

SB 21 INTRODUCED BY ED SMITH, STEPHENS, MCCALLUM,
 HIRSCH, ET AL.
REPLACE LIGHT VEHICLE FEE SYSTEM WITH PROPERTY TAX

6/24 INTRODUCED
6/24 REFERRED TO TAXATION
6/26 HEARING
6/26 TABLED IN COMMITTEE

1
2 INTRODUCTION BY SB BILL NO. 21
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REPLACE THE LIGHT
5 VEHICLE FEE SYSTEM WITH A PROPERTY TAX; AMENDING SECTIONS
6 7-1-2111, 15-6-201, 15-8-201, 15-8-202, 15-24-101,
7 15-24-105, 15-24-301, 15-30-121, 15-31-114, 15-50-207,
8 20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, 20-10-144,
9 61-3-303, 61-3-332, 61-3-501 THROUGH 61-3-504, 61-3-509,
10 61-3-531, 61-3-533, 61-3-534, 61-3-701, AND 61-6-302, MCA;
11 REPEALING SECTIONS 7-6-301 THROUGH 7-6-309, 61-3-532,
12 61-3-533, 61-3-535, AND 61-3-536, MCA; AND PROVIDING
13 EFFECTIVE DATES, A TERMINATION DATE, AND AN APPLICABILITY
14 DATE."
15
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
17 Section 1. Section 7-1-2111, MCA, is amended to read:
18 "7-1-2111. Classification of counties. (1) For the
19 purpose of regulating the compensation and salaries of all
20 county officers, not otherwise provided for, and for fixing
21 the penalties of officers' bonds, the several counties of
22 this state shall be classified according to that percentage
23 of the true and full valuation of the property therein upon
24 which the tax levy is made, as follows:
25 (a) first class--all counties having such a taxable

1 valuation of \$50 million or over;
2 (b) second class--all counties having such a taxable
3 valuation of more than \$30 million and less than \$50
4 million;
5 (c) third class--all counties having such a taxable
6 valuation of more than \$20 million and less than \$30
7 million;
8 (d) fourth class--all counties having such a taxable
9 valuation of more than \$15 million and less than \$20
10 million;
11 (e) fifth class--all counties having such a taxable
12 valuation of more than \$10 million and less than \$15
13 million;
14 (f) sixth class--all counties having such a taxable
15 valuation of more than \$5 million and less than \$10 million;
16 (g) seventh class--all counties having such a taxable
17 valuation of less than \$5 million.
18 (2) As used in this section, taxable valuation means
19 the taxable value of taxable property in the county as of
20 the time of determination plus:
21 (a)--that portion of the taxable value of the county on
22 December 31, 1981, attributable to automobiles and trucks
23 having a rated capacity of three-quarters of a ton or less;
24 and
25 (b) the amount of new production taxes levied, as

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1 provided in 15-23-607, divided by the appropriate tax rates
2 described in 15-23-607(2)(a) or (2)(b) and multiplied by
3 60%."

4 Section 2. Section 15-6-201, MCA, is amended to read:

5 "15-6-201. Exempt categories. (1) The following
6 categories of property are exempt from taxation:

7 (a) the property of:

8 (i) the United States, the state, counties, cities,
9 towns, school districts, except, if congress passes
10 legislation that allows the state to tax property owned by
11 an agency created by congress to transmit or distribute
12 electrical energy, the property constructed, owned, or
13 operated by a public agency created by the congress to
14 transmit or distribute electric energy produced at privately
15 owned generating facilities (not including rural electric
16 cooperatives);

17 (ii) irrigation districts organized under the laws of
18 Montana and not operating for profit;

19 (iii) municipal corporations; and

20 (iv) public libraries;

21 (b) buildings, with land they occupy and furnishings
22 therein, owned by a church and used for actual religious
23 worship or for residences of the clergy, together with
24 adjacent land reasonably necessary for convenient use of
25 such buildings;

1 (c) property used exclusively for agricultural and
2 horticultural societies, for educational purposes, and for
3 hospitals;

4 (d) property that meets the following conditions:

5 (i) is owned and held by any association or
6 corporation organized under Title 35, chapter 2, 3, 20, or
7 21;

8 (ii) is devoted exclusively to use in connection with a
9 cemetery or cemeteries for which a permanent care and
10 improvement fund has been established as provided for in
11 Title 35, chapter 20, part 3; and

12 (iii) is not maintained and operated for private or
13 corporate profit;

14 (e) institutions of purely public charity;

15 (f) evidence of debt secured by mortgages of record
16 upon real or personal property in the state of Montana;

17 (g) public art galleries and public observatories not
18 used or held for private or corporate profit;

19 (h) all household goods and furniture, including but
20 not limited to clocks, musical instruments, sewing machines,
21 and wearing apparel of members of the family, used by the
22 owner for personal and domestic purposes or for furnishing
23 or equipping the family residence;

24 (i) a truck canopy cover or topper weighing less than
25 300 pounds and having no accommodations attached. Such

1 property is also exempt from the fee in lieu of tax.

2 (j) a bicycle, as defined in 61-1-123, used by the

3 owner for personal transportation purposes;

4 ~~{k)--automobiles--and--trucks--having--a--rated--capacity--of~~

5 ~~three-quarters-of-a-ton-or-less;~~

6 ~~{i}{k}~~ motorcycles and quadricycles;

7 ~~{m}{l}~~ fixtures, buildings, and improvements owned by

8 a cooperative association or nonprofit corporation organized

9 to furnish potable water to its members or customers for

10 uses other than the irrigation of agricultural land;

11 ~~{n}{m}~~ the right of entry that is a property right

12 reserved in land or received by mesne conveyance (exclusive

13 of leasehold interests), devise, or succession to enter land

14 whose surface title is held by another to explore, prospect,

15 or dig for oil, gas, coal, or minerals;

16 ~~{o}{n}~~ property owned and used by a corporation or

17 association organized and operated exclusively for the care

18 of the developmentally disabled, mentally ill, or

19 vocationally handicapped as defined in 18-5-101, which is

20 not operated for gain or profit; and

21 ~~{p}{c}~~ all farm buildings with a market value of less

22 than \$500 and all agricultural implements and machinery with

23 a market value of less than \$100.

24 (2) (a) The term "institutions of purely public

25 charity" includes organizations owning and operating

1 facilities for the care of the retired or aged or

2 chronically ill, which are not operated for gain or profit.

3 (b) The terms "public art galleries" and "public

4 observatories" include only those art galleries and

5 observatories, whether of public or private ownership, that

6 are open to the public without charge at all reasonable

7 hours and are used for the purpose of education only.

8 (3) The following portions of the appraised value of a

9 capital investment made after January 1, 1979, in a

10 recognized nonfossil form of energy generation, as defined

11 in 15-32-102, are exempt from taxation for a period of 10

12 years following installation of the property:

13 (a) \$20,000 in the case of a single-family residential

14 dwelling;

15 (b) \$100,000 in the case of a multifamily residential

16 dwelling or a nonresidential structure."

17 Section 3. Section 15-8-201, MCA, is amended to read:

18 "15-8-201. General assessment day. (1) The department

19 of revenue or its agent must, between January 1 and the

20 second Monday of July in each year, ascertain the names of

21 all taxable inhabitants and assess all property subject to

22 taxation in each county. The department or its agent must

23 assess property to the person by whom it was owned or

24 claimed or in whose possession or control it was at midnight

25 of January 1 next preceding. It must also ascertain and

1 assess all mobile homes arriving in the county after
2 midnight of January 1 next preceding. No mistake in the name
3 of the owner or supposed owner of real property, however,
4 renders the assessment invalid.

5 (2) The procedure provided by this section may not
6 apply to:

7 (a) motor vehicles that are required by 15-8-202 to be
8 assessed on January 1 or upon their anniversary registration
9 date;

10 ~~(b)--automobiles-and-trucks-having-a-rated-capacity--of~~
11 ~~three-quarters-of-a-ton-or-less;~~

12 ~~(c)~~(b) motor homes and travel trailers subject to a
13 fee in lieu of property tax;

14 ~~(d)~~(c) motorcycles and quadricycles;

15 ~~(e)~~(d) livestock;

16 ~~(f)~~(e) property defined in 61-1-104 as "special mobile
17 equipment" that is subject to assessment for personal
18 property taxes on the date that application is made for a
19 special mobile equipment plate; and

20 ~~(g)~~(f) mobile homes held by a distributor or dealer of
21 mobile homes as a part of his stock in trade.

22 (3) Credits must be assessed as provided in
23 15-1-101(1)(d)."

24 Section 4. Section 15-8-202, MCA, is amended to read:

25 "15-8-202. Motor vehicle assessment. (1) The

1 department or its agent must, in each year, ascertain and
2 assess all motor vehicles other than ~~automobiles--trucks~~
3 ~~having--a-rated-capacity-of-three-quarters-of-a-ton-or-less,~~
4 motorcycles, quadricycles, motor homes, travel trailers, or
5 mobile homes in each county subject to taxation as of
6 January 1 or as of the anniversary registration date of
7 those vehicles subject to 61-3-313 through 61-3-316 and
8 61-3-501. The assessment for all motor vehicles will be made
9 using the market value as of January 1 of the year of
10 assessment of the vehicle as contained in the most recent
11 volume of the Mountain States Edition of the National
12 Automobile Dealers Association Official Used Car Guide. The
13 motor vehicles shall be assessed in each year to the persons
14 by whom owned or claimed or in whose possession or control
15 they were at midnight of January 1 or the anniversary
16 registration date thereof, whichever is applicable.

17 (2) No tax may be assessed against motor vehicles
18 subject to taxation that constitute inventory of motor
19 vehicle dealers as of January 1. These vehicles and all
20 other motor vehicles subject to taxation brought into the
21 state subsequent to January 1 as motor vehicle dealers'
22 inventories shall be assessed to their respective purchasers
23 as of the dates the vehicles are registered by the
24 purchasers.

25 (3) "Purchasers" includes dealers who apply for

1 registration or reregistration of motor vehicles, except as
2 otherwise provided by 61-3-502.

3 (4) Goods, wares, and merchandise of motor vehicle
4 dealers, other than new motor vehicles and new mobile homes,
5 shall be assessed at market value as of January 1."

6 Section 5. Section 15-24-101, MCA, is amended to read:

7 "15-24-101. Assessment of proportionally registered
8 interstate motor vehicle fleets -- tax payment required for
9 registration. (1) The department of revenue shall assess,
10 for the purpose of personal property taxes, the taxable
11 vehicles in interstate motor vehicle fleets proportionally
12 registered under the provisions of 61-3-711 through
13 61-3-733, and the assessment shall be apportioned on the
14 ratio of total miles traveled to in-state miles traveled
15 formula as prescribed by 61-3-721. Interstate motor vehicle
16 fleets are assessable for taxation purposes upon application
17 for proportional registration and are assessed to the
18 persons who own or claim or in whose possession or control
19 the fleet is at the time of the application.

20 (2) With respect to any fleet contained in an original
21 application which has a situs for purpose of property
22 taxation in Montana by the terms of this part or any other
23 provision of the laws of Montana between January 1 and April
24 1, the taxable vehicles are taxed for a full year. With
25 respect to any fleet contained in an original application

1 which acquires a situs for the purpose of property taxation
2 in Montana under the provisions of this part or any other
3 law of the state of Montana after April 1, the taxes on
4 taxable vehicles are apportioned as provided in 15-24-303.

5 (3) With respect to any fleet contained in a renewal
6 application, the taxable vehicles are assessed and taxed for
7 a full year.

