

HB 260 INTRODUCED BY WINSLOW, ET AL.
REDUCE TAXABLE VALUE BY 10 PERCENT FOR EACH CLASS
OF PROPERTY FOR 1987-88

1/17 INTRODUCED
1/17 REFERRED TO TAXATION
1/17 FISCAL NOTE REQUESTED
1/19 FISCAL NOTE RECEIVED
2/05 HEARING
2/06 TABLED IN COMMITTEE

1 *House* BILL NO. *260*
 2 INTRODUCED BY *Wendell Cox, Kelly Campbell, Jay*
 3 *Hand*

4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING TAXABLE VALUE
 5 BY 10 PERCENT FOR EACH CLASS OF PROPERTY FOR TAX YEAR 1987
 6 AND BY 20 PERCENT FOR TAX YEAR 1988; AMENDING SECTIONS
 7 15-6-131 THROUGH 15-6-149, MCA; AND PROVIDING AN IMMEDIATE
 8 EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A
 9 TERMINATION DATE."

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

12 Section 1. Section 15-6-131, MCA, is amended to read:

13 "15-6-131. Class one property -- description --
 14 taxable percentage. (1) Class one property includes the
 15 annual net proceeds of all mines and mining claims except
 16 coal and metal mines.

17 (2) Class one property is taxed at 100% of its annual
 18 net proceeds after deducting the expenses specified and
 19 allowed by 15-23-503, less a 10% reduction in taxable value
 20 for tax year 1987 and a 20% reduction in taxable value for
 21 tax year 1988."

22 Section 2. Section 15-6-132, MCA, is amended to read:

23 "15-6-132. Class two property -- description --
 24 taxable percentage. (1) Class two property includes:

25 (a) the annual gross proceeds of metal mines;

1 (b) the annual gross proceeds of underground coal
 2 mines; and

3 (c) the annual gross proceeds of coal mines using the
 4 strip-mining method.

5 (2) Class two property is taxed as follows:

6 (a) Property described in subsection (1)(a) is taxed
 7 at 3% of its annual gross proceeds, as defined in 15-23-801,
 8 less a 10% reduction in taxable value for tax year 1987 and
 9 a 20% reduction in taxable value for tax year 1988.

10 (b) Property described in subsection (1)(b) is taxed
 11 at 33 1/3% of its annual gross proceeds, less a 10%
 12 reduction in taxable value for tax year 1987 and a 20%
 13 reduction in taxable value for tax year 1988.

14 (c) Property described in subsection (1)(c) is taxed
 15 at 45% of its annual gross proceeds, less a 10% reduction in
 16 taxable value for tax year 1987 and a 20% reduction in
 17 taxable value for tax year 1988."

18 Section 3. Section 15-6-133, MCA, is amended to read:

19 "15-6-133. Class three property -- description --
 20 taxable percentage. (1) Class three property includes
 21 agricultural land as defined in 15-7-202.

22 (2) Class three property is taxed at the taxable
 23 percentage rate "P" of its productive capacity, less a 10%
 24 reduction in taxable value for tax year 1987 and a 20%
 25 reduction in taxable value for tax year 1988.



-2- INTRODUCED BILL
 HB-260

1 (3) Until July 1, 1986, the taxable percentage rate
2 "P" for class three property is 30%.

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

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

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

18 (c) This table limits the statewide increase in
19 taxable valuation resulting from reappraisal to 0%. In
20 calculating the percentage increase, the department may not
21 consider agricultural use changes during calendar year 1985.

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

| 1 Certified Statewide | Class Three Taxable |
|-----------------------|---------------------|
| 2 Percentage Increase | Percentage "P" |
| 3 0 | 30.00 |
| 4 10 | 27.27 |
| 5 20 | 25.00 |
| 6 30 | 23.08 |
| 7 40 | 21.43 |
| 8 50 | 20.00 |

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

12 Section 4. Section 15-6-134, MCA, is amended to read:
13 "15-6-134. Class four property -- description --
14 taxable percentage. (1) Class four property includes:

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

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

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

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

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

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

6 (a) Except as provided in 15-24-1402 or 15-24-1501,
7 property described in subsections (1)(a) and (1)(b) is taxed
8 at ~~the taxable percentage rate~~ ^{"P"} 3.86% of its market
9 value, less a 10% reduction in taxable value for tax year
10 1987 and a 20% reduction in taxable value for tax year 1988.

