

HB 383 INTRODUCED BY RAPP-SVRCEK, ET AL.  
REQUIRE COUNTY ASSESSORS TO ASSESS RESIDENTIAL  
PROPERTY AT ACQUISITION COST

1/21 INTRODUCED  
1/21 REFERRED TO TAXATION  
1/21 FISCAL NOTE REQUESTED  
1/28 FISCAL NOTE RECEIVED  
2/11 HEARING  
2/13 TABLED IN COMMITTEE

1 *House* BILL NO. *313*  
 2 INTRODUCED BY *Rep. Steve Campbell, Rep. Gary*  
 3 *Kades, Rep. Nathan Saverson, Rep. Tom Schenke, Rep. Kelly*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE  
 5 CONSTITUTIONAL AMENDMENT TO REQUIRE COUNTY ASSESSORS TO  
 6 ASSESS RESIDENTIAL PROPERTY BASED ON ACQUISITION VALUE  
 7 RATHER THAN MARKET VALUE; SEPARATING RESIDENTIAL AND  
 8 NONRESIDENTIAL REAL PROPERTY AND IMPROVEMENTS FOR PROPERTY  
 9 TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-134,  
 10 15-6-142, 15-7-103, 15-7-111 THROUGH 15-7-113, 15-7-309,  
 11 15-8-101, 15-8-111, 15-9-101, 15-9-103, 15-24-1102, AND  
 12 15-24-1103, MCA; AND PROVIDING A CONTINGENT EFFECTIVE DATE."

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

14 NEW SECTION. Section 1. Class twenty property --  
 15 description -- taxable percentage. (1) Class twenty property  
 16 includes:  
 17

18 (a) all commercial land except that specifically  
 19 included in another class;

20 (b) all commercial improvements except those  
 21 specifically included in another class;

22 (c) all golf courses, including land and improvements  
 23 actually and necessarily used for that purpose, that consist  
 24 of at least nine holes and not less than 3,000 lineal yards.

25 (2) Class twenty property is taxed as follows:

1 (a) Except as provided in 15-24-1402 or 15-24-1501,  
 2 property described in subsections (1)(a) and (1)(b) is taxed  
 3 at 3.86% of its market value.

4 (b) Property described in subsection (1)(c) is taxed  
 5 at one-half the taxable rate established in subsection  
 6 (2)(a).

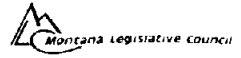
7 Section 2. Section 15-1-101, MCA, is amended to read:  
 8 "15-1-101. Definitions. (1) Except as otherwise  
 9 specifically provided, when terms mentioned in this section  
 10 are used in connection with taxation, they are defined in  
 11 the following manner:

12 (a) The term "agricultural" refers to the raising of  
 13 livestock, poultry, bees, and other species of domestic  
 14 animals and wildlife in domestication or a captive  
 15 environment, and the raising of field crops, fruit, and  
 16 other animal and vegetable matter for food or fiber.

17 (b) The term "assessed value" means the value of  
 18 property as defined in 15-8-111.

19 (c) The term "average wholesale value" means the value  
 20 to a dealer prior to reconditioning and profit margin shown  
 21 in national appraisal guides and manuals or the valuation  
 22 schedules of the department of revenue.

23 (d) (i) The term "commercial", when used to describe  
 24 property, means any property used or owned by a business, a  
 25 trade, or a nonprofit corporation as defined in 35-2-102 or



1 used for the production of income, except that property  
2 described in subsection (ii).

3 (ii) The following types of property are not  
4 commercial:

5 (A) agricultural lands;

6 (B) timberlands;

7 (C) single-family residences and ancillary  
8 improvements and improvements necessary to the function of a  
9 bona fide farm, ranch, or stock operation;

10 (D) mobile homes used exclusively as a residence  
11 except when held by a distributor or dealer of trailers or  
12 mobile homes as his stock in trade;

13 (E) all property described in 15-6-135;

14 (F) all property described in 15-6-136; and

15 (G) all property described in 15-6-146.

