

HB 318 INTRODUCED BY BRANDEWIE, ET AL.  
CLASS TWENTY PROPERTY; SUBURBAN TRACTS

1/20 INTRODUCED  
1/20 REFERRED TO TAXATION  
1/21 FISCAL NOTE REQUESTED  
1/28 FISCAL NOTE RECEIVED  
2/12 HEARING  
3/19 TABLED IN COMMITTEE

House BILL NO. 318

INTRODUCED BY

*Brant Lewis, Brady Smith, Jeff...*  
*HARR*  
*Phillip...*  
*O'Connell*  
*C. Smith*  
*Kilb...*  
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A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE OF CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Class twenty property --

description -- taxable percentage. (1) Class twenty property includes all land not considered agricultural land or timberland, not devoted to a commercial use, not situated within the corporate boundaries of a municipality, and not specifically included in another class.

(2) The market value of property in class twenty must be determined as follows:

(a) land, not to exceed 1 acre, on which there is situated residential improvements must be valued as residential land in class four is valued; and

(b) all other land in class twenty must be valued according to its actual use.

(3) For the purpose of this section, actual use means that if:

(a) the land is devoted to agricultural purposes in any measure, regardless of the requirements of 15-7-202, the land must be valued as agricultural land;

(b) the land is devoted to growing timber in any measure, regardless of the requirements of 15-6-143, the land must be valued as timberland;

(c) the land is devoted to open space, the land must be valued as agricultural grazing land; and

(d) the land is devoted to any other noncommercial use specifically listed in another class, the land must be valued as land in the respective class.

(4) Property in class twenty is taxable at 3.86% of its market value.

Section 2. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

1 (b) Except as provided in subsection (3), the market  
 2 value of all motor trucks; agricultural tools, implements,  
 3 and machinery; and vehicles of all kinds, including but not  
 4 limited to aircraft and boats and all watercraft, is the  
 5 average wholesale value shown in national appraisal guides  
 6 and manuals or the value of the vehicle before  
 7 reconditioning and profit margin. The department of revenue  
 8 shall prepare valuation schedules showing the average  
 9 wholesale value when no national appraisal guide exists.

10 (3) The department of revenue or its agents may not  
 11 adopt a lower or different standard of value from market  
 12 value in making the official assessment and appraisal of the  
 13 value of property ~~in-15-6-134-through-15-6-140-and-15-6-145~~  
 14 ~~through-15-6-149~~, except:

15 (a) the wholesale value for agricultural implements  
 16 and machinery is the loan value as shown in the Official  
 17 Guide, Tractor and Farm Equipment, published by the national  
 18 farm and power equipment dealers association, St. Louis,  
 19 Missouri; and

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

24 (c) as otherwise authorized in Title 15 and Title 61.

25 (4) For purposes of taxation, assessed value is the

1 same as appraised value.

2 (5) The taxable value for all property ~~in-classes-four~~  
 3 ~~through-eleven-and-fifteen-through-nineteen~~ is the  
 4 percentage of market or assessed value established for each  
 5 class of property ~~in-15-6-134-through-15-6-141-and-15-6-145~~  
 6 ~~through-15-6-149~~.

7 (6) The assessed value of properties in 15-6-131  
 8 through 15-6-133 is as follows:

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

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

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

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

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

25 (a) ownership of the improvements is different from

1 ownership of the land;

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

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

4 ~~(8) The taxable value of all property in 15-6-131 and~~  
5 ~~classes two, three, and thirteen is the percentage of~~  
6 ~~assessed value established in 15-6-131(2), 15-6-132,~~  
7 ~~15-6-133, and 15-6-143 for each class of property.~~  
8 (Subsections (3)(a) and (3)(b) applicable to tax years  
9 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.  
10 Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch.  
11 681, L. 1985.)"

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

16 NEW SECTION. Section 4. Codification instruction.  
17 Section 1 is intended to be codified as an integral part of  
18 Title 15, chapter 6, part 1, and the provisions of Title 15,  
19 chapter 6, apply to section 1.

20 NEW SECTION. Section 5. Effective date --  
21 applicability. This act is effective on passage and approval  
22 and applies to taxable years beginning after December 31,  
23 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB318, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating a new Class Twenty classification for property tax purposes; establishing requirements for determining the market value of Class Twenty property; clarifying terminology relating to taxable value, market value, and assessed value; 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 FY88 and \$2,024,661,000 in FY89 (REAC).
2. All tract land in excess of one acre on which there is situated residential improvements would become eligible for classification as agricultural land or timber land.
3. Average statewide grazing value is \$3.72 per acre.
4. The tax rate for tract land is 3.86%; the tax rate for unproductive land less than 20 acres is 2%; and the tax rate for grazing land is 30% of productive value.
5. Mill levies are 6 mills for universities, and 45 mills for the school foundation program. The average county levy is held constant at 189 mills.
6. The proposed legislation would reduce total market value by \$1,604,202,440; total taxable value is reduced \$61,413,875.
7. Additional one-time expenditures include \$43,704 for personal services, and \$19,500 for operating expenses. These expenditures would be needed to review all tract land for eligibility for Class 20 classification, to adjust tax records accordingly, and to upgrade county computer programs. These costs would be incurred in FY87 due to the retroactive application of the proposal.

FISCAL IMPACT:

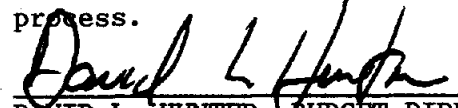
	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Revenue Impact:						
University Levy	\$ 11,983,158	\$11,614,675	(\$ 368,483)	\$ 12,147,966	\$ 11,779,483	(\$ 368,483)
School Equalization	89,873,685	87,110,061	( 2,763,624)	91,109,745	88,346,121	( 2,763,624)
Total	\$101,856,843	\$98,724,736	(\$3,132,107)	\$103,257,711	\$100,125,604	(\$ 3,132,107)

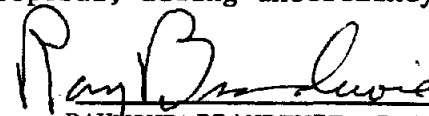
EFFECT ON LOCAL GOVERNMENT REVENUE:

The proposal is estimated to reduce county and local school district revenues by \$11,607,222 annually. Cities and towns are not expected to be affected by this bill.

TECHNICAL OR MECHANICAL DEFECTS:

The work required by this proposal must be completed by the second Monday in July of this year due to the retroactive date. Timely assessments could be jeopardized by the proposal; adding uncertainty to the local budgeting process.

 DATE 1/22/87  
 DAVID L. HUNTER, BUDGET DIRECTOR  
 Office of Budget and Program Planning

 DATE \_\_\_\_\_  
 RAYMOND BRANDEWIE, PRIMARY SPONSOR

Fiscal Note for HB318, as introduced.

**HB-318**