

HB 96 INTRODUCED BY PATTERSON, ET AL.
EXEMPT FROM TAXATION CERTAIN TOOLS, IMPLEMENTS AND
MACHINERY USUALLY HAND-HELD

1/07 INTRODUCED
1/07 REFERRED TO TAXATION
1/08 FISCAL NOTE REQUESTED
1/12 FISCAL NOTE RECEIVED
1/27 HEARING
3/17 TABLED IN COMMITTEE

1
 2 INTRODUCTION BY *HB* BILL NO. *96* *Robby Roth*
 3 *Cobb Heard* *Man Al Meyers*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN
 5 HAND-HELD TOOLS, IMPLEMENTS, AND MACHINERY FROM PROPERTY
 6 TAXATION; AMENDING SECTIONS 15-6-137 AND 15-6-201, MCA; AND
 7 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
 8 DATE."
 9

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

11 Section 1. Section 15-6-137, MCA, is amended to read:

12 "15-6-137. Class seven property -- description --
 13 taxable percentage. (1) Class seven property includes:

14 (a) all property used and owned by persons, firms,
 15 corporations, or other organizations that are engaged in the
 16 business of furnishing telephone communications exclusively
 17 to rural areas or to rural areas and cities and towns of 800
 18 persons or less;

19 (b) all property owned by cooperative rural electrical
 20 and cooperative rural telephone associations that serve less
 21 than 95% of the electricity consumers or telephone users
 22 within the incorporated limits of a city or town;

23 (c) electric transformers and meters; electric light
 24 and power substation machinery; natural gas measuring and
 25 regulating station equipment, meters, and compressor station

1 machinery owned by noncentrally assessed public utilities;
 2 and tools used in the repair and maintenance of this
 3 property; and

4 (d) tools, implements, and machinery that are not
 5 hand-held and that are used to repair and maintain machinery
 6 not used for manufacturing and mining purposes.

7 (2) To qualify for this classification, the average
 8 circuit miles for each station on the telephone
 9 communication system described in subsection (1)(b) must be
 10 more than 1 mile.

11 (3) Class seven property is taxed at 8% of its market
 12 value."

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

14 "15-6-201. Exempt categories. (1) The following
 15 categories of property are exempt from taxation:

16 (a) the property of:

17 (i) the United States, the state, counties, cities,
 18 towns, school districts, except, if congress passes
 19 legislation that allows the state to tax property owned by
 20 an agency created by congress to transmit or distribute
 21 electrical energy, the property constructed, owned, or
 22 operated by a public agency created by the congress to
 23 transmit or distribute electric energy produced at privately
 24 owned generating facilities (not including rural electric
 25 cooperatives);



1 (ii) irrigation districts organized under the laws of
 2 Montana and not operating for profit;
 3 (iii) municipal corporations; and
 4 (iv) public libraries;
 5 (b) buildings, with land they occupy and furnishings
 6 therein, owned by a church and used for actual religious
 7 worship or for residences of the clergy, together with
 8 adjacent land reasonably necessary for convenient use of
 9 such buildings;
 10 (c) property used exclusively for agricultural and
 11 horticultural societies, for educational purposes, and for
 12 hospitals;
 13 (d) property that meets the following conditions:
 14 (i) is owned and held by any association or
 15 corporation organized under Title 35, chapter 2, 3, 20, or
 16 21;
 17 (ii) is devoted exclusively to use in connection with a
 18 cemetery or cemeteries for which a permanent care and
 19 improvement fund has been established as provided for in
 20 Title 35, chapter 20, part 3; and
 21 (iii) is not maintained and operated for private or
 22 corporate profit;
 23 (e) institutions of purely public charity;
 24 (f) evidence of debt secured by mortgages of record
 25 upon real or personal property in the state of Montana;

1 (g) public art galleries and public observatories not
 2 used or held for private or corporate profit;
 3 (h) all household goods and furniture, including but
 4 not limited to clocks, musical instruments, sewing machines,
 5 and wearing apparel of members of the family, used by the
 6 owner for personal and domestic purposes or for furnishing
 7 or equipping the family residence;
 8 (i) a truck canopy cover or topper weighing less than
 9 300 pounds and having no accommodations attached. Such
 10 property is also exempt from the fee in lieu of tax.
 11 (j) a bicycle, as defined in 61-1-123, used by the
 12 owner for personal transportation purposes;
 13 (k) automobiles and trucks having a rated capacity of
 14 three-quarters of a ton or less;
 15 (l) motorcycles and quadricycles;
 16 (m) fixtures, buildings, and improvements owned by a
 17 cooperative association or nonprofit corporation organized
 18 to furnish potable water to its members or customers for
 19 uses other than the irrigation of agricultural land;
 20 (n) the right of entry that is a property right
 21 reserved in land or received by mesne conveyance (exclusive
 22 of leasehold interests), devise, or succession to enter land
 23 whose surface title is held by another to explore, prospect,
 24 or dig for oil, gas, coal, or minerals;
 25 (o) property owned and used by a corporation or

1 association organized and operated exclusively for the care
2 of the developmentally disabled, mentally ill, or
3 vocationally handicapped as defined in 18-5-101, which is
4 not operated for gain or profit; and

5 (p) all farm buildings with a market value of less
6 than \$500 and all agricultural implements and machinery with
7 a market value of less than \$100; and

8 (q) all tools, implements, and machinery that are
9 customarily hand-held and that are used to:

10 (i) construct, repair, and maintain improvements to
11 real property; or

12 (ii) repair and maintain machinery, equipment,
13 appliances, and other personal property not used for
14 manufacturing and mining purposes.