16 (e) The term "comparable property" means property that  
17 has similar use, function, and utility; that is influenced  
18 by the same set of economic trends and physical,  
19 governmental, and social factors; and that has the potential  
20 of a similar highest and best use. Property assessed as  
21 commercial property is comparable only to other property  
22 assessed as commercial property and property assessed as  
23 residential property is comparable only to other property  
24 assessed as residential property.

25 (f) The term "credit" means solvent debts, secured or

1 unsecured, owing to a person.

2 (g) The term "improvements" includes all buildings,  
3 structures, fences, and improvements situated upon, erected  
4 upon, or affixed to land. When the department of revenue or  
5 its agent determines that the permanency of location of a  
6 mobile home or housetrailer has been established, the mobile  
7 home or housetrailer is presumed to be an improvement to  
8 real property. A mobile home or housetrailer may be  
9 determined to be permanently located only when it is  
10 attached to a foundation which cannot feasibly be relocated  
11 and only when the wheels are removed.

12 (h) The term "leasehold improvements" means  
13 improvements to mobile homes and mobile homes located on  
14 land owned by another person. This property is assessed  
15 under the appropriate classification and the taxes are due  
16 and payable in two payments as provided in 15-24-202.  
17 Delinquent taxes on such leasehold improvements are a lien  
18 only on such leasehold improvements.

19 (i) The term "livestock" means cattle, sheep, swine,  
20 goats, horses, mules, and asses.

21 (j) The term "mobile home" means forms of housing  
22 known as "trailers", "housetrailer", or "trailer coaches"  
23 exceeding 8 feet in width or 45 feet in length, designed to  
24 be moved from one place to another by an independent power  
25 connected to them, or any "trailer", "housetrailer", or

1 "trailer coach" up to 8 feet in width or 45 feet in length  
2 used as a principal residence.

3 (k) The term "personal property" includes everything  
4 that is the subject of ownership but that is not included  
5 within the meaning of the terms "real estate" and  
6 "improvements".

7 (l) The term "poultry" includes all chickens, turkeys,  
8 geese, ducks, and other birds raised in domestication to  
9 produce food or feathers.

10 (m) The term "property" includes moneys, credits,  
11 bonds, stocks, franchises, and all other matters and things,  
12 real, personal, and mixed, capable of private ownership.  
13 This definition must not be construed to authorize the  
14 taxation of the stocks of any company or corporation when  
15 the property of such company or corporation represented by  
16 the stocks is within the state and has been taxed.

17 (n) The term "real estate" includes:

18 (i) the possession of, claim to, ownership of, or  
19 right to the possession of land;

20 (ii) all mines, minerals, and quarries in and under the  
21 land subject to the provisions of 15-23-501 and Title 15,  
22 chapter 23, part 8; all timber belonging to individuals or  
23 corporations growing or being on the lands of the United  
24 States; and all rights and privileges appertaining thereto.

25 (o) The term "residential", when used to describe

1 property, means land and improvements, without regard to  
2 occupancy, devoted to single-family residences and duplexes,  
3 together with ancillary improvements.

4 ~~(p)~~ (p) The term "taxable value" means the percentage  
5 of market or assessed value ~~as provided for in 15-6-131~~  
6 ~~through 15-6-140~~ established for each class of property.

7 (2) The phrase "municipal corporation" or  
8 "municipality" or "taxing unit" shall be deemed to include a  
9 county, city, incorporated town, township, school district,  
10 irrigation district, drainage district, or any person,  
11 persons, or organized body authorized by law to establish  
12 tax levies for the purpose of raising public revenue.

13 (3) The term "state board" or "board" when used  
14 without other qualification shall mean the state tax appeal  
15 board."

