAXED
AS--CLASS--FOUR--PROPERTY.~~

~~(3)--CLASS--EIGHTEEN--PROPERTY--IS--TAXED--AT--2%--OF--ITS
MARKET--VALUE.~~

NEW SECTION. SECTION 3. CLASS NINETEEN EIGHTEEN
PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS
NINETEEN EIGHTEEN PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE
REAL PROPERTY CONTAINING LESS THAN 20 ACRES THAT ARE
PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL,
OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING
LAWS, REGULATIONS, OR ORDINANCES OR THAT ARE PRECLUDED FROM
BEING SO DEVELOPED FOR OTHER REASONS.

(2) IMPROVEMENTS TO CLASS NINETEEN EIGHTEEN PROPERTY
ARE TAXED AS CLASS FOUR PROPERTY.

(3) CLASS NINETEEN EIGHTEEN PROPERTY IS TAXED AT 2% OF
ITS MARKET VALUE.

NEW SECTION. SECTION 4. APPLICATION FOR
CLASSIFICATION AS CLASS NINETEEN EIGHTEEN PROPERTY. A PERSON
APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS NINETEEN
EIGHTEEN PROPERTY SHALL MAKE AN AFFIDAVIT TO THE DEPARTMENT
OF REVENUE, ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT
COST, STATING:

(1) THAT THE PROPERTY IS PRECLUDED FROM BEING

DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL
PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS,
OR ORDINANCES OR FOR OTHER REASONS;

(2) WHAT LAW, REGULATION, OR ORDINANCE OR OTHER REASON
PRECLUDES SUCH USE;

(3) WHAT DETERMINATIONS, IF ANY, BY A GOVERNMENTAL
ENTITY HAVE BEEN MADE TO SUBSTANTIATE THE APPLICATION FOR
CLASSIFICATION AS CLASS NINETEEN EIGHTEEN PROPERTY; AND

(4) SUCH OTHER INFORMATION AS IS RELEVANT TO THE
APPLICATION OR AS MAY BE REQUIRED BY THE DEPARTMENT.

SECTION 5. 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) 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 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

1 (Subsections (3)(a) and (3)(b) applicable to tax years
2 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
3 Subsection (6)(d) and references in (8) to class thirteen
4 and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L.
5 1985.)"

6 NEW SECTION. SECTION 6. CODIFICATION INSTRUCTION.
7 SECTIONS 1-THROUGH 3 AND 4 ARE INTENDED TO BE CODIFIED AS AN
8 INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE
9 PROVISIONS OF TITLE 15 APPLY TO SECTIONS 1-THROUGH 3 AND 4.

10 NEW SECTION. Section 7. Application deadline for
11 reduction in 1986 valuation. Notwithstanding the provisions
12 of 15-15-102, the application deadline for reduction in 1986
13 taxable valuations is August 1, 1986, OR 15 DAYS AFTER
14 RECEIPT BY THE TAXPAYER OF A REVISED NOTICE OF
15 CLASSIFICATION AND APPRAISAL.

16 NEW SECTION. Section 8. Extension of authority. Any
17 existing authority of the department of revenue to make
18 rules on the subject of the provisions of this act is
19 extended to the provisions of this act.

20 NEW SECTION. Section 9. Applicability. This act
21 applies retroactively, within the meaning of 1-2-109, to
22 taxable years beginning after December 31, 1985.

23 NEW SECTION. Section 10. Effective date. This act is
24 effective on passage and approval.

-End-

1 reconditioning and profit margin. The department of revenue
2 shall prepare valuation schedules showing the average
3 wholesale value when no national appraisal guide exists.

4 (3) The department of revenue or its agents may not
5 adopt a lower or different standard of value from market
6 value in making the official assessment and appraisal of the
7 value of property in 15-6-134 through 15-6-140, and 15-6-145
8 through 15-6-147, and [sections-1-and-2 SECTION 3], except:

9 (a) the wholesale value for agricultural implements
10 and machinery is the loan value as shown in the Official
11 Guide, Tractor and Farm Equipment, published by the national
12 farm and power equipment dealers association, St. Louis,
13 Missouri; and

14 (b) for agricultural implements and machinery not
15 listed in the official guide, the department shall prepare a
16 supplemental manual where the values reflect the same
17 depreciation as those found in the official guide.

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

20 (5) The taxable value for all property in classes four
21 through eleven and fifteen through seventeen nineteen
22 EIGHTEEN is the percentage of market value established for
23 each class of property in 15-6-134 through 15-6-141, and
24 15-6-145 through 15-6-147, and [sections-1-and-2 SECTION 3].

25 (6) The assessed value of properties in 15-6-131

1 through 15-6-133 is as follows:

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

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

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

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

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

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

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

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

22 (8) The taxable value of all property in 15-6-131 and
23 classes two, three, and thirteen is the percentage of
24 assessed value established in 15-6-131(2), 15-6-132,
25 15-6-133, and 15-6-143 for each class of property.