11 (b) Property described in subsection (1)(c) is taxed
12 at ~~the taxable percentage rate~~ ^{"P"} 3.86% of its market value
13 multiplied by a percentage figure based on income and
14 determined from the following table, less a 10% reduction in
15 taxable value for tax year 1987 and a 20% reduction in
16 taxable value for tax year 1988:

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

| | | | |
|---|----------------|-----------------|-----|
| 1 | 7,001 - 8,000 | 8,401 - 9,600 | 70% |
| 2 | 8,001 - 9,000 | 9,601 - 10,800 | 80% |
| 3 | 9,001 - 10,000 | 10,801 - 12,000 | 90% |

4 (c) Property described in subsection (1)(d) is taxed
5 at one-half the taxable percentage ~~rate~~ ^{"P"} established in
6 subsection (2)(a), less a 10% reduction in taxable value for
7 tax year 1987 and a 20% reduction in taxable value for tax
8 year 1988.

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

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

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

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

25 (c) ~~This table limits the statewide increase in~~

1 taxable--valuation--resulting--from--reappraisal--to--0%--in
 2 calculating-the-percentage-increase, the department may not
 3 consider changes resulting from new construction, additions,
 4 or deletions during calendar year 1985.

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

| 9 Certified-Statewide | Class-Four-Taxable |
|------------------------|---------------------------|
| 10 Percentage-Increase | Percentage- ^{MP} |
| 11 0 | 8:55 |
| 12 10 | 7:77 |
| 13 20 | 7:12 |
| 14 30 | 6:57 |
| 15 40 | 6:10 |
| 16 50 | 5:70 |
| 17 60 | 5:34 |
| 18 70 | 5:02 |
| 19 80 | 4:75 |
| 20 90 | 4:50 |
| 21 100 | 4:27 |
| 22 110 | 4:07 |
| 23 120 | 3:00 |
| 24 130 | 3:71 |
| 25 140 | 3:56 |

| | |
|--------|------|
| 1 150 | 3:42 |
| 2 160 | 3:28 |
| 3 170 | 3:16 |
| 4 180 | 3:05 |
| 5 190 | 2:94 |
| 6 200 | 2:05 |
| 7 210 | 2:75 |
| 8 220 | 2:67 |
| 9 230 | 2:59 |
| 10 240 | 2:51 |
| 11 250 | 2:44 |
| 12 260 | 2:37 |
| 13 270 | 2:31 |
| 14 280 | 2:25 |
| 15 290 | 2:19 |
| 16 300 | 2:13 |

17 (5) After July 17, 1986, no adjustment may be made by
 18 the department to the taxable percentage rate ^{MP} until a
 19 revaluation has been made as provided in 15-7-111.

20 (6)(3) Within the meaning of comparable property as
 21 defined in 15-1-101, property assessed as commercial
 22 property is comparable only to other property assessed as
 23 commercial property, and property assessed as other than
 24 commercial property is comparable only to other property
 25 assessed as other than commercial property."

1 Section 5. Section 15-6-135, MCA, is amended to read:

2 "15-6-135. Class five property -- description --
3 taxable percentage. (1) Class five property includes:

4 (a) all property used and owned by cooperative rural
5 electrical and cooperative rural telephone associations
6 organized under the laws of Montana, except property owned
7 by cooperative organizations described in subsection (1)(c)
8 of 15-6-137;

9 (b) air and water pollution control equipment as
10 defined in this section;

11 (c) new industrial property as defined in this
12 section;

13 (d) any personal or real property used primarily in
14 the production of gasohol during construction and for the
15 first 3 years of its operation.

16 (2) (a) "Air and water pollution equipment" means
17 facilities, machinery, or equipment used to reduce or
18 control water or atmospheric pollution or contamination by
19 removing, reducing, altering, disposing, or storing
20 pollutants, contaminants, wastes, or heat. The department of
21 health and environmental sciences shall determine if such
22 utilization is being made.