8 (4) Automobiles and trucks having a rated capacity of
9 three-quarters of a ton or less that are part of an
10 interstate motor vehicle fleet are subject to ~~the light~~
11 ~~vehicle-license-fee-imposed-by-61-3-532~~ property tax. If the
12 fleet is proportionally registered, the fee tax is
13 apportioned in the same fashion as the registration fee
14 under 61-3-721.

15 (5) Vehicles contained in a fleet for which current
16 taxes, fees, or both have been assessed and paid shall not
17 be assessed or charged fees under this section upon
18 presentation to the department of proof of payment of taxes,
19 or fees, or both for the current registration year. The
20 payment of personal property taxes, fees, or both, is a
21 condition precedent to proportional registration or
22 reregistration of an interstate motor vehicle fleet."

23 Section 6. Section 15-24-105, MCA, is amended to read:

24 "15-24-105. Deposit and distribution of taxes and fees
25 on proportionally registered fleets. The personal property

1 taxes and license fees collected under this part shall be
2 deposited with the state treasurer for distribution to the
3 general fund of each county on the following basis:

4 (1) for personal property taxes, according to the
5 ratio of the taxable valuation of each county to the total
6 state taxable valuation; and

7 (2) for ~~light~~ vehicle license fees, according to the
8 ratio of ~~light~~ vehicle license fees, other than fees derived
9 from interstate motor vehicle fleets, collected in each
10 county to the sum of all such fees collected in all the
11 counties."

12 Section 7. Section 15-24-301, MCA, is amended to read:

13 "15-24-301. Personal property brought into the state
14 -- assessment -- exceptions -- custom combine equipment. (1)
15 Except as provided in subsections (2) through (6), property
16 in the following cases is subject to taxation and assessment
17 for all taxes levied that year in the county in which it is
18 located:

19 (a) any personal property (including livestock)
20 brought, driven, or coming into this state at any time
21 during the year that is used in the state for hire,
22 compensation, or profit;

23 (b) property whose owner or user is engaged in gainful
24 occupation or business enterprise in the state; or

25 (c) property which comes to rest and becomes a part of

1 the general property of the state.

2 (2) The taxes on this property are levied in the same
3 manner and to the same extent, except as otherwise provided,
4 as though the property had been in the county on the regular
5 assessment date, provided that the property has not been
6 regularly assessed for the year in some other county of the
7 state.

8 (3) Nothing in this section shall be construed to levy
9 a tax against a merchant or dealer within this state on
10 goods, wares, or merchandise brought into the county to
11 replenish the stock of the merchant or dealer.

12 (4) Any motor vehicle not subject to ~~the-light-vehicle~~
13 ~~license--fee--or~~ a fee in lieu of tax brought, driven, or
14 coming into this state by any nonresident person temporarily
15 employed in Montana and used exclusively for transportation
16 of such person is subject to taxation and assessment for
17 taxes as follows:

18 (a) The motor vehicle is taxed by the county in which
19 it is located.

20 (b) One-fourth of the annual tax liability of the
21 motor vehicle must be paid for each quarter or portion of a
22 quarter of the year that the motor vehicle is located in
23 Montana.

24 (c) The quarterly taxes are due the first day of the
25 quarter.

1 (5) Agricultural harvesting machinery classified under
 2 class eight, licensed in other states, and operated on the
 3 lands of persons other than the owner of the machinery under
 4 contracts for hire shall be subject to a fee in lieu of
 5 taxation of \$35 per machine for the calendar year in which
 6 the fee is collected. The machines shall be subject to
 7 taxation under class eight only if they are sold in Montana.

8 (6) The provisions of this part do not apply to
 9 ~~automobiles--and--trucks--having---a---rated---capacity---of~~
 10 ~~three-quarters---of---a---ton---or---less; motorcycles; or~~
 11 ~~quadracycles.~~ These vehicles are subject to the fee provided
 12 for in 61-3-532 or 61-3-541."

13 Section 8. Section 15-30-121, MCA, is amended to read:

14 "15-30-121. Deductions allowed in computing net
 15 income. In computing net income, there are allowed as
 16 deductions:

17 (1) the items referred to in sections 161 and 211 of
 18 the Internal Revenue Code of 1954, or as sections 161 and
 19 211 shall be labeled or amended, subject to the following
 20 exceptions which are not deductible:

21 (a) items provided for in 15-30-123;
 22 (b) state income tax paid;
 23 (2) federal income tax paid within the taxable year;
 24 (3) expenses of household and dependent care services
 25 as outlined in subsections (3)(a) through (3)(c) and subject

1 to the limitations and rules as set out in subsections
 2 (3)(d) through (3)(f) as follows:

3 (a) expenses for household and dependent care services
 4 necessary for gainful employment incurred for:

5 (i) a dependent under 15 years of age for whom an
 6 exemption can be claimed;

7 (ii) a dependent as allowable under 15-30-112(5),
 8 except that the limitations for age and gross income do not
 9 apply, who is unable to care for himself because of physical
 10 or mental illness; and

11 (iii) a spouse who is unable to care for himself
 12 because of physical or mental illness;

13 (b) employment-related expenses incurred for the
 14 following services, but only if such expenses are incurred
 15 to enable the taxpayer to be gainfully employed:

16 (i) household services which are attributable to the
 17 care of the qualifying individual; and

18 (ii) care of an individual who qualifies under
 19 subsection (3)(a);

20 (c) expenses incurred in maintaining a household if
 21 over half of the cost of maintaining the household is
 22 furnished by an individual or, if the individual is married
 23 during the applicable period, is furnished by the individual
 24 and his spouse;

25 (d) the amounts deductible in subsection (3)(a)

1 through (3)(c) are subject to the following limitations:

2 (i) a deduction is allowed under subsection (3)(a) for

3 employment-related expenses incurred during the year only to

4 the extent such expenses do not exceed \$4,800;

5 (ii) expenses for services in the household are

6 deductible under subsection (3)(a) for employment-related

7 expenses only if they are incurred for services in the

8 taxpayer's household, except that employment-related

9 expenses incurred for services outside the taxpayer's

10 household are deductible, but only if incurred for the care

11 of a qualifying individual described in subsection (3)(a)(i)

12 and only to the extent such expenses incurred during the

13 year do not exceed:

14 (A) \$2,400 in the case of one qualifying individual;

15 (B) \$3,600 in the case of two qualifying individuals;

16 and

17 (C) \$4,800 in the case of three or more qualifying

18 individuals;

19 (e) if the combined adjusted gross income of the

20 taxpayers exceeds \$18,000 for the taxable year during which

21 the expenses are incurred, the amount of the

22 employment-related expenses incurred must be reduced by

23 one-half of the excess of the combined adjusted gross income

24 over \$18,000;

25 (f) for purposes of this subsection (3):

1 (i) married couples shall file a joint return or file

2 separately on the same form;

3 (ii) if the taxpayer is married during any period of

4 the taxable year, employment-related expenses incurred are

5 deductible only if:

6 (A) both spouses are gainfully employed on a

7 substantially full-time basis; or

8 (B) the spouse is a qualifying individual described in

9 subsection (3)(a)(iii);

10 (iii) an individual legally separated from his spouse

11 under a decree of divorce or of separate maintenance may not

12 be considered as married;

13 (iv) the deduction for employment-related expenses must

14 be divided equally between the spouses when filing

15 separately on the same form;

16 (v) payment made to a child of the taxpayer who is

17 under 19 years of age at the close of the taxable year and

18 payments made to an individual with respect to whom a

19 deduction is allowable under 15-30-112(5) are not deductible

20 as employment-related expenses;

21 (4) in the case of an individual, political

22 contributions determined in accordance with the provisions

23 of section 218(a) and (b) of the Internal Revenue Code that

24 were in effect for the taxable year ended December 31, 1978;

25 (5) that portion of expenses for organic fertilizer

1 allowed as a deduction under 15-32-303 which was not
2 otherwise deducted in computing taxable income;

3 ~~(6)--light--vehicle--license--fees;--as---provided---by~~
4 ~~61-3-532;--paid-during-the-taxable-year;~~

5 ~~(7)(6)~~ fees in lieu of taxes on motorcycles and
6 quadricycles, as provided by 61-3-541, paid during the
7 taxable year; and

8 ~~(8)(7)~~ contributions to the child abuse and neglect
9 prevention program provided for in 41-3-701, subject to the
10 conditions set forth in 15-30-156."

11 Section 9. Section 15-31-114, MCA, is amended to read:

12 "15-31-114. Deductions allowed in computing income. In
13 computing the net income, the following deductions shall be
14 allowed from the gross income received by such corporation
15 within the year from all sources:

16 (1) All the ordinary and necessary expenses paid or
17 incurred during the taxable year in the maintenance and
18 operation of its business and properties, including
19 reasonable allowance for salaries for personal services
20 actually rendered, subject to the limitation hereinafter
21 contained, rentals or other payments required to be made as
22 a condition to the continued use or possession of property
23 to which the corporation has not taken or is not taking
24 title or in which it has no equity. No deduction shall be
25 allowed for salaries paid upon which the recipient thereof

1 has not paid Montana state income tax; provided, however,
2 that where domestic corporations are taxed on income derived
3 from without the state, salaries of officers paid in
4 connection with securing such income shall be deductible.

5 (2) (a) All losses actually sustained and charged off
6 within the year and not compensated by insurance or
7 otherwise, including a reasonable allowance for the wear and
8 tear and obsolescence of property used in the trade or
9 business, such allowance to be determined according to the
10 provisions of section 167 of the Internal Revenue Code in
11 effect with respect to the taxable year. All elections for
12 depreciation shall be the same as the elections made for
13 federal income tax purposes. No deduction shall be allowed
14 for any amount paid out for any buildings, permanent
15 improvements, or betterments made to increase the value of
16 any property or estate, and no deduction shall be made for
17 any amount of expense of restoring property or making good
18 the exhaustion thereof for which an allowance is or has been
19 made.

20 (b) (i) There shall be allowed as a deduction for the
21 taxable period a net operating loss deduction determined
22 according to the provisions of this subsection. The net
23 operating loss deduction is the aggregate of net operating
24 loss carryovers to such taxable period plus the net
25 operating loss carrybacks to such taxable period. The term

1 "net operating loss" means the excess of the deductions
 2 allowed by this section, 15-31-114, over the gross income,
 3 with the modifications specified in (ii) of this subsection.
 4 If for any taxable period beginning after December 31, 1970,
 5 a net operating loss is sustained, such loss shall be a net
 6 operating loss carryback to each of the three taxable
 7 periods preceding the taxable period of such loss and shall
 8 be a net operating loss carryover to each of the five
 9 taxable periods following the taxable period of such loss. A
 10 net operating loss for any taxable period ending after
 11 December 31, 1975, in addition to being a net operating loss
 12 carryback to each of the three preceding taxable periods,
 13 shall be a net operating loss carryover to each of the seven
 14 taxable periods following the taxable period of such loss.
 15 The portion of such loss which shall be carried to each of
 16 the other taxable years shall be the excess, if any, of the
 17 amount of such loss over the sum of the net income for each
 18 of the prior taxable periods to which such loss was carried.
 19 For purposes of the preceding sentence, the net income for
 20 such prior taxable period shall be computed with the
 21 modifications specified in (ii)(B) of this subsection and by
 22 determining the amount of the net operating loss deduction
 23 without regard to the net operating loss for the loss period
 24 or any taxable period thereafter, and the net income so
 25 computed shall not be considered to be less than zero.