CONFERENCE COMMITTEE REPORT

Report No. 1June 30, 1986

MR. PRESIDENT

We, your FREE Conference Committee onSenate Bill 20met and considered Senate Bill 20

We recommend as follows:

1. Amend House Committee of the Whole Amendments to SB 20 as follows:

a. Strike: Amendment dated 6/28/86, 7:58 A.M., sponsored by Swift, and amendment dated 6/28/86, 8:00 A.M., sponsored by Cobb, in their entirety.

b. Amend House Committee of the Whole Amendment dated 6/28/86, 7:45 A.M., sponsored by Mercer, as follows:

1. Amendment No. 1, location line.

Following: "through"

Strike: "13"

Insert: "11"

2. Amendment No. 1, Strike line.

Following: "through"

Strike: "LAWS"

Insert: "MORE;"

(continued)

And that this Conference Committee report be adopted.

FOR THE SENATE

MAZUREK, CHAIR

MCCALLUM

BOYLAN

ADOPT

REJECT

FOR THE HOUSE

SCHYE

MERCER

KEENAN

SWIFT

June 30, 1986

3. Amendment No. 1.
Following: Insert instruction
Insert: "Following: "CLASS" on line 11
Strike: "NINETEEN"
Insert: "EIGHTEEN"

4. Amendment No. 2, Insert line.
Following: "SECTIONS"
Insert: "15-6-144,"
Following: "15-7-202"
Insert: ", "

5. Amendment No. 3, line 3 of Insert instruction.
Following: "(1) Contiguous"
Strike: "or noncontiguous"

6. Amendment No. 3, Insert section.
Following: subsection (6)
Insert: "Section 2. Section 15-6-144, MCA, is amended to read:
"15-6-144. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes all improvements on ~~agricultural~~ land that is eligible for valuation, assessment, and taxation as agricultural land under, as defined in 15-7-202(2). Class fourteen property includes 1 acre of real property beneath the agricultural improvements. The 1 acre shall be valued at market value.


(2) Class fourteen property is taxed at 80% of the taxable percentage applicable to class four property."

2. Amend SB 20, third reading copy, blue, as follows:

a. Page 12, line 23.
Following: "SECTIONS"
Strike: "1 THROUGH"
Following: "3"
Insert: "and 4"

b. Page 12, line 25.
Following: "SECTIONS"
Strike: "1 THROUGH"
Following: "3"
Insert: "and 4"

c. Page 13, line 6.
Following: "APPRAISAL"
Insert: ", whichever is later"


(continued)

CONFERENCE COMMITTEE REPORT

2
Report No.

JUNE 30, 19 86

MR. PRESIDENT

We, your _____ Conference Committee on

FREE

met and considered _____

SENATE BILL 20, reference copy salmon, which includes
House Taxation Committee Amendments of 6/28/86 and Committee of
the Whole Amendments of 6/28/86 - Mercer (7:45 a.m.), Swift
(7:58 a.m.), and Cobb (8:00 a.m.)

We recommend as follows:

Page 1 of 2

1. Title, line 13.

Following: " LAWS "

Insert: " TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR REAL
PROPERTY CONTAINING LESS THAN 20 ACRES AND THAT IS RENDERED
NONPRODUCTIVE BY LAND USE LAWS; "

2. Title, line 17.

Strike: " 15-6-134 "

Insert: " 15-6-144 "

3. Page 6, line 17 through line 3, page 11.

Strike: section 1 in its entirety

Renumber subsequent sections

4. Page 13, line 5.

Strike: " or noncontiguous "

And that this Conference Committee report be adopted.

FOR THE SENATE



MAZUREK, CHAIR

McCALLUM

BOYLAN

ADOPT REJECT

FOR THE HOUSE

SCHYE

MERCER

KEENAN

SWIFT

CCR ON SB 20,
Page 2 of 2

June 30,

86

..... 19

5. Page 14, following line 21.

Insert: "Section 2. Section 15-6-144, MCA, is amended to read:
"15-6-144. Class fourteen property -- description -- taxable
percentage. (1) Class fourteen property includes all
improvements on ~~agricultural~~ land that is eligible for
valuation, assessment, and taxation as agricultural land
~~under, as defined in~~ 15-7-202(2). Class fourteen property
includes 1 acre of real property beneath the agricultural
improvements. The 1 acre shall be valued at market value.
(2) Class fourteen property is taxed at 80% of the
taxable percentage applicable to class four property." "

Renumber: subsequent sections

6. Page 17, line 8 and

17, 24.

Strike: "SECTION 3"

Insert: "Sections 1 and 2"

7. Page 19, line 15.

Following: " APPRAISAL "

Insert: " , whichever is later "

8. Page 19, following line 15.

Insert: "NEW SECTION. Section 8. Land valued in excess of
average county land value -- renotification to taxpayer.
For persons paying taxes on real property containing more
than 5 acres but less than 20 acres, the department of
revenue shall notify each taxpayer whose land value for 1986
due to reclassification to class four by application of
15-7-202 exceeds the average value per acre for such land in
the taxpayer's county. The new notice must fully inform the
taxpayer as to the reasons for the new notice, including the
cause of the increase in value, the right to appeal to the
county tax appeal board, and the extension of time for
appeal." "

Renumber: subsequent sections

June 30, 19 86

d. Page 13.

