

HB 150 INTRODUCED BY COBB  
OMIT REQUIREMENT FOR TAXING 1 ACRE AT MARKET VALUE  
FOR CLASS FOURTEEN PROPERTY

1/12 INTRODUCED  
1/12 REFERRED TO TAXATION  
1/12 FISCAL NOTE REQUESTED  
1/19 FISCAL NOTE RECEIVED  
1/26 HEARING  
3/17 TABLED IN COMMITTEE

1 HB BILL NO. 150  
2 INTRODUCED BY DBB

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO DELETE THE  
5 REQUIREMENT THAT 1 ACRE OF CLASS FOURTEEN PROPERTY BENEATH  
6 AGRICULTURAL IMPROVEMENTS BE VALUED AT MARKET VALUE;  
7 AMENDING SECTION 15-6-144, MCA; AND PROVIDING AN IMMEDIATE  
8 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."  
9

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

11 Section 1. Section 15-6-144, MCA, is amended to read:

12 "15-6-144. Class fourteen property -- description --  
13 taxable percentage. (1) Class fourteen property includes all  
14 improvements on land that, without regard to acreage, is  
15 eligible for valuation, assessment, and taxation as  
16 agricultural land under 15-7-202(2). ~~Class-fourteen-property~~  
17 ~~includes-1-acre-of-real-property--beneath--the--agricultural~~  
18 ~~improvements--The-1-acre-shall-be-valued-at-market-value.~~

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

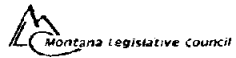
21 NEW SECTION. Section 2. Extension of authority. Any  
22 existing authority of the department of revenue to make  
23 rules on the subject of the provisions of this act is  
24 extended to the provisions of this act.

25 NEW SECTION. Section 3. Effective date -- retroactive

1 applicability. (1) This act is effective on passage and  
2 approval.

3 (2) This act applies retroactively, within the meaning  
4 of 1-2-109, to taxable years beginning after December 31,  
5 1986.

-End-



-2- INTRODUCED BILL  
HB-150

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB150, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to delete the requirement that 1 acre of class fourteen property beneath agricultural improvements be valued at market value; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. 22,222 farmstead sites are valued at an average market value of \$1,774 per acre (\$54.79 taxable) according to Department of Revenue records.
3. The average taxable value of agricultural land statewide was \$2.72 per acre in tax year 1986. This level is assumed to apply to future years. (Report of the state Department of Revenue).
4. Mills levies are assumed constant at 6 mills for the university levy, 45 mills for the foundation program and 189 mills for local governments (240 less 45 and 6 mills).

FISCAL IMPACT:Revenue Impact:

|                     | FY88          |               |            | FY89          |               |            |
|---------------------|---------------|---------------|------------|---------------|---------------|------------|
|                     | Current Law   | Proposed Law  | Difference | Current Law   | Proposed Law  | Difference |
| University Levy     | \$ 11,983,158 | \$ 11,976,215 | (\$ 6,943) | \$ 12,147,966 | \$ 12,141,023 | (\$ 6,943) |
| School Equalization | 89,873,685    | 89,821,616    | ( 52,069)  | 91,109,745    | 91,057,676    | ( 52,069)  |
| Total               | \$101,856,843 | \$101,797,831 | (\$59,012) | \$103,257,711 | \$103,198,699 | (\$59,012) |

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposal will reduce local government revenues by \$218,692 per year.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

The use of market value for the one acre of a farmstead captures the value of "normal" improvements to the land necessary for a dwelling (e.g. wells and septic tanks). The value of these improvements are not included in agricultural land values and presumably would have to be added as part of the improvements on the land.

David L. Hunter DATE 1/19/87  
 DAVID L. HUNTER, BUDGET DIRECTOR  
 Office of Budget and Program Planning

John Cobb DATE \_\_\_\_\_  
 JOHN COBB, PRIMARY SPONSOR  
 Fiscal Note for HB150, as introduced.

**HB-150**