1 (ii) The modifications referred to in (i) of this
 2 subsection shall be as follows:
 3 (A) No net operating loss deduction shall be allowed.
 4 (B) The deduction for depletion shall not exceed the
 5 amount which would be allowable if computed under the cost
 6 method.
 7 (C) Any net operating loss carried over to any taxable
 8 years beginning after December 31, 1978, must be calculated
 9 under the provisions of this section effective for the
 10 taxable year for which the return claiming the net operating
 11 loss carryover is filed.
 12 (iii) A net operating loss deduction shall be allowed
 13 only with regard to losses attributable to the business
 14 carried on within the state of Montana.
 15 (iv) In the case of a merger of corporations, the
 16 surviving corporation shall not be allowed a net operating
 17 loss deduction for net operating losses sustained by the
 18 merged corporations prior to the date of merger. In the case
 19 of a consolidation of corporations, the new corporate entity
 20 shall not be allowed a deduction for net operating losses
 21 sustained by the consolidated corporations prior to the date
 22 of consolidation.
 23 (v) Notwithstanding the provisions of 15-31-531,
 24 interest shall not be paid with respect to a refund of tax
 25 resulting from a net operating loss carryback or carryover.

(vi) The net operating loss deduction shall not be allowed with respect to taxable periods which ended on or before December 31, 1970, but shall be allowed only with respect to taxable periods beginning on or after January 1, 1971.

(3) In the case of mines, other natural deposits, oil and gas wells, and timber, a reasonable allowance for depletion and for depreciation of improvements; such reasonable allowance to be determined according to the provisions of the Internal Revenue Code in effect for the taxable year. All elections made under the Internal Revenue Code with respect to capitalizing or expensing exploration and development costs and intangible drilling expenses for corporation license tax purposes shall be the same as the elections made for federal income tax purposes.

(4) The amount of interest paid within the year on its indebtedness incurred in the operation of the business from which its income is derived; but no interest shall be allowed as a deduction if paid on an indebtedness created for the purchase, maintenance, or improvement of property or for the conduct of business unless the income from such property or business would be taxable under this part.

(5) (a) Taxes paid within the year, except the following:

(i) Taxes imposed by this part.

(ii) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed.

(iii) Taxes on or according to or measured by net income or profits imposed by authority of the government of the United States.

(iv) Taxes imposed by any other state or country upon or measured by net income or profits.

(b) Taxes deductible under this part shall be construed to include taxes imposed by any county, school district, or municipality of this state.

(6) ~~Eight--vehicle--license--fees,--as--provided--by 61-3-5327--and--fees~~ Fees in lieu of taxes for motorcycles and quadricycles, as provided by 61-3-541, paid within the year.

(7) That portion of an energy-related investment allowed as a deduction under 15-32-103.

(8) (a) Except as provided in subsection (b), charitable contributions and gifts that qualify for deduction under section 170 of the Internal Revenue Code, as amended.

(b) The public service commission shall not allow in the rate base of a regulated corporation the inclusion of contributions made under this subsection.

(9) In lieu of the deduction allowed under subsection (8), the taxpayer may deduct the fair market value, not to exceed 30% of the taxpayer's net income, of a computer or

1 other sophisticated technological equipment or apparatus
2 intended for use with the computer donated to an elementary,
3 secondary, or accredited postsecondary school located in
4 Montana if:

5 (a) the contribution is made no later than 5 years
6 after the manufacture of the donated property is
7 substantially completed;

8 (b) the property is not transferred by the donee in
9 exchange for money, other property, or services; and

10 (c) the taxpayer receives a written statement from the
11 donee in which the donee agrees to accept the property and
12 representing that the use and disposition of the property
13 will be in accordance with the provisions of (b) of this
14 subsection (9)."

15 Section 10. Section 15-50-207, MCA, is amended to
16 read:

17 "15-50-207. Credit against other taxes -- credit for
18 personal property taxes and certain fees. (1) The additional
19 license fees withheld or otherwise paid as provided herein
20 may be used as a credit on the contractor's corporation
21 license tax provided for in chapter 31 of this title or on
22 the contractor's income tax provided for in chapter 30,
23 depending upon the type of tax the contractor is required to
24 pay under the laws of the state.

25 (2) Personal property taxes, or fees in lieu of taxes

1 on motorcycles or quadricycles, ~~or~~ ~~light~~ ~~vehicle~~ ~~license~~
2 ~~fees as provided by 61-3-532~~ paid in Montana on any personal
3 property of the contractor which is used in the business of
4 the contractor and is located within this state may be
5 credited against the license fees required under this
6 chapter. However, in computing the tax credit allowed by
7 this section against the contractor's corporation license
8 tax or income tax, the personal property tax ~~or~~ ~~light~~
9 ~~vehicle~~ ~~license~~ ~~fee~~ credit against the license fees herein
10 required shall not be considered as license fees paid for
11 the purpose of such income tax or corporation license tax
12 credit."

13 Section 11. Section 20-9-141, MCA, is amended to read:

14 "20-9-141. Computation of general fund net levy
15 requirement by county superintendent. (1) The county
16 superintendent shall compute the levy requirement for each
17 district's general fund on the basis of the following
18 procedure:

19 (a) Determine the total of the funding required for
20 the district's final general fund budget less the amount
21 established by the schedules in 20-9-316 through 20-9-321 by
22 totaling:

23 (i) the district's nonisolated school foundation
24 program requirement to be met by a district levy as provided
25 in 20-9-303;

1 (ii) the district's permissive levy amount as provided
2 in 20-9-352; and

3 (iii) any general fund budget amount adopted by the
4 trustees of the district under the provisions of 20-9-353,
5 including any additional levies authorized by the electors
6 of the district.

7 (b) Determine the total of the moneys available for
8 the reduction of the property tax on the district for the
9 general fund by totaling:

10 (i) anticipated federal moneys received under the
11 provisions of Title I of Public Law 81-874 or other
12 anticipated federal moneys received in lieu of such federal
13 act;

14 (ii) anticipated tuition payments for out-of-district
15 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,
16 and 20-5-313;

17 (iii) general fund cash reappropriated, as established
18 under the provisions of 20-9-104;

19 (iv) anticipated or reappropriated state impact aid
20 received under the provisions of 20-9-304;

21 ~~(v) anticipated or reappropriated motor vehicle fees~~
22 ~~and reimbursement under the provisions of 61-3-532 and~~
23 ~~61-3-536;~~

24 ~~(vi) (v)~~ anticipated net proceeds taxes for new
25 production, as defined in 15-23-601;

1 ~~(viii) (vi)~~ anticipated interest to be earned or
2 reappropriated interest earned by the investment of general
3 fund cash in accordance with the provisions of 20-9-213(4);
4 and

5 ~~(viii) (vii)~~ any other revenue anticipated by the
6 trustees to be received during the ensuing school fiscal
7 year which may be used to finance the general fund.

8 (c) Subtract the total of the moneys available to
9 reduce the property tax required to finance the general fund
10 that has been determined in subsection (1)(b) from the total
11 requirement determined in subsection (1)(a).

12 (2) The net general fund levy requirement determined
13 in subsection (1)(c) shall be reported to the county
14 commissioners on the second Monday of August by the county
15 superintendent as the general fund levy requirement for the
16 district, and a levy shall be made by the county
17 commissioners in accordance with 20-9-142."

18 Section 12. Section 20-9-331, MCA, is amended to read:

19 "20-9-331. Basic county tax and other revenues for
20 county equalization of the elementary district foundation
21 program. (1) It shall be the duty of the county
22 commissioners of each county to levy an annual basic tax of
23 28 mills on the dollars of the taxable value of all taxable
24 property within the county for the purposes of local and
25 state foundation program support. The revenue to be

collected from this levy shall be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated revenues identified in subsection (2) below shall be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county treasurer shall remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, immediately upon occurrence of a surplus balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be

kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

(a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for the common school fund under the provisions of 17-3-222;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of 17-3-232;

(c) all money paid into the county treasury as a result of fines for violations of law and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for the various sources of revenue established or referred to in this section;

(e) any federal or state money ~~including anticipated or-reappropriated-motor-vehicle-fees-and-reimbursement-under the-provisions-of-61-3-532-and-61-3-536~~, distributed to the county as payment in lieu of the property taxation established by the county levy required by this section; and

(f) net proceeds taxes for new production, as defined in 15-23-601."

Section 13. Section 20-9-333, MCA, is amended to read:

"20-9-333. Basic special levy and other revenues for

1 county equalization of high school district foundation
 2 program. (1) It shall be the duty of the county
 3 commissioners of each county to levy an annual basic special
 4 tax for high schools of 17 mills on the dollar of the
 5 taxable value of all taxable property within the county for
 6 the purposes of local and state foundation program support.
 7 The revenue to be collected from this levy shall be
 8 apportioned to the support of the foundation programs of
 9 high school districts in the county and to the state special
 10 revenue fund, state equalization aid account, in the
 11 following manner:

12 (a) In order to determine the amount of revenue raised
 13 by this levy which is retained by the county, the estimated
 14 revenues identified in subsections (2)(a) and (2)(b) below
 15 shall be subtracted from the sum of the county's high school
 16 tuition obligation and the total of the foundation programs
 17 of all high school districts of the county.

18 (b) If the basic levy prescribed by this section
 19 produces more revenue than is required to finance the
 20 difference determined above, the county treasurer shall
 21 remit the surplus to the state treasurer for deposit to the
 22 state special revenue fund, state equalization aid account,
 23 immediately upon occurrence of a surplus balance and each
 24 subsequent month thereafter, with any final remittance due
 25 no later than June 20 of the fiscal year for which the levy

1 has been set.

2 (2) The proceeds realized from the county's portion of
 3 the levy prescribed in this section and the revenues from
 4 the following sources shall be used for the equalization of
 5 the high school district foundation programs of the county
 6 as prescribed in 20-9-334, and a separate accounting shall
 7 be kept of these proceeds by the county treasurer in
 8 accordance with 20-9-212(1):

9 (a) any money remaining at the end of the immediately
 10 preceding school fiscal year in the county treasurer's
 11 accounts for the various sources of revenue established in
 12 this section;

13 (b) any federal or state moneys ~~including anticipated~~
 14 ~~or-reappropriated-motor-vehicle-fees-and-reimbursement-under~~
 15 ~~the--provisions-of-61-3-532-and-61-3-536,~~ distributed to the
 16 county as a payment in lieu of the property taxation
 17 established by the county levy required by this section; and

18 (c) net proceeds taxes for new production, as defined
 19 in 15-23-601."

20 Section 14. Section 20-9-352, MCA, is amended to read:

21 "20-9-352. Permissive amount and permissive levy. (1)
 22 Whenever the trustees of any district shall deem it
 23 necessary to adopt a general fund budget in excess of the
 24 foundation program amount but not in excess of the maximum
 25 general fund budget amount for such district as established

1 by the schedules in 20-9-316 through 20-9-321, the trustees
 2 shall adopt a resolution stating the reasons and purposes
 3 for exceeding the foundation program amount. Such excess
 4 above the foundation program amount shall be known as the
 5 "permissive amount", and it shall be financed by a levy on
 6 the taxable value of all taxable property within the
 7 district as prescribed in 20-9-141, supplemented with any
 8 biennial appropriation by the legislature for this purpose.
 9 The proceeds of such an appropriation shall be deposited to
 10 the state special revenue fund, permissive account.