Following: line 6

Insert: "NEW SECTION. Section 8. Land valued in excess of average county land value -- renotification to taxpayer. For persons paying taxes on real property containing more than 5 acres but less than 20 acres, the department of revenue shall notify each taxpayer whose land value for 1986 due to reclassification to class four by application of 15-7-202 exceeds the average value per acre for such land in the taxpayer's county. The new notice must fully inform the taxpayer as to the reasons for the new notice, including the cause of the increase in value, the right to appeal to the county tax appeal board, and the extension of time for appeal."

Renumber: subsequent sections

SB20CCR.1

A handwritten signature in dark ink, appearing to read "J. Raymont", is written over a horizontal dotted line at the bottom right of the page.

CONFERENCE COMMITTEE REPORT

Report No. 3

.... July 1 ... 19... 86

12:30 a.m.

MR. SPEAKER

We, your FREE Conference Committee on

met and considered SENATE BILL 20, reference copy salmon, which includes
House Taxation Committee Amendments of 6/28/86 and Committee of
the Whole Amendments of 6/28/86 - Mercer (7:45 a.m.), Swift
(7:58 a.m.), and Cobb (8:00 a.m.)

We recommend as follows:

Page 1 of 2

1. Title, line 13.

Following: " LAWS "

Insert: " TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR REAL
PROPERTY CONTAINING LESS THAN 20 ACRES AND THAT IS RENDERED
NONPRODUCTIVE BY LAND USE LAWS; "

2. Title, line 17.

Strike: " 15-6-134 "

Insert: " 15-6-144 "

3. Page 6, line 17 through line 3, page 11.

Strike: section 1 in its entirety

Renumber subsequent sections

4. Page 13, line 5.

Strike: " or noncontiguous "

5. Page 13, line 17.

Strike: " \$1,000 "

Insert: " \$1,500 "

And that this Conference Committee report be adopted.

FOR THE SENATE

Mazurek
MAZUREK, CHAIR

McCallum
MCCALLUM

Boylan
BOYLAN

ADOPT REJECT

FOR THE HOUSE

Schye
SCHYE

Mercer
MERCER

Keenan
KEENAN

Swift
SWIFT

July 1,

86

12:30 p.m.

19.....

6. Page 14, following line 21.

Insert: "Section 2. Section 15-6-144, MCA, is amended to read:
"15-6-144. Class fourteen property -- description -- taxable
percentage. (1) Class fourteen property includes all
improvements on agricultural land that is eligible for
valuation, assessment, and taxation as agricultural land
under, as defined in 15-7-202(2). Class fourteen property
includes 1 acre of real property beneath the agricultural
improvements. The 1 acre shall be valued at market value.
(2) Class fourteen property is taxed at 80% of the
taxable percentage applicable to class four property." "

Renumber: subsequent sections

7. Page 17, line 8 and

17, 24.

Strike: "SECTION 3"

Insert: "Sections 1 and 2"

8. Page 19, line 15.

Following: " APPRAISAL "

Insert: " , whichever is later "

9. Page 19, following line 15.

Insert: "NEW SECTION. Section 8. Land valued in excess of
average county land value -- renotification to taxpayer.
For persons paying taxes on real property containing more
than 5 acres but less than 20 acres, the department of
revenue shall notify each taxpayer whose land value for 1986
due to reclassification to class four by application of
15-7-202 exceeds the average value per acre for such land in
the taxpayer's county. The new notice must fully inform the
taxpayer as to the reasons for the new notice, including the
cause of the increase in value, the right to appeal to the
county tax appeal board, and the extension of time for
appeal." "

Renumber: subsequent sections

COMMITTEE OF THE WHOLE AMENDMENT

6/28/86

DATE

7:45 a.m.

TIME

MR. CHAIRMAN: I MOVE TO AMEND SENATE BILL 20

3rd reading copy (blue) as follows:
Color

Page 1 of 2

1. Title, lines 9 through 13.

Strike: " TO " on line 9 through " LAWS " on line 13

Insert: " TO REVISE THE ELIGIBILITY OF LAND FOR VALUATION AS
AGRICULTURAL "

2. Title, line 15.

Strike: " SECTION "

Insert: " SECTIONS 15-7-202 AND

3. Page 8, following line 13.

Insert: "SECTION 1. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as
agricultural. (1) Contiguous or noncontiguous parcels of
land totaling 20 acres or more under one ownership shall be
eligible for valuation, assessment, and taxation as
agricultural land each year that none of the parcels is
devoted to a commercial or industrial use.

~~++~~ (2) Contiguous or noncontiguous parcels of land
totaling less than 20 acres under one ownership that are
actively devoted to agricultural use shall be eligible for
valuation, assessment, and taxation as herein provided each
year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the
owner's agent, employee, or
lessee markets not less
than \$1,500 in annual gross income from the raising of livestock,
poultry, field crops, fruit, and
other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in
subsection ~~++~~ (2) (a) were it not for independent
intervening causes of production failure beyond the control
of the producer or marketing delay for economic advantage,
in which case proof of qualification in a prior year will
suffice.

ADOPT

REJECT

REP. *Mercer*

(2) Parcels that do not meet the qualifications set out in ~~subsection~~ subsections (1) and (2) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(3) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(4) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(5) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. reclassification does not mean revaluation pursuant to 15-7-111.