16 Section 3. Section 15-6-134, MCA, is amended to read:  
17 "15-6-134. Class four property -- description --  
18 taxable percentage. (1) Class four property includes:

19 (a) all residential land except that specifically  
20 included in another class;

21 (b) all residential improvements except those  
22 specifically included in another class;

23 (c) the first \$35,000 or less of the market value of  
24 any improvement on real property and appurtenant land not  
25 exceeding 5 acres owned or under contract for deed and

1 actually occupied for at least 10 months a year as the  
 2 primary residential dwelling of any person whose total  
 3 income from all sources including otherwise tax-exempt  
 4 income of all types is not more than \$10,000 for a single  
 5 person or \$12,000 for a married couple;

6 ~~(d) all golf courses, including land and improvements~~  
 7 ~~actually and necessarily used for that purpose, that consist~~  
 8 ~~of at least 9 holes and not less than 3,700 linear yards.~~

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

10 (a) ~~Except as provided in 15-24-1402 or 15-24-1501,~~  
 11 Property described in subsections (1)(a) and (1)(b)  
 12 is taxed at the ~~taxable percentage rate~~ <sup>"P"</sup> 3.86% of its  
 13 market assessed value.

14 (b) Property described in subsection (1)(c) is taxed  
 15 at the ~~taxable percentage rate~~ <sup>"P"</sup> 3.86% of its market  
 16 assessed value multiplied by a percentage figure based on  
 17 income and determined from the following table:

Income	Income	Percentage
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%

1	6,001 - 7,000	7,201 - 8,400	60%
2	7,001 - 8,000	8,401 - 9,600	70%
3	8,001 - 9,000	9,601 - 10,800	80%
4	9,001 - 10,000	10,801 - 12,000	90%

5 (c) ~~Property described in subsection (1)(d) is taxed~~  
 6 ~~at one-half the taxable percentage rate "P" established in~~  
 7 ~~subsection (2)(a).~~

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

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

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

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

24 (c) ~~This table limits the statewide increase in~~  
 25 ~~taxable valuation resulting from reappraisal to 0% in~~

1 calculating the percentage increase, the department may not  
 2 consider changes resulting from new construction, additions,  
 3 or deletions during calendar year 1985.

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

8 Certified-Statewide	9 Class-Four-Taxable
10 Percentage-Increase	11 Percentage-#P#
12 0	13 8-55
14 10	15 7-77
16 20	17 7-12
18 30	19 6-57
20 40	21 6-10
22 50	23 5-70
24 60	25 5-34
26 70	27 5-02
28 80	29 4-75
30 90	31 4-50
32 100	33 4-27
34 110	35 4-07
36 120	37 3-80
38 130	39 3-71
40 140	41 3-56
42 150	43 3-42

1 160	2 3-28
3 170	4 3-16
5 180	6 3-05
7 190	8 2-94
9 200	10 2-85
11 210	12 2-75
13 220	14 2-67
15 230	16 2-59
17 240	18 2-51
19 250	20 2-44
21 260	22 2-37
23 270	24 2-31
25 280	26 2-25
27 290	28 2-19
29 300	30 2-13

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

34 (6) Within the meaning of comparable property as  
 35 defined in 15-1-101, property assessed as commercial  
 36 property is comparable only to other property assessed as  
 37 commercial property, and property assessed as other than  
 38 commercial property is comparable only to other property  
 39 assessed as other than commercial property."

40 Section 4. Section 15-6-142, MCA, is amended to read:

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

3 (a) a residential trailer or mobile home ~~used--as--a~~  
4 ~~residence~~ except when:

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

7 (ii) specifically included in another class;

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

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

16 (a) Property described in subsection (1)(a) that is  
17 not of the type described in subsection (1)(b) is taxed at  
18 ~~the-taxable-percentage--rate--"P",--described--in--15-6-134,~~  
19 3.86% of its market value.

20 (b) Property described in subsection (1)(b) is taxed  
21 ~~at the-taxable-percentage-rate--"P",--described--in--15-6-134,~~  
22 3.86% of its market value multiplied by a percentage figure  
23 based on income and determined from the table established in  
24 subsection (2)(b) of 15-6-134."