11 (2) The district levies to be set for the purpose of
 12 funding the permissive amount are determined as follows:

13 (a) For each elementary school district, the county
 14 commissioners shall annually set a levy not exceeding 6
 15 mills on all the taxable property in the district for the
 16 purpose of funding the permissive amount of the district.
 17 The permissive levy in mills shall be obtained by
 18 multiplying the ratio of the permissive amount to the
 19 maximum permissive amount by 6 or by using the number of
 20 mills which would fund the permissive amount, whichever is
 21 less. If the amount of revenue raised by this levy ~~plus~~
 22 ~~anticipated--or--reappropriated--motor--vehicle--fees--and~~
 23 ~~reimbursement-under-the-provisions-of-61-3-532-and-61-3-536,~~
 24 is not sufficient to fund the permissive amount in full, the
 25 amount of the deficiency shall be paid to the district from

1 the state special revenue fund according to the provisions
 2 of subsections (3) and (4) of this section.

3 (b) For each high school district, the county
 4 commissioners shall annually set a levy not exceeding 4
 5 mills on all taxable property in the district for the
 6 purpose of funding the permissive amount of the district.
 7 The permissive levy in mills shall be obtained by
 8 multiplying the ratio of the permissive levy to the maximum
 9 permissive amount by 4 or by using the number of mills which
 10 would fund the permissive amount, whichever is less. If the
 11 amount of revenue raised by this levy ~~plus--anticipated~~
 12 ~~motor-vehicle-fees-and-reimbursement-under-the-provisions-of~~
 13 ~~61-3-532--and--61-3-536,~~ and plus net proceeds taxes for new
 14 production, as defined in 15-23-601, is not sufficient to
 15 fund the permissive amount in full, the amount of the
 16 deficiency shall be paid to the district from the state
 17 special revenue fund according to the provisions of
 18 subsections (3) and (4) of this section.

19 (3) The superintendent of public instruction shall, if
 20 the appropriation by the legislature for the permissive
 21 account for the biennium is insufficient, request the budget
 22 director to submit a request for a supplemental
 23 appropriation in the second year of the biennium. The
 24 supplemental appropriation shall provide enough revenue to
 25 fund the permissive deficiency of the elementary and high

1 school districts of the state. The proceeds of this
 2 appropriation shall be deposited to the state special
 3 revenue fund, permissive account, and shall be distributed
 4 to the elementary and high school districts in accordance
 5 with their entitlements as determined by the superintendent
 6 of public instruction according to the provisions of
 7 subsections (1) and (2) of this section.

8 (4) Distribution under this section from the state
 9 special revenue fund shall be made in two payments. The
 10 first payment shall be made at the same time as the first
 11 distribution of state equalization aid is made after January
 12 1 of the fiscal year. The second payment shall be made at
 13 the same time as the last payment of state equalization aid
 14 is made for the fiscal year. If the appropriation is not
 15 sufficient to finance the deficiencies of the districts as
 16 determined according to subsection (2), each district will
 17 receive the same percentage of its deficiency. Surplus
 18 revenue in the second year of the biennium may be used to
 19 reduce the appropriation required for the next succeeding
 20 biennium or may be transferred to the state equalization aid
 21 state special revenue fund if revenues in that fund are
 22 insufficient to meet foundation program requirements."

23 Section 15. Section 20-9-501, MCA, is amended to read:

24 "20-9-501. Retirement fund. (1) The trustees of any
 25 district employing personnel who are members of the

1 teachers' retirement system or the public employees'
 2 retirement system or who are covered by unemployment
 3 insurance or who are covered by any federal social security
 4 system requiring employer contributions shall establish a
 5 retirement fund for the purposes of budgeting and paying the
 6 employer's contributions to such systems. The district's
 7 contribution for each employee who is a member of the
 8 teachers' retirement system shall be calculated in
 9 accordance with Title 19, chapter 4, part 6. The district's
 10 contribution for each employee who is a member of the public
 11 employees' retirement system shall be calculated in
 12 accordance with 19-3-801. The district may levy a special
 13 tax to pay its contribution to the public employees'
 14 retirement system under the conditions prescribed in
 15 19-3-204. The district's contributions for each employee
 16 covered by any federal social security system shall be paid
 17 in accordance with federal law and regulation. The
 18 district's contribution for each employee who is covered by
 19 unemployment insurance shall be paid in accordance with
 20 Title 39, chapter 51, part 11.

21 (2) The trustees of any district required to make a
 22 contribution to any such system shall include in the
 23 retirement fund of the preliminary budget the estimated
 24 amount of the employer's contribution and such additional
 25 moneys, within legal limitations, as they may wish to

1 provide for the retirement fund cash reserve. After the
2 final retirement fund budget has been adopted, the trustees
3 shall pay the employer contributions to such systems in
4 accordance with the financial administration provisions of
5 this title.

6 (3) When the final retirement fund budget has been
7 adopted, the county superintendent shall establish the levy
8 requirement by:

9 (a) determining the sum of the moneys available to
10 reduce the retirement fund levy requirement by adding:

11 (i) any anticipated moneys that may be realized in the
12 retirement fund during the ensuing school fiscal year,
13 ~~including--anticipated--motor-vehicle-fees-and-reimbursement~~
14 ~~under-the-provisions-of-61-3-532-and-61-3-536;~~

15 (ii) net proceeds taxes for new production, as defined
16 in 15-23-601; and

17 (iii) any cash available for reappropriation as
18 determined by subtracting the amount of the end-of-the-year
19 cash balance earmarked as the retirement fund cash reserve
20 for the ensuing school fiscal year by the trustees from the
21 end-of-the-year cash balance in the retirement fund. The
22 retirement fund cash reserve shall not be more than 35% of
23 the final retirement fund budget for the ensuing school
24 fiscal year and shall be used for the purpose of paying
25 retirement fund warrants issued by the district under the

1 final retirement fund budget.

2 (b) subtracting the total of the moneys available for
3 reduction of the levy requirement as determined in
4 subsection (3)(a) from the budgeted amount for expenditures
5 in the final retirement fund budget.

6 (4) The county superintendent shall total the net
7 retirement fund levy requirements separately for all
8 elementary school districts, all high school districts, and
9 all community college districts of the county, including any
10 prorated joint district or special education cooperative
11 agreement levy requirements, and shall report each such levy
12 requirement to the county commissioners on the second Monday
13 of August as the respective county levy requirements for
14 elementary district, high school district, and community
15 college district retirement funds. The county commissioners
16 shall fix and set such county levy in accordance with
17 20-9-142.

18 (5) The net retirement fund levy requirement for a
19 joint elementary district or a joint high school district
20 shall be prorated to each county in which a part of such
21 district is located in the same proportion as the district
22 ANB of the joint district is distributed by pupil residence
23 in each such county. The county superintendents of the
24 counties affected shall jointly determine the net retirement
25 fund levy requirement for each county as provided in

1 20-9-151.

2 (6) The net retirement fund levy requirement for
3 districts that are members of special education cooperative
4 agreements shall be prorated to each county in which such
5 district is located in the same proportion as the budget for
6 the special education cooperative agreement of the district
7 bears to the total budget of the cooperative. The county
8 superintendents of the counties affected shall jointly
9 determine the net retirement fund levy requirement for each
10 county in the same manner as provided in 20-9-151 and fix
11 and levy the net retirement fund levy for each county in the
12 same manner as provided in 20-9-152."

13 Section 16. Section 20-10-144, MCA, is amended to
14 read:

15 "20-10-144. Computation of revenues and net tax levy
16 requirements for the transportation fund budget. Before the
17 fourth Monday of July and in accordance with 20-9-123, the
18 county superintendent shall compute the revenue available to
19 finance the transportation fund budget of each district. The
20 county superintendent shall compute the revenue for each
21 district on the following basis:

22 (1) The "schedule amount" of the preliminary budget
23 expenditures that is derived from the rate schedules in
24 20-10-141 and 20-10-142 shall be determined by adding the
25 following amounts:

1 (a) the sum of the maximum reimbursable expenditures
2 for all approved school bus routes maintained by the
3 district (to determine the maximum reimbursable expenditure,
4 multiply the applicable rate per bus mile by the total
5 number of miles to be traveled during the ensuing school
6 fiscal year on each bus route approved by the county
7 transportation committee and maintained by such district);
8 plus

9 (b) the total of all individual transportation per
10 diem reimbursement rates for such district as determined
11 from the contracts submitted by the district multiplied by
12 the number of pupil-instruction days scheduled for the
13 ensuing school attendance year; plus

14 (c) any estimated costs for supervised home study or
15 supervised correspondence study for the ensuing school
16 fiscal year; plus

17 (d) the amount budgeted on the preliminary budget for
18 the contingency amount permitted in 20-10-143, except if
19 such amount exceeds 10% of the total of subsections (1)(a),
20 (1)(b), and (1)(c) or \$100, whichever is larger, the
21 contingency amount on the preliminary budget shall be
22 reduced to such limitation amount and used in this
23 determination of the schedule amount.

24 (2) The schedule amount determined in subsection (1)
25 or the total preliminary transportation fund budget,

1 whichever is smaller, shall be divided by 3 and the
2 resulting one-third amount shall be used to determine the
3 available state and county revenue to be budgeted on the
4 following basis:

5 (a) the resulting one-third amount shall be the
6 budgeted state transportation reimbursement, except that the
7 state transportation reimbursement for the transportation of
8 special education pupils under the provisions of 20-7-442
9 shall be two-thirds of the schedule amount attributed to the
10 transportation of special education pupils;

11 (b) the resulting one-third amount, except as provided
12 for joint elementary districts in subsection (2)(e), shall
13 be the budgeted county transportation reimbursement for
14 elementary districts and shall be financed by the basic
15 county tax under the provisions of 20-9-334;

16 (c) the resulting one-third amount multiplied by 2
17 shall be the budgeted county transportation reimbursement
18 amount for high school districts financed under the
19 provisions of subsection (5) of this section, except as
20 provided for joint high school districts in subsection
21 (2)(e), and except that the county transportation
22 reimbursement for the transportation of special education
23 pupils under the provisions of 20-7-442 shall be one-third
24 of the schedule amount attributed to the transportation of
25 special education pupils;

1 (d) when the district has a sufficient amount of cash
2 for reappropriation and other sources of district revenue,
3 as determined in subsection (3), to reduce the total
4 district obligation for financing to zero, any remaining
5 amount of such district revenue and cash reappropriated
6 shall be used to reduce the county financing obligation in
7 subsections (2)(b) or (2)(c) and, if such county financing
8 obligations are reduced to zero, to reduce the state
9 financial obligation in subsection (2)(a); and

10 (e) the county revenue requirement for a joint
11 district, after the application of any district moneys under
12 subsection (2)(d) above, shall be prorated to each county
13 incorporated by the joint district in the same proportion as
14 the ANB of the joint district is distributed by pupil
15 residence in each such county.

16 (3) The total of the moneys available for the
17 reduction of property tax on the district for the
18 transportation fund shall be determined by totaling:

19 (a) anticipated federal moneys received under the
20 provisions of Title I of Public Law 81-874 or other
21 anticipated federal moneys received in lieu of such federal
22 act; plus

23 (b) anticipated payments from other districts for
24 providing school bus transportation services for such
25 district; plus

1 (c) anticipated payments from a parent or guardian for
 2 providing school bus transportation services for his child;
 3 plus

4 (d) anticipated interest to be earned by the
 5 investment of transportation fund cash in accordance with
 6 the provisions of 20-9-213(4); plus

7 ~~{f}--anticipated-motor-vehicle-fees--and--reimbursement~~
 8 ~~under-the-provisions-of-61-3-532-and-61-3-536;--plus~~

9 {f}{e} net proceeds taxes for new production, as
 10 defined in 15-23-601; plus

11 {g}{f} any other revenue anticipated by the trustees
 12 to be earned during the ensuing school fiscal year which may
 13 be used to finance the transportation fund; plus

14 {h}{g} any cash available for reappropriation as
 15 determined by subtracting the amount of the end-of-the-year
 16 cash balance earmarked as the transportation fund cash
 17 reserve for the ensuing school fiscal year by the trustees
 18 from the end-of-the-year cash balance in the transportation
 19 fund. Such cash reserve shall not be more than 20% of the
 20 final transportation fund budget for the ensuing school
 21 fiscal year and shall be for the purpose of paying
 22 transportation fund warrants issued by the district under
 23 the final transportation fund budget.