(6) For the purposes of this part, growing timber is not an agricultural (Subsection (6) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)" "

Renumber: subsequent sections

4. Page 8, lines 14 through 23.

Strike: section 1 in its entirety

Renumber: subsequent sections

5. Page 8, line 24.

| | |
|-----|-----|
| 8, | 25. |
| 9, | 7. |
| 9, | 9. |
| 9, | 12. |
| 9, | 13. |
| 9, | 24. |
| 11, | 12. |

Strike: " NINETEEN "

Insert: " eighteen "

REP.

Mence

Chairman.

COMMITTEE OF THE WHOLE AMENDMENT

6/28/86
DATE

7:58 a.m.
TIME

MR. CHAIRMAN: I MOVE TO AMEND SENATE BILL 20

3rd reading copy (blue) as follows:
Color

Page 1 of 4

1. Title, line 15.

Strike: " SECTION "

Insert: " SECTIONS 15-6-134 AND "

2. Page 6, Following line 14.

Insert: "Section 1. Section 15-6-134, MCA, is amended to read:
"15-6-134. Class four property -- description -- taxable
percentage. (1) Class four property includes:

(a) all land except that specifically included in another
class; (b) all improvements except those specifically
included in another class;

(c) the first \$35,000 or less of the market value of any
improvement on real property and appurtenant land not
exceeding 5 acres owned or under contract for deed and
actually occupied for at least 10 months a year as the
primary residential dwelling of any person whose total
income from all sources including otherwise tax-exempt
income of all types is not more than \$10,000 for a single
person or \$12,000 for a married couple;

(d) all golf courses, including land and improvements
actually and necessarily used for that purpose, that consist
of at least 9 holes and not less than 3,000 lineal yards;

(e) all land, together with improvements, not devoted to a
residential, commercial, industrial, agricultural, or
timberland use if the land contains more than 5 acres and
less than 20 acres.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property
described in subsections (1)(a) and (1)(b) is taxed at the
taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed at the
taxable percentage rate "P" of its market
value multiplied by a percentage figure based on income and
determined from the following table:

ADOPT

REJECT

REP. SWIFT

Bernie Swift

Income*Income*Percentage

Single Person*Married Couple*Multiplier

| | | | | | | |
|-------|---|----------|--------|---|----------|-----|
| \$0 | - | \$1,000* | \$0 | - | \$1,200* | 0% |
| 1,001 | - | 2,000* | 1,201 | - | 2,400* | 10% |
| 2,001 | - | 3,000* | 2,401 | - | 3,600* | 20% |
| 3,001 | - | 4,000* | 3,601 | - | 4,800* | 30% |
| 4,001 | - | 5,000* | 4,801 | - | 6,000* | 40% |
| 5,001 | - | 6,000* | 6,001 | - | 7,200* | 50% |
| 6,001 | - | 7,000* | 7,201 | - | 8,400* | 60% |
| 7,001 | - | 8,000* | 8,401 | - | 9,600* | 70% |
| 8,001 | - | 9,000* | 9,601 | - | 10,800* | 80% |
| 9,001 | - | 10,000* | 10,801 | - | 12,000* | 90% |

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a).

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below.

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0%. In calculating the percentage increase, the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

REP. SWIFT

Bernie Swift
Chairman.

6/28/86

..... 19

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

Certified Statewide*Class Four Taxable
Percentage Increase*Percentage "P"

0*8.55
10*7.77
20*7.12
30*6.57
40*6.10
50*5.70
60*5.34
70*5.02
80*4.75
90*4.50
100*4.27
110*4.07
120*3.88
130*3.71
140*3.56
150*3.42
160*3.28
170*3.16
180*3.05
190*2.94
200*2.85
210*2.75
220*2.67
230*2.59
240*2.51
250*2.44
260*2.37
270*2.31
280*2.25
290*2.19
300*2.13

REP. SWIFT

Bernie Swift

.....
Chairman.

6/28/86

19.....

(5) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property.

REP. SWIFT

Bernie Swift
Chairman.

COMMITTEE OF THE WHOLE AMENDMENT

6/28/86
DATE

8:00 a.m.
TIME

MR. CHAIRMAN: I MOVE TO AMEND SENATE BILL 20

3rd reading copy (blue) as follows:
Color

Page 1 of 2.

1. Title, lines 9 through 13.

Strike: " TO " on line 9 through " LAWS " on line 13

2. Title, line 15.

Strike: " SECTION "

Insert: " SECTIONS 15-7-202 AND "

3. Page 8, following line 13.

Insert: "SECTION 1. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than ~~\$1,500~~ \$1,000 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection (1)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay foreconomic advantage, in which case proof of qualification in a prior year will suffice.

(2) Parcels that do not meet the qualifications set out in subsection (1) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

ADOPT

REJECT

[Handwritten signature]

(3) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(4) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(5) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111. (6) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)

Renumber: subsequent sections

2. Page 10, line 24.

,11 15.

Strike: " 1 "

Insert: " 2 "

Strike: " 2 "

Insert: " 3 "

3. Page 12, line 23.

12, 25.