23 (b) The department of health and environmental
24 sciences' determination as to air and water pollution
25 equipment may be appealed to the board of health and

1 environmental sciences and may not be appealed to either a
2 county tax appeal board or the state tax appeal board.
3 However, the appraised value of the equipment as determined
4 by the department of revenue may be appealed to the county
5 tax appeal board and the state tax appeal board.

6 (3) "New industrial property" means any new industrial
7 plant, including land, buildings, machinery, and fixtures,
8 used by new industries during the first 3 years of their
9 operation. The property may not have been assessed within
10 the state of Montana prior to July 1, 1961.

11 (4) (a) "New industry" means any person, corporation,
12 firm, partnership, association, or other group that
13 establishes a new plant in Montana for the operation of a
14 new industrial endeavor, as distinguished from a mere
15 expansion, reorganization, or merger of an existing
16 industry.

17 (b) New industry includes only those industries that:

18 (i) manufacture, mill, mine, produce, process, or
19 fabricate materials;

20 (ii) do similar work, employing capital and labor, in
21 which materials unserviceable in their natural state are
22 extracted, processed, or made fit for use or are
23 substantially altered or treated so as to create commercial
24 products or materials; or

25 (iii) engage in the mechanical or chemical

1 transformation of materials or substances into new products
 2 in the manner defined as manufacturing in the 1972 Standard
 3 Industrial Classification Manual prepared by the United
 4 States office of management and budget.

5 (5) New industrial property does not include:

6 (a) property used by retail or wholesale merchants,
 7 commercial services of any type, agriculture, trades, or
 8 professions;

9 (b) a plant that will create adverse impact on
 10 existing state, county, or municipal services; or

11 (c) property used or employed in any industrial plant
 12 that has been in operation in this state for 3 years or
 13 longer.

14 (6) Class five property is taxed at 3% of its market
 15 value, less a 10% reduction in taxable value for tax year
 16 1987 and a 20% reduction in taxable value for tax year
 17 1988."

18 Section 6. Section 15-6-136, MCA, is amended to read:

19 "15-6-136. Class six property -- description --
 20 taxable percentage. (1) Class six property includes:

21 (a) livestock, poultry, bees, and other species of
 22 domestic animals and wildlife raised in domestication or a
 23 captive environment, except for cats, dogs, and other
 24 household pets not raised for profit, and the unprocessed
 25 products of such animals and wildlife;

1 (b) all unprocessed agricultural products on the farm
 2 or in storage except all perishable fruits and vegetables in
 3 farm storage and owned by the producer;

4 (c) items of personal property intended for lease in
 5 the ordinary course of business provided each item of
 6 personal property satisfies all of the following:

7 (i) the full and true value of the personal property
 8 is less than \$5,000;

9 (ii) the personal property is owned by a business whose
 10 primary business income is from rental or lease of personal
 11 property to individuals wherein no one customer of the
 12 business accounts for more than 10% of the total rentals or
 13 leases during a calendar year; and

14 (iii) the lease of the personal property is generally
 15 on an hourly, daily, or weekly basis.

16 (2) Class six property is taxed at 4% of its market
 17 value, less a 10% reduction in taxable value for tax year
 18 1987 and a 20% reduction in taxable value for tax year
 19 1988."

20 Section 7. Section 15-6-137, MCA, is amended to read:

21 "15-6-137. Class seven property -- description --
 22 taxable percentage. (1) Class seven property includes:

23 (a) all property used and owned by persons, firms,
 24 corporations, or other organizations that are engaged in the
 25 business of furnishing telephone communications exclusively

1 to rural areas or to rural areas and cities and towns of 800
2 persons or less;

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

7 (c) electric transformers and meters; electric light
8 and power substation machinery; natural gas measuring and
9 regulating station equipment, meters, and compressor station
10 machinery owned by noncentrally assessed public utilities;
11 and tools used in the repair and maintenance of this
12 property; and

13 (d) tools, implements, and machinery used to repair
14 and maintain machinery not used for manufacturing and mining
15 purposes.