24 (4) The district levy requirement for each district's
 25 transportation fund shall be computed by:

1 (a) subtracting the schedule amount calculated in
 2 subsection (1) from the total preliminary transportation
 3 budget amount and, for an elementary district, adding such
 4 difference to the district obligation to finance one-third
 5 of the schedule amount as determined in subsection (2); and

6 (b) subtracting the amount of moneys available to
 7 reduce the property tax on the district, as determined in
 8 subsection (3), from the amount determined in subsection
 9 (4)(a) above.

10 (5) The county levy requirement for the financing of
 11 the county transportation reimbursement to high school
 12 districts shall be computed by adding all such requirements
 13 for all the high school districts of the county, including
 14 the county's obligation for reimbursements in joint high
 15 school districts.

16 (6) The transportation fund levy requirements
 17 determined in subsection (4) for each district and in
 18 subsection (5) for the county shall be reported to the
 19 county commissioners on the second Monday of August by the
 20 county superintendent as the transportation fund levy
 21 requirements for the district and for the county, and such
 22 levies shall be made by the county commissioners in
 23 accordance with 20-9-142."

24 Section 17. Section 61-3-303, MCA, is amended to read:
 25 "61-3-303. Application for registration. (1) Every

1 owner of a motor vehicle operated or driven upon the public
 2 highways of this state shall for each motor vehicle owned,
 3 except as herein otherwise expressly provided, file or cause
 4 to be filed in the office of the county treasurer where the
 5 motor vehicle is owned or taxable an application for
 6 registration or reregistration upon a blank form to be
 7 prepared and furnished by the department. The application
 8 shall contain:

9 (a) name and address of owner, giving county, school
 10 district, and town or city within whose corporate limits the
 11 motor vehicle is taxable, if taxable, or within whose
 12 corporate limits the owner's residence is located if the
 13 motor vehicle is not taxable;

14 (b) name and address of the holder of any security
 15 interest in the motor vehicle;

16 (c) description of motor vehicle, including make, year
 17 model, engine or serial number, manufacturer's model or
 18 letter, gross weight, type of body, and if truck, the rated
 19 capacity;

20 (d) in case of reregistration, the license number for
 21 the preceding year; and

22 (e) such other information as the department may
 23 require.

24 (2) A person who files an application for registration
 25 or reregistration of a motor vehicle, except of a mobile

1 home as defined in 15-1-101(1), shall upon the filing of the
 2 application pay to the county treasurer:

3 (a) the registration fee, as provided in 61-3-311 and
 4 61-3-321; and

5 (b) unless it has been previously paid:

6 (i) the personal property taxes assessed against the
 7 vehicle for the current year of registration and the
 8 immediately previous year;

9 (ii) the new motor vehicle sales tax against the
 10 vehicle for the current year of registration ~~and/or the~~
 11 ~~license fee imposed by 61-3-532 for the current year of~~
 12 ~~registration and the immediately previous year;~~ or

13 (iii) in the case of a motorcycle, quadricycle, motor
 14 home, travel trailer, or camper, the fee in lieu of property
 15 tax for the current year of registration.

16 (3) The application may not be accepted by the county
 17 treasurer unless the payments required by subsection (2)
 18 accompany the application. The county treasurer may not
 19 assess or collect taxes or fees for a period other than:

20 (a) the current year; and

21 (b) the immediately previous year, if the vehicle was
 22 not registered or operated on the highways of the state,
 23 regardless of the period of time since the vehicle was
 24 previously registered or operated.

25 (4) The county treasurer may make full and complete

1 investigation of the tax status of the vehicle. Any
2 applicant for registration or reregistration must submit
3 proof from the tax or other appropriate records of the
4 proper county at the request of the county treasurer."

5 Section 18. Section 61-3-332, MCA, is amended to read:

6 "61-3-332. Number plates. (1) Every motor vehicle
7 which shall be driven upon the streets or highways of this
8 state shall display both front and rear a number plate,
9 bearing the distinctive number assigned such vehicle. Such
10 number plate shall be in eight series: one series for owners
11 of motorcars, one for owners of motor vehicles of the
12 motorcycle or quadricycle type, one for trailers, one for
13 trucks, one for dealers in vehicles of the motorcycle or
14 quadricycle type which shall bear the distinctive letters
15 "MCD" or the letters "MC" and the word "DEALER", one for
16 franchised dealers in new motorcars (including trucks and
17 trailers) or new and used motorcars (including trucks and
18 trailers) which shall bear the distinctive letter "D" or the
19 word "DEALER", one for dealers in used motorcars only
20 (including used trucks and trailers) which shall bear the
21 distinctive letters "UD" or the letter "U" and the word
22 "DEALER", and one for dealers in trailers and/or
23 semitrailers (new or used) which shall bear the distinctive
24 letters "DTR" or the letters "TR" and the word "DEALER". All
25 such markings for the aforementioned kinds of dealers'

1 plates shall be placed on the number plates assigned thereto
2 in such position thereon as the department may designate.

3 (2) All number plates for motor vehicles shall be
4 issued for a minimum period of 4 years, shall bear a
5 distinctive marking, and shall be furnished by the state.
6 In years when number plates are not issued, the department
7 shall provide nonremovable stickers bearing appropriate
8 registration numbers, which shall be affixed to the license
9 plates in use.

10 (3) In the case of motorcars and trucks, plates shall
11 be of metal 6 inches wide and 12 inches in length. The
12 outline of the state of Montana shall be used as a
13 distinctive border on such license plates, and the word
14 "Montana" with the year shall be placed across the plates.
15 Such registration plates shall be treated with a
16 reflectorized background material according to
17 specifications prescribed by the department.

18 (4) The distinctive registration numbers shall begin
19 with a number one or with a letter-number combination such
20 as "A 1" or "AA 1", or any other similar combination of
21 letters and numbers. The distinctive registration number or
22 letter-number combination assigned to the vehicle shall
23 appear on the plate preceded by the number of the county and
24 appearing in horizontal order on the same horizontal
25 baseline, and the county number shall be separated from the

distinctive registration number by a separation mark unless a letter-number combination is used. The dimensions of such numerals and letters shall be determined by the department, provided that all county and registration numbers shall be of equal height.

(5) For the use of tax-exempt motor vehicles ~~that--are also--exempt--from--the--light-vehicle--license--fee--as--provided in--subsection--(2)(a)--of--61-3-532~~, in addition to the markings herein provided, number plates shall have thereon the following distinctive markings:

(a) For vehicles owned by the state the department may designate the prefix number for the various state departments, and all numbered plates issued to state departments shall bear the words "State Owned" and no year number will be indicated thereon as these numbered plates will be of a permanent nature and will be replaced by the department at such time when the physical condition of numbered plates requires same.

(b) For vehicles owned by the counties, municipalities, irrigation districts organized under the laws of Montana and not operating for profit, and school districts and used and operated by officials and employees thereof in line of duty as such, and for vehicles on loan from the United States government or the state of Montana, to, or owned by, the civil air patrol and used and operated

by officials and employees thereof in the line of duty as such, there shall be placed on the number plates assigned thereto, in such position thereon as the department may designate, the letter "X" or the word "EXEMPT". Distinctive registration numbers for plates assigned to motor vehicles of each of the counties in the state and those of the municipalities and school districts situated within each of said counties and those of the irrigation districts which obtain plates within each county shall begin with number one and be numbered consecutively.

(6) On all number plates assigned to motor vehicles of the truck and trailer type, other than tax-exempt trucks ~~that--are--also--exempt--from--the--light-vehicle--license--fee--as--provided--in--subsection--(2)(a)--of--61-3-532~~ and tax exempt trailers, there shall appear the letter "T" or the word "TRUCK" for plates assigned to trucks and the letters "TR" or the word "TRAILER" for plates assigned to trailers and housetrailer. The letters "MC" or the word "CYCLE" shall appear for plates assigned to vehicles of the motorcycle or quadricycle type.

(7) Number plates issued to a passenger car, truck, trailer, or vehicle of the motorcycle or quadricycle type may be transferred only to a replacement passenger car, truck, trailer, or motorcycle or quadricycle-type vehicle. No registration or license fee may be assessed upon a

transfer of a number plate under 61-3-317 and 61-3-335.

(8) For the purpose of this chapter, the several counties of the state shall be assigned numbers as follows: Silver Bow, 1; Cascade, 2; Yellowstone, 3; Missoula, 4; Lewis and Clark, 5; Gallatin, 6; Flathead, 7; Fergus, 8; Powder River, 9; Carbon, 10; Phillips, 11; Hill, 12; Ravalli, 13; Custer, 14; Lake, 15; Dawson, 16; Roosevelt, 17; Beaverhead, 18; Chouteau, 19; Valley, 20; Toole, 21; Big Horn, 22; Musselshell, 23; Blaine, 24; Madison, 25; Pondera, 26; Richland, 27; Powell, 28; Rosebud, 29; Deer Lodge, 30; Teton, 31; Stillwater, 32; Treasure, 33; Sheridan, 34; Sanders, 35; Judith Basin, 36; Daniels, 37; Glacier, 38; Fallon, 39; Sweet Grass, 40; McCone, 41; Carter, 42; Broadwater, 43; Wheatland, 44; Prairie, 45; Granite, 46; Meagher, 47; Liberty, 48; Park, 49; Garfield, 50; Jefferson, 51; Wibaux, 52; Golden Valley, 53; Mineral, 54; Petroleum, 55; Lincoln, 56. Any new counties shall be assigned numbers by the department as they may be formed, beginning with the number 57."

Section 19. Section 61-3-501, MCA, is amended to read:

"61-3-501. When vehicle taxes and fees are due. (1) Property taxes, new car taxes, ~~light-vehicle-license-fees~~, and fees in lieu of tax on a motorcycle, quadricycle, motor home, or travel trailer must be paid on the date of registration or reregistration of the vehicle.

(2) If the anniversary date for reregistration of a vehicle passes while the vehicle is owned and held for sale by a licensed new or used car dealer, property taxes, ~~light-vehicle--license--fees~~, or the fee in lieu of property taxes abate on such vehicle properly reported with the department of revenue until the vehicle is sold and thereafter the purchaser shall pay the pro rata balance of the taxes or the fee in lieu of tax due and owing on the vehicle.

(3) In the event a vehicle's registration period is changed under 61-3-315, all taxes and other fees due thereon shall be prorated and paid from the last day of the old period until the first day of the new period in which the vehicle shall be registered. Thereafter taxes and other fees must be paid from the first day of the new period for a minimum period of 1 year. When the change is to a later registration period, taxes and fees shall be prorated and paid based on the same tax year as the original registration period. Thereafter, during the appropriate anniversary registration period, each vehicle shall again register or reregister and shall pay all taxes and fees due thereon for a 12-month period."

Section 20. Section 61-3-502, MCA, is amended to read:

"61-3-502. Sales tax on new motor vehicles -- exemptions. (1) In consideration of the right to use the highways of the state, there is imposed a tax upon all sales

1 of new motor vehicles for which a license is sought and an
 2 original application for title is made. The tax shall be
 3 paid by the purchaser when he applies for his original
 4 Montana license through the county treasurer.