Strike: " 1 "

Insert: " 2 "

Strike: " 3 "

Insert: " 4 "

SENATE BILL NO. 20

INTRODUCED BY MCCALLUM, SWIFT, RAPP-SVRCEK, COBB,
KEATING, O'HARA, FARRELL, NORMAN, BRANDEWIE, GLASER,
PHILLIPS, RAMIREZ, CONNELLY, NATHE, SEVERSON, PATTERSON,
CHRISTIAENS, DRISCOLL, BOYLAN, MARKS

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE CRITERIA
FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS-THREE-OR
CLASS FOUR; TO ESTABLISH A NEW CLASS EIGHTEEN--PROPERTY--FOR
NONPRODUCTIVE--REAL-PROPERTY-CONTAINING-20-ACRES-OR-MORE,--TO
ESTABLISH A NEW CLASS NINETEEN-PROPERTY--FOR--REAL--PROPERTY
CONTAINING--LESS--THAN--20--ACRES--AND--THAT--IS--RENDERED
NONPRODUCTIVE-BY-LAND-USE-LAWS TO ESTABLISH A NEW CLASS
EIGHTEEN PROPERTY FOR REAL PROPERTY CONTAINING LESS THAN 20
ACRES AND THAT IS RENDERED NONPRODUCTIVE BY LAND USE LAWS;
TO REVISE THE ELIGIBILITY OF LAND FOR VALUATION AS
AGRICULTURAL; TO EXTEND THE APPLICATION DEADLINE FOR
REDUCTION IN 1986 VALUATIONS; AMENDING SECTIONS 15-6-134 AND
15-7-202 ~~SECTION~~ SECTIONS 15-6-134 15-6-144, 15-7-202, AND
15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN
IMMEDIATE EFFECTIVE DATE."

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

Section 1--Section--15-6-134--MCA--is-amended-to-read:

"15-6-134--Class--four--property-----description-----

taxable-percentage--(i)--Class-four-property--includes:

(a)--all--land--except--that--specifically--included--in
another-class;

(b)--all--improvements--except--those--specifically
included--in--another--class;

(c)--the--first--\$35,000--or--less--of--the--market--value--of
any--improvement--on--real--property--and--appurtenant--land--not
exceeding--5--acres--owned--or--under--contract--for--deed--and
actually--occupied--for--at--least--10--months--a--year--as--the
primary--residential--dwelling--of--any--person--whose--total
income--from--all--sources--including--otherwise--tax--exempt
income--of--all--types--is--not--more--than--\$10,000--for--a--single
person--or--\$12,000--for--a--married--couple;

(d)--all--golf--courses,--including--land--and--improvements
actually--and--necessarily--used--for--that--purpose,--that--consist
of--at--least--9--holes--and--not--less--than--3,000--linear--yards;

(e)--all--land,--together--with--improvements,--not--devoted
to--a--residential,--commercial,--industrial,--agricultural,--or
timberland--use--if:

(i)--the--land--contains--more--than--5--acres--and--less--than
20--acres;--or

(ii)--the--land--contains--not--more--than--5--acres--and--is
precluded--from--being--devoted--to--residential,--commercial,--or
industrial--use--because--of--subdivision--or--zoning--laws,
regulations,--or--ordinances;

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at the taxable percentage rate "P" of its market value.

(b) Property described in subsection (1)(c) is taxed at the taxable percentage rate "P" of its market value multiplied by a percentage figure based on income and determined from the following table:

| Income | Income | Percentage |
|------------------|-------------------|------------|
| Single Person | Married Couple | Multiplier |
| \$0-----\$1,000 | \$0-----\$1,200 | 0% |
| 1,001-----2,000 | 1,201-----2,400 | 10% |
| 2,001-----3,000 | 2,401-----3,600 | 20% |
| 3,001-----4,000 | 3,601-----4,800 | 30% |
| 4,001-----5,000 | 4,801-----6,000 | 40% |
| 5,001-----6,000 | 6,001-----7,200 | 50% |
| 6,001-----7,000 | 7,201-----8,400 | 60% |
| 7,001-----8,000 | 8,401-----9,600 | 70% |
| 8,001-----9,000 | 9,601-----10,800 | 80% |
| 9,001-----10,000 | 10,801-----12,000 | 90% |

(c) Property described in subsection (1)(d) and (1)(e) is taxed at one-half the taxable percentage rate "P" established in subsection (2)(a):

(3) Until January 1, 1986, the taxable percentage rate "P" for class four property is 8.55%.

(4) Prior to July 1, 1986, the department of revenue shall determine the taxable percentage rate "P" applicable to class four property for the revaluation cycle beginning January 1, 1986, as follows:

(a) The director of the department of revenue shall certify to the governor before July 1, 1986, the percentage by which the appraised value of all property in the state classified under class four as of January 1, 1986, has increased due to the revaluation conducted under 15-7-111. This figure is the certified statewide percentage increase.

(b) The taxable value of property in class four is determined as a function of the certified statewide percentage increase in accordance with the table shown below:

(c) This table limits the statewide increase in taxable valuation resulting from reappraisal to 0% in calculating the percentage increase; the department may not consider changes resulting from new construction, additions, or deletions during calendar year 1985.