16 (2) To qualify for this classification, the average
17 circuit miles for each station on the telephone
18 communication system described in subsection (1)(b) must be
19 more than 1 mile.

20 (3) Class seven property is taxed at 8% of its market
21 value, less a 10% reduction in taxable value for tax year
22 1987 and a 20% reduction in taxable value for tax year
23 1988."

24 Section 8. Section 15-6-138, MCA, is amended to read:
25 "15-6-138. Class eight property -- description --

1 taxable percentage. (1) Class eight property includes:

2 (a) all agricultural implements and equipment;

3 (b) all mining machinery, fixtures, equipment, tools,
4 and supplies except:

5 (i) those included in class five; and

6 (ii) coal and ore haulers;

7 (c) all manufacturing machinery, fixtures, equipment,
8 tools, and supplies except those included in class five;

9 (d) all trailers up to and including 18,000 pounds
10 maximum gross loaded weight, except those subject to a fee
11 in lieu of property tax;

12 (e) aircraft;

13 (f) all goods and equipment intended for rent or
14 lease, except goods and equipment specifically included and
15 taxed in another class; and

16 (g) all other machinery except that specifically
17 included in another class.

18 (2) Class eight property is taxed at 11% of its market
19 value, less a 10% reduction in taxable value for tax year
20 1987 and a 20% reduction in taxable value for tax year
21 1988."

22 Section 9. Section 15-6-139, MCA, is amended to read:

23 "15-6-139. Class nine property -- description --
24 taxable percentage. (1) Class nine property includes:

25 (a) buses and trucks having a rated capacity of more

1 than three-quarters of a ton but less than or equal to 1 1/2
2 tons;

3 (b) truck toppers weighing more than 300 pounds;

4 (c) furniture, fixtures, and equipment, except that
5 specifically included in another class, used in commercial
6 establishments as defined in this section;

7 (d) x-ray and medical and dental equipment; and

8 (e) citizens' band radios and mobile telephones.

9 (2) "Commercial establishment" includes any hotel;
10 motel; office; petroleum marketing station; or service,
11 wholesale, retail, or food-handling business.

12 (3) Class nine property is taxed at 13% of its market
13 value, less a 10% reduction in taxable value for tax year
14 1987 and a 20% reduction in taxable value for tax year
15 1988."

16 Section 10. Section 15-6-140, MCA, is amended to read:

17 "15-6-140. Class ten property -- description --
18 taxable percentage. (1) Class ten property includes:

19 (a) radio and television broadcasting and transmitting
20 equipment;

21 (b) cable television systems;

22 (c) coal and ore haulers;

23 (d) trucks having a rated capacity of more than 1 1/2
24 tons, including those prorated under 15-24-102;

25 (e) all trailers exceeding 18,000 pounds maximum gross

1 loaded weight, including those prorated under 15-24-102 and
2 except those subject to a fee in lieu of property tax;

3 (f) theater projectors and sound equipment; and

4 (g) all other property not included in any other class
5 in this part except that property subject to a fee in lieu
6 of a property tax.

7 (2) Class ten property is taxed at 16% of its market
8 value, less a 10% reduction in taxable value for tax year
9 1987 and a 20% reduction in taxable value for tax year
10 1988."

11 Section 11. Section 15-6-141, MCA, is amended to read:

12 "15-6-141. Class eleven property -- description --
13 taxable percentage. (1) Class eleven property includes:

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

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

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

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

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

10 (iv) railroad transportation property included in class
11 fifteen; and

12 (v) airline transportation property included in class
13 seventeen.

14 (2) Class eleven property is taxed at 12% of market
15 value, less a 10% reduction in taxable value for tax year
16 1987 and a 20% reduction in taxable value for tax year
17 1988."