5 (2) Except as provided in subsection (4), the sales
 6 tax shall be:

7 (a) 1 1/2% of the f.o.b. factory list price or f.o.b.
 8 port-of-entry list price, during the first quarter of the
 9 year or for a registration period other than a calendar year
 10 or calendar quarter;

11 (b) 1 1/8% of the list price during the second quarter
 12 of the year;

13 (c) 3/4 of 1% during the third quarter of the year;

14 (d) 3/8 of 1% during the fourth quarter of the year.

15 (3) If the manufacturer or importer fails to furnish
 16 the f.o.b. factory list price or f.o.b. port-of-entry list
 17 price, the department may use published price lists.

18 (4) The new car sales tax on vehicles subject to the
 19 provisions of 61-3-313 through 61-3-316 is 1 1/2% of the
 20 f.o.b. factory list price or f.o.b. port-of-entry list price
 21 regardless of the month in which the new vehicle is
 22 purchased.

23 (5) The proceeds from this tax shall be remitted to
 24 the state treasurer every 30 days for credit to the state
 25 highway account of the state special revenue fund.

1 (6) The new vehicle ~~is subject to the light vehicle~~
 2 ~~license fee, if applicable, but~~ is not subject to any other
 3 assessment, taxation, or fee in lieu of tax during the
 4 calendar year in which the original application for title is
 5 made.

6 (7) (a) The applicant for original registration of any
 7 new and unused motor vehicle, or a new motor vehicle
 8 furnished without charge by a dealer to a school district
 9 for use as a traffic education motor vehicle by a school
 10 district operating a state-approved traffic education
 11 program within the state, whether or not previously licensed
 12 or titled to the school district (except a mobile home as
 13 defined in 15-1-101(1)), acquired by original contract after
 14 January 1 of any year, is required, whenever the vehicle has
 15 not been otherwise assessed, to pay the motor vehicle sales
 16 tax provided by this section irrespective of whether the
 17 vehicle was in the state of Montana on January 1 of the
 18 year.

19 (b) No motor vehicle may be registered or licensed
 20 under the provisions of this subsection unless the
 21 application for registration is accompanied by a statement
 22 of origin to be furnished by the dealer selling the vehicle,
 23 showing that the vehicle has not previously been registered
 24 or owned, except as otherwise provided herein, by any
 25 person, firm, corporation, or association that is not a new

motor vehicle dealer holding a franchise or distribution agreement from a new car manufacturer, distributor, or importer.

(8) (a) Motor vehicles operating exclusively for transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from such limits are exempt from subsection (1).

(b) Motor vehicles brought or driven into Montana by a nonresident, migratory, bona fide agricultural worker temporarily employed in agricultural work in this state where those motor vehicles are used exclusively for transportation of agricultural workers are also exempt from subsection (1).

(c) Vehicles lawfully displaying a licensed dealer's plate as provided in 61-4-103 are exempt from subsection (1) when moving to or from a dealer's place of business when unloaded or loaded with dealer's property only, and in the case of vehicles having a gross loaded weight of less than 24,000 pounds, while being demonstrated in the course of the dealer's business."

Section 21. Section 61-3-503, MCA, is amended to read:

"61-3-503. Assessment. (1) Except as provided in subsection (2), the following apply to the taxation of motor vehicles:

(a) Except as provided in subsection (1)(c), a person

who files an application for registration or reregistration of a motor vehicle shall before filing such application with the county treasurer submit the application to the county assessor. The county assessor shall enter on the application in a space to be provided for that purpose the market value and taxable value of the vehicle as of January 1 of the year for which the application for registration is made.

(b) Except as provided in subsection (1)(c), motor vehicles are assessed for taxes on January 1 in each year irrespective of the time fixed by law for the assessment of other classes of personal property and irrespective of whether the levy and tax may be a lien upon real property within the state. In no event may any motor vehicle be subject to assessment, levy, and taxation more than once in each year.

(c) Vehicles subject to the provisions of 61-3-313 through 61-3-316 shall be assessed as of the first day of the registration period, using the average retail market value as of January 1 of the year of assessment of the vehicle as contained in the most recent volume of the Mountain States Edition of the National Automobile Dealers Association Official Used Car Guide; and a lien for taxes and fees due thereon shall occur on the anniversary date of the registration and shall continue until such fees and

1 taxes have been paid. If a vehicle is not originally listed
 2 in the used car guide, the county assessor shall depreciate
 3 the original f.o.b. factory list price or f.o.b.
 4 port-of-entry list price at the rate of 10% a year until a
 5 minimum value of \$1,000 is attained, and the value shall
 6 remain at that amount so long as the vehicle is registered.

7 (d) When a vehicle is no longer listed in the used car
 8 guide, the county assessor shall depreciate the value of the
 9 vehicle at the rate of 10% a year until a minimum amount of
 10 \$1,000 is attained, and the value shall remain at that
 11 amount so long as the vehicle is registered.

12 (2) The provisions of subsections (1)(a) through
 13 (1)~~(c)~~(d) do not apply to ~~automobiles-and-trucks-having-a~~
 14 ~~rated-capacity-of--three-quarters--of--a--ton---or---less,~~
 15 motorcycles, quadricycles, motor homes, travel trailers, or
 16 mobile homes as defined in 15-1-101(1)."

17 Section 22. Section 61-3-504, MCA, is amended to read:

18 "61-3-504. Computation of tax. (1) The amount of taxes
 19 on a motor vehicle, other than an automobile, truck having a
 20 rated capacity of three-quarters of a ton or less,
 21 motorcycle, quadricycle, motor home, travel trailer, or
 22 mobile home as defined in 15-1-101(1), is computed and
 23 determined by the county treasurer on the basis of the levy
 24 of the year preceding the current year of application for
 25 registration or reregistration.

1 (2) The amount of tax on an automobile or truck having
 2 a rated capacity of three-quarters of a ton or less is 2% of
 3 the value determined under 61-3-503.

4 (3) ~~The--determination~~ For all motor vehicles, the
 5 amount of tax is entered on the application form in a space
 6 provided therefor."

7 Section 23. Section 61-3-509, MCA, is amended to read:

8 "61-3-509. (Temporary) Disposition of taxes and fees
 9 in lieu of tax. (1) Except as provided in subsections (2)
 10 and (3), the county treasurer shall credit all taxes on
 11 motor vehicles, ~~light-vehicle-license-fees-provided--for--in~~
 12 ~~61-3-532,~~ and fees in lieu of tax on motorcycles,
 13 quadricycles, motor homes, and travel trailers collected to
 14 a motor vehicle suspense fund, and at some time between
 15 March 1 and March 10 of each year and every 60 days
 16 thereafter, the county treasurer shall distribute the money
 17 in the motor vehicle suspense fund in the relative
 18 proportions required by the levies for state, county, school
 19 district, and municipal purposes in the same manner as
 20 personal property taxes are distributed.

21 (2) The county treasurer shall credit the fee for
 22 district courts ~~from each light-vehicle-license-fee provided~~
 23 ~~for in 61-3-533~~ to a separate suspense account and shall
 24 forward the amount in the account to the state treasurer at
 25 the time the county treasurer distributes the motor vehicle

suspense fund. The state treasurer shall credit amounts received under this subsection to the general fund to be used for purposes of state funding of the district court expenses enumerated in 3-5-901.

~~{3}--The county treasurer shall credit each block grant fee to a separate suspense fund. At the time he distributes the motor vehicle suspense fund, the treasurer shall distribute the suspense fund provided for in this subsection to the state treasurer for deposit in the local government block grant account provided for in 7-6-302. The funds distributed pursuant to this subsection must be used for the local government block grant program as provided in 7-6-304.~~

61-3-509. (Effective July 1, 1987) Disposition of taxes and fees in lieu of tax. The county treasurer shall credit all taxes on motor vehicles, light vehicle license fees provided for in 61-3-532, and fees in lieu of tax on motorcycles, quadricycles, motor homes, and travel trailers collected to a motor vehicle suspense fund, and at some time between March 1 and March 10 of each year and every 60 days thereafter, the county treasurer shall distribute the money in the motor vehicle suspense fund in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as personal property taxes are distributed."

Section 24. Section 61-3-531, MCA, is amended to read:

"61-3-531. Light vehicle fee -- definitions. As used in 61-3-531, through ~~61-3-536~~ 61-3-533, and 61-3-534, the following definitions apply:

(1) "Light vehicle" means an automobile or a truck having a rated capacity of three-quarters of a ton or less.

(2) "Vehicle age" means the difference between the calendar year of the first day of the registration period and the manufacturer's designated model year."

Section 25. Section 61-3-533, MCA, is amended to read:

"61-3-533. (Temporary) Schedule of fees District court fee for automobiles and light trucks vehicles. ~~{1}~~ Except as provided in subsection ~~{3}~~, the The following schedule, based on vehicle age and weight, is used to determine the a district court fee imposed by 61-3-532:

| Vehicle Age | Weight | Weight | | | | |
|-------------|---------|--------|----------|--------|--------|----------|
| | | More | | | | |
| | 2,850 | Block | District | Than | Block | District |
| | Pounds | Grant | Court | 2,850 | Grant | Court |
| | or Less | Fee | Fee | Pounds | Fee | Fee |
| Less than | | | | | | |
| or equal | | | | | | |
| to | 4 | | | | | |
| years | \$70 | \$6 | \$7 | \$90 | \$7.50 | \$7 |
| More than 4 | | | | | | |
| years and | | | | | | |

1 less than
 2 8 years 40 3 5 50 4 5
 3 8 years old
 4 and over 10 1-50 2.50 15 2 2-50
 5 {2}--(a)--The fee for a light vehicle is determined by:
 6 {i}--multiplying the appropriate dollar amount from the
 7 table in subsection (1), but not the block grant fee or the
 8 district court fee, by the ratio of the PEE for the second
 9 quarter of the year prior to the year of licensing to the
 10 PEE for the second quarter of 1981; and
 11 {ii}--rounding the product thus obtained to the nearest
 12 whole dollar amount;
 13 {b}--"PEE" means the implicit price deflator for
 14 personal consumption expenditures as published quarterly in
 15 the Survey of Current Business by the Bureau of Economic
 16 Analysis of the United States Department of Commerce;
 17 {3}--The light vehicle license fee for disabled
 18 veterans qualifying under the provisions of 61-3-451 through
 19 61-3-455 is \$8, with \$3 of the fee earmarked for district
 20 courts."
 21 Section 26. Section 61-3-534, MCA, is amended to read:
 22 "61-3-534. Payment of fee property tax required for
 23 operation. (1) No light vehicle subject to the fee imposed
 24 by 61-3-532 a property tax may be operated unless the fee
 25 tax has been paid and the vehicle is licensed.

1 (2) A properly licensed and registered light vehicle
 2 may be operated within Montana, subject to all applicable
 3 federal, state, and local laws."
 4 Section 27. Section 61-3-701, MCA, is amended to read:
 5 "61-3-701. Foreign vehicles used in gainful occupation
 6 to be registered -- reciprocity. (1) Before any foreign
 7 licensed motor vehicle may be operated on the highways of
 8 this state for hire, compensation, or profit or before the
 9 owner and/or user thereof uses the vehicle if such owner
 10 and/or user is engaged in gainful occupation or business
 11 enterprise in the state, including highway work, the owner
 12 of the vehicle shall make application to a county treasurer
 13 for registration upon an application form furnished by the
 14 department. Upon satisfactory evidence of ownership
 15 submitted to the county treasurer and the payment of
 16 property taxes, if appropriate, as required by 15-8-201,
 17 15-8-202, or 15-24-301, or 61-3-504 or the payment of the
 18 light vehicle license fee as provided by 61-3-532 or the fee
 19 in lieu of tax as provided by 61-3-541, the treasurer shall
 20 accept the application for registration and shall collect
 21 the regular license fee required for the vehicle.
 22 (2) The treasurer shall thereupon issue to the
 23 applicant a copy of the certificate entitled "Owner's
 24 Certificate of Registration and Payment Receipt" and forward
 25 a duplicate copy of the certificate to the department. The

1 treasurer shall at the same time issue to the applicant the
2 proper license plates or other identification markers, which
3 shall at all times be displayed upon the vehicle when
4 operated or driven upon roads and highways of this state
5 during the period of the life of the license.