(d) The taxable percentage must be calculated by interpolation to coincide with the nearest whole number certified statewide percentage increase from the following table:

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|---------------------|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 0 | 8.55 |
| 4 | 10 | 7.77 |
| 5 | 20 | 7.12 |
| 6 | 30 | 6.57 |
| 7 | 40 | 6.10 |
| 8 | 50 | 5.70 |
| 9 | 60 | 5.34 |
| 10 | 70 | 5.02 |
| 11 | 80 | 4.75 |
| 12 | 90 | 4.50 |
| 13 | 100 | 4.27 |
| 14 | 110 | 4.07 |
| 15 | 120 | 3.88 |
| 16 | 130 | 3.71 |
| 17 | 140 | 3.56 |
| 18 | 150 | 3.42 |
| 19 | 160 | 3.28 |
| 20 | 170 | 3.16 |
| 21 | 180 | 3.05 |
| 22 | 190 | 2.94 |
| 23 | 200 | 2.85 |
| 24 | 210 | 2.75 |
| 25 | 220 | 2.67 |

| 1 | Certified-Statewide | Class-Four-Taxable |
|----|--|--------------------|
| 2 | Percentage-Increase | Percentage-"P" |
| 3 | 230 | 2.59 |
| 4 | 240 | 2.51 |
| 5 | 250 | 2.44 |
| 6 | 260 | 2.37 |
| 7 | 270 | 2.31 |
| 8 | 280 | 2.25 |
| 9 | 290 | 2.19 |
| 10 | 300 | 2.13 |
| 11 | {5}--After--July--17--1986,--no--adjustment--may--be--made--by | |
| 12 | the--department--to--the--taxable--percentage--rate--"P"--until--a | |
| 13 | revaluation--has--been--made--as--provided--in--15-7-111. | |
| 14 | {6}--Within--the--meaning--of--comparable--property--as | |
| 15 | defined--in--15-1-101,--property--assessed--as--commercial | |
| 16 | property--is--comparable--only--to--other--property--assessed--as | |
| 17 | commercial--property,--and--property--assessed--as--other--than | |
| 18 | commercial--property--is--comparable--only--to--other--property | |
| 19 | assessed--as--other--than--commercial--property." | |
| 20 | <u>SECTION-1,--SECTION-15-6-134,--MEA,--IS--AMENDED--TO--READ:</u> | |
| 21 | "15-6-134,--Class--four--property--description-- | |
| 22 | taxable--percentage--{1}--Class--four--property--includes: | |
| 23 | {a)--all--land--except--that--specifically--included--in | |
| 24 | another--class; | |
| 25 | {b)--all--improvements--except--those--specifically | |

1 included-in-another-class;
 2 {c)--the-first-\$35,000-or-less-of-the-market-value-of
 3 any-improvement-on-real-property-and-appurtenant-land-not
 4 exceeding-5-acres-owned-or-under-contract-for-deed-and
 5 actually-occupied-for-at-least-10-months-a-year-as-the
 6 primary-residential-dwelling-of-any-person-whose-total
 7 income-from-all-sources-including-otherwise-tax-exempt
 8 income-of-all-types-is-not-more-than-\$10,000-for-a-single
 9 person-or-\$12,000-for-a-married-couple;
 10 {d)--all-golf-courses,including-land-and-improvements
 11 actually-and-necessarily-used-for-that-purpose,that-consist
 12 of-at-least-9-holes-and-not-less-than-3,000-linear-yards;
 13 {e)--all-land-together-with-improvements,not-devoted
 14 to-a-residential,commercial,industrial,agricultural,or
 15 timberland-use-if-the-land-contains-more-than-5-acres-and
 16 less-than-20-acres;
 17 {2)--Class-four-property-is-taxed-as-follows:
 18 {a)--Except-as-provided-in-15-24-1402-or-15-24-1501,
 19 property-described-in-subsections-(1)(a)-and-(1)(b)-is-taxed
 20 at-the-taxable-percentage-rate-"P"-of-its-market-value;
 21 {b)--Property-described-in-subsection-(1)(c)-is-taxed
 22 at-the-taxable-percentage-rate-"P"-of-its-market-value
 23 multiplied-by-a-percentage-figure-based-on-income-and
 24 determined-from-the-following-table:
 25

| Income | Income | Percentage |
|--------|--------|------------|
|--------|--------|------------|

| Single-Person | Married-Couple | Multiplier |
|-----------------|------------------|------------|
| -90-----\$1,000 | -90-----\$1,200 | -0% |
| 1,001----2,000 | 1,201----2,400 | 10% |
| 2,001----3,000 | 2,401----3,600 | 20% |
| 3,001----4,000 | 3,601----4,800 | 30% |
| 4,001----5,000 | 4,801----6,000 | 40% |
| 5,001----6,000 | 6,001----7,200 | 50% |
| 6,001----7,000 | 7,201----8,400 | 60% |
| 7,001----8,000 | 8,401----9,600 | 70% |
| 8,001----9,000 | 9,601----10,800 | 80% |
| 9,001----10,000 | 10,801----12,000 | 90% |