18 Section 12. Section 15-6-142, MCA, is amended to read:

19 "15-6-142. Class twelve property -- description --
20 taxable percentage. (1) Class twelve property includes:

21 (a) a trailer or mobile home used as a residence
22 except when:

23 (i) held by a distributor or dealer of trailers or
24 mobile homes as his stock in trade; or

25 (ii) specifically included in another class;

1 (b) the first \$35,000 or less of the market value of a
2 trailer or mobile home used as a residence and actually
3 occupied for at least 10 months a year as the primary
4 residential dwelling of any person whose total income from
5 all sources including otherwise tax-exempt income of all
6 types is not more than \$10,000 for a single person or
7 \$12,000 for a married couple.

8 (2) Class twelve property is taxed as follows:

9 (a) Property described in subsection (1)(a) that is
10 not of the type described in subsection (1)(b) is taxed at
11 ~~the taxable percentage rate "P" described in 15-6-134,~~
12 3.86% of its market value, less a 10% reduction in taxable
13 value for tax year 1987 and a 20% reduction in taxable value
14 for tax year 1988.

15 (b) Property described in subsection (1)(b) is taxed
16 at ~~the taxable percentage rate "P" described in 15-6-134,~~
17 3.86% of its market value multiplied by a percentage figure
18 based on income and determined from the table established in
19 subsection (2)(b) of 15-6-134, less a 10% reduction in
20 taxable value for tax year 1987 and a 20% reduction in
21 taxable value for tax year 1988."

22 Section 13. Section 15-6-143, MCA, is amended to read:

23 "15-6-143. Class thirteen property -- description --
24 taxable percentage. (1) Class thirteen property includes all
25 timberland.

1 (2) Timberland is contiguous land exceeding 15 acres
2 in one ownership that is capable of producing timber that
3 can be harvested in commercial quantity.

4 (3) Class thirteen property is taxed at the percentage
5 rate-"P" 3.84% of the combined appraised value of the
6 standing timber and grazing productivity of the property,
7 less a 10% reduction in taxable value for tax year 1987 and
8 a 20% reduction in taxable value for tax year 1988.

9 (4)--For--taxable--years--beginning--January--17--19867--and
10 thereafter7--the--taxable--percentage--rate--"P"--applicable--to
11 class--thirteen--property--is-- $30\%/B_7$ --where--B--is--the--certified
12 statewide--percentage--increase--to--be--determined--by--the
13 department--of--revenue--as--provided--in--subsection--(5)7--The
14 taxable--percentage--rate--"P"--shall--be--rounded--downward--to--the
15 nearest--0.01%--and--shall--be--calculated--by--the--department
16 before--July--17--19867.

17 (5)--(a)--Prior--to--July--17--19867--the--department--shall
18 determine--the--certified--statewide--percentage--increase--for
19 class--thirteen--property--using--the--formula-- $B = X/Y_7$ --where:

20 (i)--X--is--the--appraised--value7--as--of--January--17--19867
21 of--all--property--in--the--state7--excluding--use--changes
22 occurring--during--the--preceding--year7--classified--under--class
23 thirteen--as--class--thirteen--is--described--in--this--section7--and

24 (ii)--Y--is--the--appraised--value7--as--of--January--17--19857
25 of--all--property--in--the--state--that7--as--of--January--17--19867

1 would--be--classified--under--class--thirteen--as--class--thirteen
2 is--described--in--this--section7.

3 (b)--B--shall--be--rounded--downward--to--the--nearest
4 0.0001%7.

5 (6)--After--July--17--19867--no--adjustment--may--be--made--by
6 the--department--to--the--taxable--percentage--rate--"P"--until--a
7 valuation--has--been--made--as--provided--in--15-7-1117 (Terminates
8 January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

9 Section 14. Section 15-6-144, MCA, is amended to read:
10 "15-6-144. Class fourteen property -- description --
11 taxable percentage. (1) Class fourteen property includes all
12 improvements on land that is eligible for valuation,
13 assessment, and taxation as agricultural land under
14 15-7-202(2). Class fourteen property includes 1 acre of real
15 property beneath the agricultural improvements. The 1 acre
16 shall be valued at market value.

17 (2) Class fourteen property is taxed at 80% of the
18 taxable percentage applicable to class four property, less a
19 10% reduction in taxable value for tax year 1987 and a 20%
20 reduction in taxable value for tax year 1988."