25 Section 5. Section 15-7-103, MCA, is amended to read:

1 "15-7-103. Classification and appraisal -- general and  
2 uniform methods. (1) It is the duty of the department of  
3 revenue to implement the provisions of 15-7-101 through  
4 15-7-103 by providing:

5 (a) for a general and uniform method of classifying  
6 nonresidential lands in the state for the purpose of  
7 securing an equitable and uniform basis of assessment of  
8 said lands for taxation purposes;

9 (b) for a general and uniform method of appraising  
10 nonresidential city and town lots;

11 (c) for a general and uniform method of appraising  
12 nonresidential rural and urban improvements;

13 (d) for a general and uniform method of appraising  
14 timberlands.

15 (2) All nonresidential lands shall be classified  
16 according to their use or uses and graded within each class  
17 according to soil and productive capacity. In such  
18 classification work, use shall be made of soil surveys and  
19 maps and all other pertinent available information.

20 (3) All nonresidential lands must be classified by  
21 parcels or subdivisions not exceeding 1 section each, by the  
22 sections, fractional sections, or lots of all tracts of land  
23 that have been sectionized by the United States government,  
24 or by metes and bounds, whichever yields a true description  
25 of the land.

1 (4) All agricultural lands must be classified and  
2 appraised as agricultural lands without regard to the best  
3 and highest value use of adjacent or neighboring lands.

4 (5) In any periodic revaluation of taxable property  
5 completed under the provisions of 15-7-111 after January 1,  
6 1979~~7~~:

7 (a) all nonresidential property ~~classified in 15-6-134~~  
8 must be appraised on its market value in the same year~~7~~; and

9 (b) ~~The~~ the department must publish a rule specifying  
10 the year used in the appraisal.

11 (6) All sewage disposal systems and domestic use water  
12 supply systems of all dwellings may not be appraised,  
13 assessed, and taxed separately from the land, house, or  
14 other improvements in which they are located. In no event  
15 may the sewage disposal or domestic water supply systems be  
16 included twice by including them in the valuation and  
17 assessing them separately."

18 Section 6. Section 15-7-111, MCA, is amended to read:

19 "15-7-111. Periodic revaluation of taxable property.  
20 The department of revenue shall administer and supervise a  
21 program for the revaluation of all taxable nonresidential  
22 property within the state at least every 5 years. A  
23 comprehensive written plan of rotation shall be promulgated  
24 by the department fixing the order of revaluation of  
25 property in each county on the basis of the last revaluation

1 of taxable property in each county prior to July 1, 1974, in  
2 order to adjust the disparities therein between the  
3 counties. The plan of rotation so adopted ~~shall~~ must  
4 provide that all nonresidential property in each county  
5 ~~shall be~~ is revalued at least every 5 years or that no less  
6 than 20% of the nonresidential property in each county ~~shall~~  
7 be is revalued in each year. The department shall furnish a  
8 copy of the plan and all amendments thereto to each county  
9 assessor and the board of county commissioners in each  
10 county."

11 Section 7. Section 15-7-112, MCA, is amended to read:

12 "15-7-112. Equalization of valuations of  
13 nonresidential property. The same method of appraisal and  
14 assessment shall be used in each county of the state to the  
15 end that comparable nonresidential property with similar  
16 true market values and subject to taxation in Montana shall  
17 have substantially equal taxable values at the end of each  
18 cyclical revaluation program hereinbefore provided."

19 Section 8. Section 15-7-113, MCA, is amended to read:

20 "15-7-113. Program exclusive. No program for the  
21 revaluation of nonresidential property shall be implemented  
22 for taxation in any county other than as prescribed in  
23 15-7-111 through 15-7-114."

24 Section 9. Section 15-7-309, MCA, is amended to read:

25 "15-7-309. Classification or assessment methods. (1)



1 This part shall not change or modify the methods of  
2 classification or assessment of real estate as provided for  
3 in this title or in any law of this state.