12 {c)--Property-described-in-subsection subsections
 13 (1)(d) and--(1)(e) is-taxed-at-one-half-the-taxable
 14 percentage-rate-"P"-established-in-subsection-(2)(a);
 15 {3)--Until-January-17-1986, the-taxable-percentage-rate
 16 "P"-for-class-four-property-is-8.55%;
 17 {4)--Prior-to-July-17-1986, the-department-of-revenue
 18 shall-determine-the-taxable-percentage-rate-"P"-applicable
 19 to-class-four-property-for-the-revaluation-cycle-beginning
 20 January-17-1986, as-follows:
 21 {a)--The-director-of-the-department-of-revenue-shall
 22 certify-to-the-governor-before-July-17-1986, the-percentage
 23 by-which-the-appraised-value-of-all-property-in-the-state
 24 classified-under-class-four-as-of-January-17-1986, has
 25 increased--due--to-the-revaluation-conducted-under-15-7-1117

1 This figure is the certified statewide percentage increase.
 2 (b) The taxable value of property in class four is
 3 determined as a function of the certified statewide
 4 percentage increase in accordance with the table shown
 5 below:

6 (c) This table limits the statewide increase in
 7 taxable valuation resulting from reappraisal to 0%. In
 8 calculating the percentage increase, the department may not
 9 consider changes resulting from new construction, additions,
 10 or deletions during calendar year 1985.

11 (d) The taxable percentage must be calculated by
 12 interpolation to coincide with the nearest whole number
 13 certified statewide percentage increase from the following
 14 table:

| 15 Certified-Statewide | Class-Four-Taxable |
|------------------------|--------------------|
| 16 Percentage-Increase | Percentage-"P" |
| 17 0 | 8.55 |
| 18 10 | 7.77 |
| 19 20 | 7.12 |
| 20 30 | 6.57 |
| 21 40 | 6.10 |
| 22 50 | 5.70 |
| 23 60 | 5.34 |
| 24 70 | 5.02 |
| 25 80 | 4.75 |

| 1 Certified-Statewide | Class-Four-Taxable |
|---|--------------------|
| 2 Percentage-Increase | Percentage-"P" |
| 3 90 | 4.50 |
| 4 100 | 4.27 |
| 5 110 | 4.07 |
| 6 120 | 3.88 |
| 7 130 | 3.71 |
| 8 140 | 3.56 |
| 9 150 | 3.42 |
| 10 160 | 3.28 |
| 11 170 | 3.16 |
| 12 180 | 3.05 |
| 13 190 | 2.94 |
| 14 200 | 2.85 |
| 15 210 | 2.75 |
| 16 220 | 2.67 |
| 17 230 | 2.59 |
| 18 240 | 2.51 |
| 19 250 | 2.44 |
| 20 260 | 2.37 |
| 21 270 | 2.31 |
| 22 280 | 2.25 |
| 23 290 | 2.19 |
| 24 300 | 2.13 |
| 25 (5) After July 1, 1986, no adjustment may be made by | |

the department to the taxable percentage rate "P" until a revaluation has been made as provided in 15-7-111.

(6) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2: Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

(1)(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection (1)(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(2) Parcels that do not meet the qualifications set out in subsection (1) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(3) Contiguous parcels of land containing less than 20 acres per parcel under differing ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as agricultural land each year that the parcels as one combined operating entity meet any of the qualifications in subsection (2).

(3)(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(4) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

(5) If land has been valued, assessed, and taxed as

~~agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.~~

~~(6) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) terminates January 1, 1991, see, 10, Ch. 601, B, 1985.)~~

SECTION 1. SECTION 15-7-202, MCA, IS AMENDED TO READ:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous or noncontiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.

(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 ~~\$1,000~~ \$1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set

out in subsection ~~(1)~~(2)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(2)~~(3) Parcels that do not meet the qualifications set out in subsection subsections (1) and (2) shall not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

~~(3)~~(4) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

~~(4)~~(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation.

~~(5)~~(6) If land has been valued, assessed, and taxed as agricultural land in any year, it shall continue to be so valued, assessed, and taxed until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

~~(6)~~(7) For the purposes of this part, growing timber is not an agricultural use. (Subsection (6) (now (7))

terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

SECTION 2. SECTION 15-6-144, MCA, IS AMENDED TO READ:

"15-6-144. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes all improvements on agricultural land--as-defined-in that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2). Class fourteen property includes 1 acre of real property beneath the agricultural improvements. The 1 acre shall be valued at market value.

(2) Class fourteen property is taxed at 80% of the taxable percentage applicable to class four property."

NEW-SECTION---SECTION-1---CLASS--EIGHTEEN--PROPERTY----

DESCRIPTION-----TAXABLE--PERCENTAGE-----{1}--CLASS--EIGHTEEN
PROPERTY--INCLUDES--PARCELS--OF--NONPRODUCTIVE-REAL-PROPERTY
CONTAINING-20-OR-MORE-CONTIGUOUS-ACRES-UNDER--ONE--OWNERSHIP
THAT--DO--NOT--QUALIFY--AS-AGRICULTURAL-LAND,--TIMBERLAND,--OR
COMMERCIAL-OR-INDUSTRIAL-PROPERTY.