21 Section 15. Section 15-6-145, MCA, is amended to read:
22 "15-6-145. Class fifteen property -- description --
23 taxable percentage. (1) Class fifteen property includes all
24 railroad transportation property as described in the
25 Railroad Revitalization and Regulatory Reform Act of 1976 as

1 it read on January 1, 1986.

2 (2) For the taxable year beginning January 1, 1986,
3 and for each taxable year thereafter, class fifteen property
4 is taxed at the percentage rate "R", to be determined by the
5 department as provided in subsection (3), or 12%, whichever
6 is less, minus a 10% reduction in taxable value for tax year
7 1987 and a 20% reduction in taxable value for tax year 1988.

8 (3) R = A/B where:

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

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

17 (4) (a) For the taxable year beginning January 1,
18 1986, and for every taxable year thereafter, the department
19 shall conduct a sales assessment ratio study of all
20 commercial and industrial real property and improvements.
21 The study must be based on:

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

24 (ii) a statistically valid sample of sales using data
25 from realty transfer certificates filed during the same

1 taxable year or from the immediately preceding taxable year,
2 but only if a sufficient number of certificates is
3 unavailable from the current taxable year to provide a
4 statistically valid sample.

5 (b) The department shall determine the value-weighted
6 mean sales assessment ratio "M" for all such property and
7 reduce the taxable value of property described in subsection
8 (4) only, by multiplying the total statewide taxable value
9 of property described in subsection (4) by "M" prior to
10 calculating "A" in subsection (3).

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

14 (5) For the purpose of complying with the Railroad
15 Revitalization and Regulatory Reform Act of 1976, as it read
16 on January 1, 1986, the rate "R" referred to in this section
17 is the equalized average tax rate generally applicable to
18 commercial and industrial property, except class fifteen
19 property, as commercial property is defined in
20 15-1-101(1)(d)."

21 Section 16. Section 15-6-146, MCA, is amended to read:

22 "15-6-146. Class sixteen property -- description --
23 taxable percentage. (1) Class sixteen property includes:

24 (a) watercraft;

25 (b) all-terrain vehicles [not registered under

1 61-3-301];

2 (c) harness, saddlery, and other tack equipment;

3 (d) all other property used for noncommercial purposes

4 which is not real property or an improvement to real

5 property and which is not included in another class or

6 exempt from taxation under Title 15, chapter 6, part 2.

7 (2) Class sixteen property is taxed at 11% of its

8 market value, less a 10% reduction in taxable value for tax

9 year 1987 and a 20% reduction in taxable value for tax year

10 1988."

11 Section 17. Section 15-6-147, MCA, is amended to read:

12 "15-6-147. Class seventeen property -- description --

13 taxable percentage. (1) Class seventeen property includes

14 all airline transportation property as described in the Tax

15 Equity and Fiscal Responsibility Act of 1982 as it read on

16 January 1, 1986.

17 (2) For the taxable years 1986 through, 1989, and

18 1990, class seventeen property is taxed at 12%, and for each

19 taxable year thereafter, class seventeen property is taxed

20 at the lesser of 12% or the percentage rate for class

21 fifteen property without adjustment. For the taxable year

22 1987, class seventeen property is taxed at 12%, less a 10%

23 reduction in taxable value. For the taxable year 1988, class

24 seventeen property is taxed at 12%, less a 20% reduction in

25 taxable value.

1 (3) For the purpose of complying with the Tax Equity

2 and Fiscal Responsibility Act of 1982, as it read on January

3 1, 1986, the rate "R" referred to in this section is the

4 equalized average tax rate generally applicable to

5 commercial and industrial property, except class seventeen

6 property, as commercial property is defined in

7 15-1-101(1)(d)."

8 Section 18. Section 15-6-148, MCA, is amended to read:

9 "15-6-148. Class eighteen property -- description --

10 taxable percentage. (1) Class eighteen property includes all

11 nonproductive patented mining claims outside the limits of

12 an incorporated city or town held by an owner for the

13 ultimate purpose of developing the mineral interests on the

14 property. Class eighteen does not include any property that

15 is used for residential, recreational as described in

16 70-16-301, or commercial as defined in 15-1-101, purposes,

17 or if the surface is being used for other than mining

18 purposes or has a separate and independent value for such

19 other purposes.