6 (3) The registration receipt shall not constitute
7 evidence of ownership but shall be used only for
8 registration purposes. No Montana certificate of ownership
9 shall be issued for this type of registration.

10 (4) This section is not applicable to any vehicle
11 covered by a valid and existing reciprocal agreement or
12 declaration entered into under the provisions of the laws of
13 Montana."

14 Section 28. Section 61-6-302, MCA, is amended to read:

15 "61-6-302. Proof of compliance. (1) ~~Except-as-provided~~
16 ~~in-subsection-(2),-before~~ Before any applicant required to
17 register his motor vehicle may do so, the applicant must
18 certify to the county treasurer that he possesses an
19 automobile liability insurance policy, a certificate of
20 self-insurance, or a posted indemnity bond or that he is
21 eligible for an exemption under 61-6-303 covering the motor
22 vehicle. The certification shall be on a form prescribed by
23 the department. The department may immediately cancel the
24 registration and license plates of the vehicle upon
25 notification that the insurance certification was not

1 correctly represented. Any person who intentionally provides
2 false information on an insurance certification is guilty of
3 unsworn falsification to authorities, punishable as provided
4 in 45-7-203.

5 ~~{2}-An-applicant-for-registration-of-an-automobile--or~~
6 ~~a--truck--having-a-rated-capacity-of-three-quarters-of-a-ton~~
7 ~~or-less,-who-wishes-to-register-the--vehicle--by--mail--must~~
8 ~~sign--a--statement--on--the--application--stating--that--the~~
9 ~~applicant-is-in-compliance--with--the--financial--liability~~
10 ~~requirements-of-61-6-301;~~

11 ~~{3}{2}~~ An owner of a motor vehicle who ceases to
12 maintain the insurance or bond required or whose certificate
13 of self-insurance is canceled or whose vehicle ceases to be
14 exempt shall immediately surrender the registration and
15 license plates for the vehicle to the county treasurer for
16 delivery to the department and may not operate or permit
17 operation of the vehicle in Montana until insurance has
18 again been furnished as required and the vehicle is again
19 registered and licensed.

20 ~~{4}{3}~~ Every person shall carry in a motor vehicle
21 being operated by him an insurance card approved by the
22 department but issued by the insurance carrier to the motor
23 vehicle owner as proof of compliance with 61-6-301. A motor
24 vehicle operator shall exhibit the insurance card upon
25 demand of a justice of the peace, a city or municipal judge,

a peace officer, a highway patrolman, or a field deputy or inspector of the department. However, no person charged with violating this subsection may be convicted if he produces in court or the office of the arresting officer proof of insurance valid at the time of his arrest."

NEW SECTION. Section 29. Implementation of light vehicle tax -- local government reimbursement. (1) Any amount received prior to January 1, 1987, that is deposited in the local government block grant account under 61-3-509(3) must be distributed pursuant to Title 7, chapter 6, part 3, based on 50% of the entitlement calculated under the general purpose block grant program provided for in 7-6-305.

(2) Any amount remaining in the account after this distribution must be distributed to the counties on a pro rata basis based on the percentage that a county's revenue loss as compared to the block grant program under the property tax system bears to the total state revenue loss.

(3) Counties shall distribute any amount received under subsection (2) in the relative proportions required by levies for county, school district, and municipal purposes in the same manner as personal property taxes are distributed.

NEW SECTION. Section 30. Repealer. Sections 7-6-301 through 7-6-309, MCA, are repealed.

NEW SECTION. Section 31. Repealer. Sections 61-3-532, 61-3-535, and 61-3-536, MCA, are repealed.

NEW SECTION. Section 32. Repealer. Section 61-3-533, MCA, is repealed.

NEW SECTION. Section 33. Extension of authority. Any existing authority of the department of revenue or the department of commerce to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 34. Effective dates -- termination date. (1) Sections 1 through 29, 31, 33, 35, and this section are effective January 1, 1987.

(2) Section 30 is effective April 1, 1987.

(3) Section 32 is effective July 1, 1987..

(4) Sections 23 and 29 terminate January 1, 1989.

NEW SECTION. Section 35. Applicability. This act applies to motor vehicles registered on or after January 1, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB021, as introduced.

Description of Proposed Legislation:

A bill to replace the light vehicle fee system with a property tax.

Assumptions:

1. The taxable value of light vehicles in Montana in 1982 was \$185,422,083.
2. The average taxable value for light motor vehicles in 1982 was \$301.514.
3. The average retail market value of a light motor vehicle in 1982 was \$2,319.34 (average taxable value divided by 13 percent class nine tax rate).
4. Inflated to 1986 (using Consumer Price Index component for used cars; Dec. 1981 - 284.3; March 1986 - 372.0), the average retail market value of a light motor vehicle in Montana is \$3,034.80.
5. In 1986, there are 673,518 light motor vehicles in Montana (MDOR Motor Vehicle Fee System Schedule of Reimbursements; previous year counts used for four counties).
6. The current retail market value of light motor vehicles is \$2,043,992,426.
7. The market value is assumed constant in future years.
8. The following age/weight distribution is assumed to apply (based on distribution reported by DMV, 2/19/85):

| <u>Age</u> | <u>Weight</u> | <u>Number of Vehicles</u> |
|-------------------|-----------------|---------------------------|
| Less than 4 years | Over 2850 lbs. | 84,662 |
| Less than 4 years | Under 2850 lbs. | 69,036 |
| 4 to 8 years | Over 2850 lbs. | 93,551 |
| 4 to 8 years | Under 2850 lbs. | 52,669 |
| Over 8 years | Over 2850 lbs. | 301,265 |
| Over 8 years | Under 2850 lbs. | 72,335 |
| <u>Total</u> | | <u>673,518</u> |

9. 55 percent of the motor vehicles registered in a calendar year are registered in the first half of the year.
10. Based on the number of vehicle and the time necessary for assessments, an additional 48 (Grade 7, Step 2) clerks would be required to assess motor vehicles prior to registration. Forms and manuals would cost \$25,000.
11. Mill levies are assumed constant at 300 mills (includes cities and towns). The university and school foundation levies are constant at 6 and 45 mills, respectively (included in total).
12. One-third of oil severance tax proceeds in FY 87 equals \$7.161 million.
13. The general fund appropriation for FY 87 for the block grant program is \$1.425 million.
14. The block grant fees for FY 87 will be \$2.292 million.

David L. Hunter

BUDGET DIRECTOR

Office of Budget and Program Planning

6/26/86

DATE

E. J. B. Smith

PRIMARY SPONSOR

DATE

6/26/86

Fiscal Note for SB021, as introduced.

Fiscal Impact:

(Only the vehicles are shown that will be registered in the first half of calendar year 1987 because the property tax replaces the fee system beginning January 1, 1987. It is estimated that 303,083 vehicles will be registered under the current fee system during the first half of FY 87. Thus, there is no net revenue effect from these vehicles in FY 87.)

REVENUE UNDER CURRENT LAW -- FY 87

| <u>Number of Vehicles Registered</u> | <u>Registration Fees</u> | <u>District Court Fees</u> | <u>Block Grant Fees</u> | <u>Light Vehicle Fees</u> | <u>Total Revenue</u> |
|--|------------------------------|--------------------------------|-----------------------------|-------------------------------|--------------------------|
| 370,435 | \$3,911,609 | \$1,507,543 | \$1,260,833 | \$15,906,476 | \$22,586,461 |

REVENUE UNDER PROPOSED LAW -- FY 87

| <u>Number of Vehicles Registered</u> | <u>Registration Fees</u> | <u>District Court Fees</u> | <u>Block Grant Fees</u> | <u>Light Vehicle Property Tax</u> | <u>Total Revenue</u> |
|--|------------------------------|--------------------------------|-----------------------------|---------------------------------------|--------------------------|
| 370,435 | \$3,911,609 | \$1,507,543 | \$ 0 | \$22,483,917 | \$27,903,068 |

REVENUE DIFFERENCE -- FY87

| <u>Number of Vehicles Registered</u> | <u>Registration Fees</u> | <u>District Court Fees</u> | <u>Block Grant Fees</u> | <u>Light Vehicle Revenues</u> | <u>Total Revenue</u> |
|--|------------------------------|--------------------------------|-----------------------------|-----------------------------------|--------------------------|
| NA | \$ 0 | \$ 0 | (\$1,260,833) | \$ 6,577,440 | \$ 5,316,607 |

FUND ALLOCATIONS -- FY 87

(FY 87 would be a transition year during which the block grant program would be phased out. It would receive funding from a \$1,425,000 general fund appropriation, vehicle fees paid for the first half of FY 87, and one-third of the oil severance tax for the first three quarters of FY 87. The general fund would begin receiving the one-third share of the oil tax previously allocated to the block grant program in the fourth quarter of FY 87.)

| | <u>Current Law</u> | <u>Proposed Law</u> | <u>Difference</u> |
|---|--------------------|---------------------|-------------------|
| Local Government Block Grant Program | \$10,878,424 | \$ 7,827,341 | (\$3,051,083) |
| General Fund Oil Severance Tax Receipts | \$14,343,505 | \$16,143,755 | \$1,790,250 |

Expenditure Impact:

| | <u>Current Law</u> | <u>Proposed Law</u> | <u>Difference</u> |
|--|--------------------|---------------------|-------------------|
| Additional Assessment Expenses: | | | |
| Personal Services (1986 incl. benefits) | \$ 0 | \$ 403,686 | \$ 403,686 |
| <u>Operating Expenses</u> | <u>\$ 0</u> | <u>\$ 25,000</u> | <u>\$ 25,000</u> |
| Total | \$ 0 | \$ 428,686 | \$ 428,686 |

Effect on General Fund:

| | | | |
|----------------------------------|--------------|--------------|--------------|
| Oil Severance Tax Receipts: | \$14,343,505 | \$16,143,755 | \$1,790,250 |
| Additional Administrative Costs: | \$ 0 | (\$ 428,686) | (\$ 428,686) |
| Total | \$14,343,505 | \$15,715,069 | \$1,361,564 |

Effect on Local Revenue, University Levy, and School Equalization Aid:

| | | | |
|--|------|---------------|---------------|
| Additional motor vehicle taxes, FY 87: | \$ 0 | \$6,577,440 | \$6,577,440 |
| Lost block grant fees, FY 87: | \$ 0 | (\$1,260,833) | (\$1,260,833) |
| Lost oil severance tax share, FY 87: | \$ 0 | (\$1,790,250) | (\$1,790,250) |
| Total | \$ 0 | \$3,526,357 | \$3,526,357 |

Long Range Impacts:

In FY 88 and later, the general fund will receive the one-third share of the oil severance tax now allocated to the local government block grant program.

Beginning with FY 88, administrative costs for assessing vehicle fees will be incurred on a year round basis. At FY 86 pay levels, these costs are estimated to be \$882,372 on an annualized basis.

Long Range Impacts, continued:

Local governments would receive no block grant funding in FY 88 or later years. They would receive \$41 million in vehicle property taxes, but would lose \$29 million in motor vehicle fees, \$7 million in oil severance tax (at \$15 per barrel of oil), \$2.3 million in block grant fees*, and 1.5 million in general fund appropriations for a total of \$39.8 million. If the price of oil were to recover to \$17.50 per barrel, local governments would receive \$41 million under the current law.