15 (2) (a) The term "institutions of purely public
16 charity" includes organizations owning and operating
17 facilities for the care of the retired or aged or
18 chronically ill, which are not operated for gain or profit.

19 (b) The terms "public art galleries" and "public
20 observatories" include only those art galleries and
21 observatories, whether of public or private ownership, that
22 are open to the public without charge at all reasonable
23 hours and are used for the purpose of education only.

24 (3) The following portions of the appraised value of a
25 capital investment made after January 1, 1979, in a

1 recognized nonfossil form of energy generation, as defined
2 in 15-32-102, are exempt from taxation for a period of 10
3 years following installation of the property:

4 (a) \$20,000 in the case of a single-family residential
5 dwelling;

6 (b) \$100,000 in the case of a multifamily residential
7 dwelling or a nonresidential structure. (Subsection (1)(p)
8 applicable to taxable years beginning after December 31,
9 1985--sec. 4, Ch. 463, L. 1985.)"

10 NEW SECTION. Section 3. Extension of authority. Any
11 existing authority of the department of revenue to make
12 rules on the subject of the provisions of this act is
13 extended to the provisions of this act.

14 NEW SECTION. Section 4. Effective date --
15 applicability. This act is effective on passage and
16 approval, and applies to taxable years beginning after
17 December 31, 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB096, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

"An act to exempt certain hand-held tools, implements, and machinery from property taxation; amending sections 15-6-137 and 15-6-201, MCA; and providing an immediate effective date and an applicability date."

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY 88 and \$2,024,661,000 in FY 89 (REAC).
2. The taxable value of property affected by this proposal was \$4,916,522 in FY1986 (Property Assessment Division); this value will apply in both FY88 and FY89.
3. The university system mill levy is 6 mills; the school foundation mill levy is 45 mills; the average state levy is 240 mills.

FISCAL IMPACT:Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$ 11,983,158	\$ 11,953,659	(\$ 29,499)	\$ 12,147,966	\$ 12,118,467	(\$ 29,499)
School Equalization	89,873,685	89,652,442	(\$221,243)	91,109,745	90,888,502	(\$221,243)
Total	\$101,856,843	\$101,606,101	(\$250,742)	\$103,257,711	\$103,006,969	(\$250,742)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

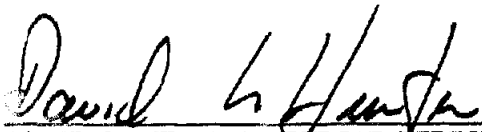
Exempting certain hand-held tools, implements, and machinery from property taxation would result in an annual county and local property tax revenue loss of approximately \$929,223.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

This proposal would fully impact property tax revenue in fiscal year 1987. If the property assessment cycle were far enough along when this proposal became effective, it would be necessary to revise assessments. These revisions would be costly and time consuming.

 DATE 1/12/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE 12 Jan 87
 JOHN W. PATTERSON, PRIMARY SPONSOR

Fiscal Note for HB096, as introduced.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB096, as amended.

REVISED FISCAL NOTE

DESCRIPTION OF PROPOSED LEGISLATION:

"An act to exempt certain hand-held tools, implements, and machinery from property taxation; amending sections 15-6-137 and 15-6-201, MCA; and providing an immediate effective date and an applicability date."

FISCAL IMPACT:

Revenue Impact:

The taxable value of the hand-held equipment that this proposal exempts from property taxation cannot be determined. For tax year 1986, the taxable value of tools, implements and machinery in class 7 property was \$4,916,522. The taxable value of hand-held equipment would be a component of this amount. The data for this category is captured in one component, thus, hand-held equipment cannot be categorized alone.

The fiscal impact presented is the maximum possible effect. If the entire taxable value of \$4,916,522 is exempted, the revenues to the university levy and school equalization levy would decrease by \$29,000 and \$221,000 respectively in each fiscal year.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR OTHER LOCAL REVENUE:

The maximum impact of exempting hand-held equipment would result in an annual local government revenue loss of \$929,000.

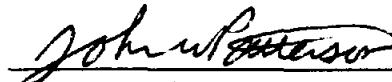
TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

This proposal would fully impact property tax revenue in fiscal year 1987. If the property assessment cycle were far enough along when this proposal became effective, it would be necessary to revise assessments. These revisions would be costly and time consuming.



DATE 1/23/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning



DATE 23 JAN 87

JOHN W. PATTERSON, PRIMARY SPONSOR

Fiscal Note for HB096, as amended.

REVISED FISCAL NOTE