20 (2) Improvements to class eighteen property that would

21 not disqualify the parcel from designation as class eighteen

22 property are taxed as otherwise provided in this title,

23 including that portion of the land upon which such

24 improvements are located and which is reasonably required

25 for the use of such improvements.

1 (3) Class eighteen property must be valued as if such
 2 land were devoted to agricultural grazing use and is taxed
 3 at 30% of its value, less a 10% reduction in taxable value
 4 for tax year 1987 and a 20% reduction in taxable value for
 5 tax year 1988."

6 Section 19. Section 15-6-149, MCA, is amended to read:

7 "15-6-149. Class nineteen property -- description --
 8 taxable percentage. (1) Class nineteen property includes
 9 parcels of nonproductive real property containing less than
 10 20 acres that are precluded from being developed for
 11 residential, commercial, or industrial purposes because of
 12 subdivision or zoning laws, regulations, or ordinances or
 13 that are precluded from being so developed for other
 14 reasons.

15 (2) Improvements to class nineteen property are taxed
 16 as class four property.

17 (3) Class nineteen property is taxed at 2% of its
 18 market value, less a 10% reduction in taxable value for tax
 19 year 1987 and a 20% reduction in taxable value for tax year
 20 1988."

21 NEW SECTION. Section 20. 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 21. Code commissioner

1 instruction. The code commissioner is instructed to revise
 2 any new class of property created by the 50th legislature to
 3 include the language ", less a 10% reduction in taxable
 4 value" as a modifier of the tax rate language.

5 NEW SECTION. Section 22. Effective date. This act is
 6 effective on passage and approval.

7 NEW SECTION. Section 23. Retroactive applicability.
 8 This act applies retroactively, within the meaning of
 9 1-2-109, to taxable years beginning after December 31, 1986.

10 NEW SECTION. Section 24. Termination. This act
 11 terminates December 31, 1988.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB260, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act reducing taxable value by 10 percent for each class of property for tax year 1987 and by 20 percent for tax year 1988; amending sections 15-6-131 through 15-6-149, MCA; and providing an immediate effective date, a retro-active applicability date, and a termination 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. The intent of this proposal is to reduce taxable values for all classes of property by 10% for FY88 and 20% for FY89. The way this proposal is worded, its impact on personal property classes would be during FY87 and FY88.
3. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average state mill levy is 240 mills. These levies will apply through the FY88-89 biennium.

FISCAL IMPACT:

Revenue Impact:


| | FY88 | | | FY89 | | |
|---------------------|---------------|--------------|----------------|---------------|---------------|----------------|
| | Current Law | Proposed Law | Difference | Current Law | Proposed Law | Difference |
| University Levy | \$ 11,983,158 | \$10,784,842 | (\$ 1,198,316) | \$ 12,147,966 | \$ 9,718,373 | (\$ 2,429,593) |
| School Equalization | 89,873,685 | 80,886,317 | (8,987,368) | 91,109,745 | 72,887,796 | (18,221,949) |
| Total | \$101,856,843 | \$91,671,159 | (\$10,185,684) | \$103,257,711 | \$ 82,606,169 | (\$20,651,542) |

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Reducing taxable value by 10 percent for FY88 and 20 percent for FY89 would result in county and local property tax revenue losses of \$37,746,948 (FY88) and \$76,532,186 (FY89).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

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

 DATE 1/19/87
 CAL WINSLOW, PRIMARY SPONSOR

Fiscal Note for HB260, as introduced.

HB-260

Fiscal Note Request, HB260, as introduced.

Form BD-15

Page 2

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

The timing of tax payments on personal property is different than it is for real property. If the intent of this bill is to reduce taxable values for all classes of property by 10% in FY 88 and 20% in FY 89, the applicable tax years for personal property classes should be 1988 and 1989 (rather than 1987 and 1988).

HB-260