4 (2) The sale price of real estate shall not be the  
5 sole determinant of assessed value of nonresidential  
6 property. The department shall consider, wherein the  
7 consideration is to be paid in deferred installments over a  
8 period of 10 years or more, the terms of the contract,  
9 amount of down payment, amount of each installment, rate of  
10 interest, and other covenants or exceptional circumstances  
11 which may affect the consideration paid for real estate."

12 Section 10. Section 15-8-101, MCA, is amended to read:

13 "15-8-101. Department responsibilities. The Except as  
14 otherwise provided, the department of revenue shall have  
15 full charge of assessing all property subject to taxation  
16 and equalizing values of nonresidential property and shall  
17 secure such personnel as is necessary to properly perform  
18 its duties."

19 Section 11. Section 15-8-111, MCA, is amended to read:

20 "15-8-111. Assessment -- market value standard --  
21 exceptions. (1) All taxable nonresidential property must be  
22 assessed at 100% of its market value except as otherwise  
23 provided in subsection (5) of this section and in 15-7-111  
24 through 15-7-114.

25 (2) (a) Market value is the value at which property

1 would change hands between a willing buyer and a willing  
2 seller, neither being under any compulsion to buy or to sell  
3 and both having reasonable knowledge of relevant facts.

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

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

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

23 (b) for agricultural implements and machinery not  
24 listed in the official guide, the department shall prepare a  
25 supplemental manual where the values reflect the same

1 depreciation as those found in the official guide;

2 (c) the assessed value for all residential property  
3 contained in class four, class twelve, and class fourteen in  
4 existence on January 1, 1989, is the market value that such  
5 property had on January 1, 1982;

6 (d) the assessed value for all residential property  
7 contained in class four, class twelve, and class fourteen,  
8 first having taxable situs in the state after January 1,  
9 1989, is the appraised value established by a qualified real  
10 estate appraiser selected by the taxpayer from a list  
11 compiled by the county assessor;

12 (e) the assessed value for residential property  
13 contained in class four, class twelve, and class fourteen  
14 whose ownership is transferred after January 1, 1989, is the  
15 total acquisition value, including all legal consideration  
16 as set forth in Title 28, chapter 2, part 8, upon which the  
17 transfer is based. For purposes of this subsection,  
18 property is not considered transferred if the transfer is  
19 between husband and wife or if the transfer is by an  
20 instrument that transfers the property to the same party or  
21 parties.

22 (f) the assessed value for property described in  
23 subsection (3)(e) is determined as provided in subsection  
24 (3)(d) if the property is transferred:

25 (i) by gift;

1 (ii) by court decree;

2 (iii) as part of a decedent's estate;

3 (iv) between parent and child;

4 (v) for delinquent taxes or assessments, sheriff sale,  
5 bankruptcy action, or mortgage foreclosure; or

6 (vi) for nominal or no consideration; and

7 (g) as otherwise authorized in Title 15 and Title 61.

8 (4) For purposes of taxation, assessed value is the  
9 same as appraised value.

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

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

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

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

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

1 lands for tax purposes.

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

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

8 (a) ownership of the improvements is different from  
9 ownership of the land;

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

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

12 ~~(8) The taxable value of all property in 15-6-131 and~~  
13 ~~classes two, three, and thirteen is the percentage of~~  
14 ~~assessed value established in 15-6-131(2), 15-6-132,~~  
15 ~~15-6-133, and 15-6-143 for each class of property.~~  
16 (Subsections (3)(a) and (3)(b) applicable to tax years  
17 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.  
18 Subsection (6)(d) and references in (8) [now deleted] to  
19 class thirteen and 15-6-143 terminate January 1, 1991--sec.  
20 10, Ch. 681, L. 1985.)"

21 Section 12. Section 15-9-101, MCA, is amended to read:

22 "15-9-101. Department to equalize valuations --  
23 hearing. (1) The department of revenue shall adjust and  
24 equalize the valuation of taxable nonresidential property  
25 among the several counties and the different classes of

1 taxable nonresidential property in any county and in the  
2 several counties and between individual taxpayers; supervise  
3 and review the acts of agents of the department; change,  
4 increase, or decrease valuations made by its agents; and  
5 exercise such authority and do all things necessary to  
6 secure a fair, just, and equitable valuation of all taxable  
7 nonresidential property among counties between the different  
8 classes of property and between individual taxpayers.