{2}--IMPROVEMENTS--TO--CLASS--EIGHTEEN-PROPERTY--ARE--TAXED
AS-CLASS-FOUR-PROPERTY.

{3}--CLASS--EIGHTEEN--PROPERTY--IS--TAXED--AT--2%--OF--ITS
MARKET-VALUE.

NEW SECTION. SECTION 3. CLASS NINETEEN EIGHTEEN
PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS
NINETEEN EIGHTEEN PROPERTY INCLUDES PARCELS OF NONPRODUCTIVE
REAL PROPERTY CONTAINING LESS THAN 20 ACRES THAT ARE

PRECLUDED FROM BEING DEVELOPED FOR RESIDENTIAL, COMMERCIAL,
OR INDUSTRIAL PURPOSES BECAUSE OF SUBDIVISION OR ZONING
LAWS, REGULATIONS, OR ORDINANCES OR THAT ARE PRECLUDED FROM
BEING SO DEVELOPED FOR OTHER REASONS.

(2) IMPROVEMENTS TO CLASS NINETEEN EIGHTEEN PROPERTY
ARE TAXED AS CLASS FOUR PROPERTY.

(3) CLASS NINETEEN EIGHTEEN PROPERTY IS TAXED AT 2% OF
ITS MARKET VALUE.

NEW SECTION. SECTION 4. APPLICATION FOR
CLASSIFICATION AS CLASS NINETEEN EIGHTEEN PROPERTY. A PERSON
APPLYING FOR CLASSIFICATION OF PROPERTY AS CLASS NINETEEN
EIGHTEEN PROPERTY SHALL MAKE AN AFFIDAVIT TO THE DEPARTMENT
OF REVENUE, ON A FORM PROVIDED BY THE DEPARTMENT WITHOUT
COST, STATING:

(1) THAT THE PROPERTY IS PRECLUDED FROM BEING
DEVELOPED FOR RESIDENTIAL, COMMERCIAL, OR INDUSTRIAL
PURPOSES BECAUSE OF SUBDIVISION OR ZONING LAWS, REGULATIONS,
OR ORDINANCES OR FOR OTHER REASONS;

(2) WHAT LAW, REGULATION, OR ORDINANCE OR OTHER REASON
PRECLUDES SUCH USE;

(3) WHAT DETERMINATIONS, IF ANY, BY A GOVERNMENTAL
ENTITY HAVE BEEN MADE TO SUBSTANTIATE THE APPLICATION FOR
CLASSIFICATION AS CLASS NINETEEN EIGHTEEN PROPERTY; AND

(4) SUCH OTHER INFORMATION AS IS RELEVANT TO THE
APPLICATION OR AS MAY BE REQUIRED BY THE DEPARTMENT.

SECTION 5. 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) 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 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) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2 SECTION 3 SECTIONS 1 AND 2], except:

(a) the wholesale value for agricultural implements

and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

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

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

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen EIGHTEEN is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2 SECTION 3 SECTIONS 1 AND 2].

(6) 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 assessed at 100% of the productive capacity of the lands

when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when 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. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. SECTION 6. CODIFICATION INSTRUCTION.
SECTIONS 1-THROUGH 3 AND 4 ARE INTENDED TO BE CODIFIED AS AN
INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE

PROVISIONS OF TITLE 15 APPLY TO SECTIONS 1-THROUGH 3 AND 4.

NEW SECTION. Section 7. Application deadline for reduction in 1986 valuation. Notwithstanding the provisions of 15-15-102, the application deadline for reduction in 1986 taxable valuations is August 1, 1986, OR 15 DAYS AFTER RECEIPT BY THE TAXPAYER OF A REVISED NOTICE OF CLASSIFICATION AND APPRAISAL, WHICHEVER IS LATER.

NEW SECTION. SECTION 8. LAND VALUED IN EXCESS OF AVERAGE COUNTY LAND VALUE -- RENOTIFICATION TO TAXPAYER. FOR PERSONS PAYING TAXES ON REAL PROPERTY CONTAINING MORE THAN 5 ACRES BUT LESS THAN 20 ACRES, THE DEPARTMENT OF REVENUE SHALL NOTIFY EACH TAXPAYER WHOSE LAND VALUE FOR 1986 DUE TO RECLASSIFICATION TO CLASS FOUR BY APPLICATION OF 15-7-202 EXCEEDS THE AVERAGE VALUE PER ACRE FOR SUCH LAND IN THE TAXPAYER'S COUNTY. THE NEW NOTICE MUST FULLY INFORM THE TAXPAYER AS TO THE REASONS FOR THE NEW NOTICE, INCLUDING THE CAUSE OF THE INCREASE IN VALUE, THE RIGHT TO APPEAL TO THE COUNTY TAX APPEAL BOARD, AND THE EXTENSION OF TIME FOR APPEAL.

NEW SECTION. Section 9. 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 10. Applicability. This act applies retroactively, within the meaning of 1-2-109, to

- 1 taxable years beginning after December 31, 1985.
- 2 NEW SECTION. Section 11. Effective date. This act is
- 3 effective on passage and approval.

-End-