The law provides for a significant shift of revenues among counties as compared to current law. The following table shows the distribution of revenue by county under a fully funded block grant and block grant prorated at \$15 per barrel of oil compared to the proposed law.

*Block grant fees are due to sunset on June 30, 1987.

COMPARISON OF PARTIALLY FUNDED BLOCK GRANT WITH PROPOSAL (SB21)

| COUNTY | NUMBER OF VEHICLES NC(1986) | RETAINED FEES PLUS 1986 REIMBURSEMENTS (CURRENT LAW) | REVENUE UNDER PROPOSED LAW | DIFFERENCE |
|---------------|-----------------------------------|--|-------------------------------|-------------|
| BEAVERHEAD | 7,535 | \$379,621 | \$457,344 | \$77,724 |
| BIG HORN | 5,755 | \$247,120 | \$349,305 | \$102,186 |
| BLAINE | 4,365 | \$187,433 | \$264,938 | \$77,505 |
| BROADWATER | 3,198 | \$158,392 | \$194,106 | \$35,713 |
| CARBON | 7,810 | \$412,107 | \$474,036 | \$61,929 |
| CARTER | 1,678 | \$85,403 | \$101,848 | \$16,445 |
| CASCADE | 59,344 | \$3,441,885 | \$3,601,943 | \$160,058 |
| CHOUTEAU | 6,616 | \$302,180 | \$401,565 | \$99,385 |
| CUSTER | 10,019 | \$600,856 | \$608,113 | \$7,257 |
| DANIELS | 2,664 | \$128,302 | \$161,694 | \$33,392 |
| DAWSON | 9,994 | \$566,300 | \$606,596 | \$40,296 |
| DEER LODGE | 9,853 | \$663,425 | \$598,038 | (\$65,387) |
| FALLON | 3,282 | \$140,929 | \$199,204 | \$58,275 |
| FERGUS | 11,187 | \$630,302 | \$679,006 | \$48,704 |
| FLATHEAD | 48,893 | \$2,717,526 | \$2,967,610 | \$250,083 |
| GALLATIN | 38,181 | \$2,328,465 | \$2,317,434 | (\$11,031) |
| GARFIELD | 1,554 | \$76,809 | \$94,322 | \$17,512 |
| GLACIER | 5,381 | \$273,148 | \$326,605 | \$53,457 |
| GOLDEN VALLEY | 1,048 | \$48,299 | \$63,609 | \$15,310 |
| GRANITE | 2,610 | \$128,640 | \$158,417 | \$29,777 |
| HILL | 13,828 | \$716,091 | \$839,304 | \$123,214 |
| JEFFERSON | 6,353 | \$376,096 | \$385,602 | \$9,506 |
| JUDITH BASIN | 2,851 | \$132,586 | \$173,044 | \$40,458 |
| LAKE | 14,477 | \$722,070 | \$878,696 | \$156,626 |
| LEWIS & CLARK | 42,352 | \$2,504,502 | \$2,570,597 | \$66,095 |
| LIBERTY | 2,287 | \$98,572 | \$138,812 | \$40,240 |
| LINCOLN | 15,036 | \$750,677 | \$912,625 | \$161,948 |
| MADISON | 5,938 | \$289,708 | \$360,413 | \$70,705 |
| MCONE | 3,035 | \$142,721 | \$184,212 | \$41,491 |
| MEACHER | 2,019 | \$109,794 | \$122,545 | \$12,752 |
| MINERAL | 2,964 | \$183,095 | \$179,903 | (\$3,192) |
| MISSOULA | 60,178 | \$3,984,173 | \$3,652,564 | (\$331,609) |
| MUSSELSHELL | 4,273 | \$202,587 | \$259,354 | \$56,767 |
| PARK | 12,207 | \$650,993 | \$740,916 | \$89,923 |
| PETROLEUM | 603 | \$25,893 | \$36,600 | \$10,707 |
| PHILLIPS | 4,952 | \$218,665 | \$300,567 | \$81,901 |
| PONDERA | 5,639 | \$282,436 | \$342,265 | \$59,829 |
| POWDER RIVER | 2,828 | \$121,434 | \$171,648 | \$50,214 |
| POWELL | 4,654 | \$257,876 | \$282,479 | \$24,603 |
| PRAIRIE | 1,693 | \$83,407 | \$102,758 | \$19,351 |
| RAVALLI | 22,193 | \$1,089,075 | \$1,347,026 | \$257,951 |
| RICHLAND | 11,748 | \$504,459 | \$713,057 | \$208,597 |
| ROOSEVELT | 6,290 | \$300,677 | \$381,778 | \$81,101 |
| ROSEBUD | 8,324 | \$357,433 | \$505,234 | \$147,801 |
| SANDERS | 7,462 | \$395,825 | \$452,914 | \$57,089 |
| SHERIDAN | 6,167 | \$264,811 | \$374,312 | \$109,501 |
| SILVER BOW | 26,950 | \$1,840,033 | \$1,635,757 | (\$204,276) |
| STILLWATER | 6,055 | \$297,688 | \$367,514 | \$69,826 |
| SWEET GRASS | 3,192 | \$167,678 | \$193,742 | \$26,064 |
| TETON | 6,084 | \$319,760 | \$369,274 | \$49,514 |
| TOOLE | 5,207 | \$245,390 | \$316,044 | \$70,654 |
| TACOSURE | 961 | \$45,201 | \$58,329 | \$13,127 |
| VALLEY | 7,925 | \$482,201 | \$481,016 | (\$1,185) |
| WHEATLAND | 2,140 | \$118,393 | \$129,889 | \$11,497 |
| WIBAUX | 1,314 | \$59,706 | \$79,755 | \$20,049 |
| YELLOWSTONE | 102,372 | \$6,075,761 | \$6,213,571 | \$137,810 |
| TOTALS | 673,518 | \$37,934,610 | \$40,879,849 | \$2,945,239 |

COMPARISON OF FULLY FUNDED BLOCK GRANT WITH PROPOSAL (SB21)

| COUNTY | NUMBER OF VEHICLES NC(1986) | RETAINED FEES PLUS 1986 REIMBURSEMENTS (CURRENT LAW) | REVENUE UNDER PROPOSED LAW | DIFFERENCE |
|---------------|-----------------------------------|--|-------------------------------|---------------|
| BEAVERHEAD | 7,535 | \$428,139 | \$457,344 | \$29,206 |
| BIG HORN | 5,755 | \$247,120 | \$349,305 | \$102,186 |
| BLAINE | 4,365 | \$187,433 | \$264,938 | \$77,505 |
| BROADWATER | 3,198 | \$176,626 | \$194,106 | \$17,480 |
| CARBON | 7,810 | \$478,519 | \$474,036 | (\$4,483) |
| CARTER | 1,678 | \$96,955 | \$101,848 | \$4,893 |
| CASCADE | 59,344 | \$4,215,204 | \$3,601,943 | (\$613,261) |
| CHOUTEAU | 6,616 | \$317,833 | \$401,565 | \$83,732 |
| CUSTER | 10,019 | \$748,519 | \$608,113 | (\$140,406) |
| DANIELS | 2,664 | \$140,340 | \$161,694 | \$21,355 |
| DANSON | 9,994 | \$684,989 | \$606,596 | (\$78,393) |
| DEER LODGE | 9,853 | \$871,399 | \$598,038 | (\$273,362) |
| FALLON | 3,282 | \$140,929 | \$199,204 | \$58,275 |
| FERGUS | 11,187 | \$760,045 | \$679,006 | (\$81,039) |
| FLATHEAD | 48,893 | \$3,252,362 | \$2,967,610 | (\$284,753) |
| GALLATIN | 38,181 | \$2,924,665 | \$2,317,434 | (\$607,231) |
| GARFIELD | 1,554 | \$85,532 | \$94,322 | \$8,789 |
| GLACIER | 5,381 | \$309,569 | \$326,605 | \$17,036 |
| GOLDEN VALLEY | 1,048 | \$51,153 | \$63,609 | \$12,457 |
| GRANITE | 2,610 | \$142,976 | \$158,417 | \$15,441 |
| HILL | 13,828 | \$821,936 | \$839,304 | \$17,368 |
| JEFFERSON | 6,353 | \$465,484 | \$385,602 | (\$79,883) |
| JUDITH BASIN | 2,851 | \$141,381 | \$173,044 | \$31,663 |
| LAKE | 14,477 | \$808,975 | \$878,696 | \$69,721 |
| LEWIS & CLARK | 42,352 | \$3,098,049 | \$2,570,597 | (\$527,452) |
| LIBERTY | 2,287 | \$98,890 | \$138,812 | \$39,922 |
| LINCOLN | 15,036 | \$841,565 | \$912,625 | \$71,060 |
| MADISON | 5,938 | \$319,761 | \$360,413 | \$40,652 |
| McCONE | 3,035 | \$153,450 | \$184,212 | \$30,763 |
| MEAGHER | 2,019 | \$129,781 | \$122,545 | (\$7,236) |
| MINERAL | 2,964 | \$231,399 | \$179,903 | (\$51,497) |
| MISSOULA | 60,178 | \$5,195,769 | \$3,652,564 | (\$1,543,205) |
| MUSSELSHELL | 4,273 | \$219,119 | \$259,354 | \$40,235 |
| PARK | 12,207 | \$760,740 | \$740,916 | (\$19,824) |
| PETROLEUM | 603 | \$25,893 | \$36,600 | \$10,707 |
| PHILLIPS | 4,952 | \$223,880 | \$300,567 | \$76,687 |
| PONDERA | 5,639 | \$317,307 | \$342,265 | \$24,958 |
| POWDER RIVER | 2,828 | \$121,434 | \$171,648 | \$50,214 |
| POWELL | 4,654 | \$308,095 | \$282,479 | (\$25,616) |
| PRAIRIE | 1,693 | \$92,675 | \$102,758 | \$10,084 |
| RAVALLI | 22,193 | \$1,206,855 | \$1,347,026 | \$140,171 |
| RICHLAND | 11,748 | \$504,459 | \$713,057 | \$208,597 |
| ROOSEVELT | 6,290 | \$327,143 | \$381,778 | \$54,635 |
| ROSEBUD | 8,324 | \$357,433 | \$505,234 | \$147,801 |
| SANDERS | 7,462 | \$461,077 | \$452,914 | (\$8,163) |
| SHERIDAN | 6,167 | \$264,811 | \$374,312 | \$109,501 |
| SILVER BOW | 26,950 | \$2,430,890 | \$1,635,757 | (\$795,133) |
| STILLWATER | 6,055 | \$330,300 | \$367,514 | \$37,214 |
| SWEET GRASS | 3,192 | \$194,169 | \$193,742 | (\$428) |
| TETON | 6,084 | \$370,394 | \$369,274 | (\$1,119) |
| TOOLE | 5,207 | \$264,255 | \$316,044 | \$51,789 |
| TREASURE | 961 | \$48,607 | \$58,329 | \$9,721 |
| VALLEY | 7,925 | \$604,995 | \$481,016 | (\$123,979) |
| WHEATLAND | 2,140 | \$141,326 | \$129,889 | (\$11,436) |
| WIBAUX | 1,314 | \$62,546 | \$79,755 | \$17,208 |
| YELLOWSTONE | 102,372 | \$7,529,461 | \$6,213,571 | (\$1,315,890) |
| TOTALS | 673,518 | \$45,734,610 | \$40,879,849 | (\$4,854,761) |