9 (2) The department may hold a public hearing to  
10 determine the value of any class of nonresidential property  
11 in any county and shall have authority to raise or lower the  
12 value of any class of nonresidential property on the basis  
13 of testimony adduced at such hearing.

14 (3) Upon the hearing of the application, the  
15 department may subpoena such witnesses, hear and take such  
16 evidence in relation to the subject pending as in its  
17 discretion it may deem proper."

18 Section 13. Section 15-9-103, MCA, is amended to read:

19 "15-9-103. Department to use records in equalizing.  
20 The department of revenue must use the abstract and all  
21 other information it may gain from the records of the county  
22 clerk or elsewhere in equalizing the assessment of the  
23 nonresidential property of each county and may require entry  
24 upon the assessment book of any property which has not been  
25 assessed. Any assessment made as prescribed in this section

1 has the same force and effect as if made before the delivery  
2 of the assessment book to the county clerk."

3 Section 14. Section 15-24-1102, MCA, is amended to  
4 read:

5 "15-24-1102. Federal property held under contract of  
6 sale. When the property is held under a contract of sale or  
7 other agreement whereby upon payment the legal title is or  
8 may be acquired by the person, the real property shall be  
9 assessed and taxed as ~~defined in 15-6-131 through 15-6-140~~  
10 provided in Title 15, chapter 6, part 1, and 15-8-111  
11 without deduction on account of the whole or any part of the  
12 purchase price or other sum due on the property remaining  
13 unpaid. The lien for the tax may not attach to, impair, or  
14 be enforced against any interest of the United States in the  
15 real property."

16 Section 15. Section 15-24-1103, MCA, is amended to  
17 read:

18 "15-24-1103. Federal property held under lease. When  
19 the property is held under lease, other interest, or estate  
20 therein less than the fee, except under contract of sale,  
21 the property shall be assessed and taxed as for the value,  
22 as ~~defined in 15-6-131 through 15-6-140~~ provided in Title  
23 15, chapter 6, part 1, of such leasehold, interest, or  
24 estate in the property and the lien for the tax shall attach  
25 to and be enforced against only the leasehold, interest, or

1 estate in the property. When the United States authorizes  
2 the taxation of the property for the full assessed value of  
3 the fee thereof, the property shall be assessed for full  
4 assessed value as defined in 15-8-111."

5 NEW SECTION. Section 16. Extension of authority. Any  
6 existing authority of the department of revenue to make  
7 rules on the subject of the provisions of this act is  
8 extended to the provisions of this act.

9 NEW SECTION. Section 17. Severability. If a part of  
10 this act is invalid, all valid parts that are severable from  
11 the invalid part remain in effect. If a part of this act is  
12 invalid in one or more of its applications, the part remains  
13 in effect in all valid applications that are severable from  
14 the invalid applications.

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

19 NEW SECTION. Section 19. Contingent effective date.  
20 This act is effective January 1, 1989, if the electors of  
21 Montana approve, at the general election to be held November  
22 8, 1988, an amendment to the Montana constitution to require  
23 county assessors to assess residential property based on  
24 acquisition value rather than market value.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

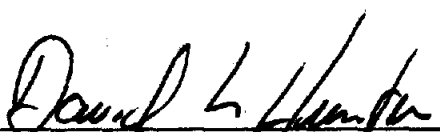
In compliance with a written request, there is hereby submitted a Fiscal Note for HB383, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act implementing constitutional amendment (HB384) to require county assessors to assess residential property based on acquisition value rather than market value; separating residential and nonresidential property and improvements for property tax purposes; and providing a contingent effective date.

ASSUMPTIONS:

1. If approved by the people, the act proposed in this bill would become effective January 1, 1989 and would apply to tax year 1989 (FY90 receipts).
2. The revenue needs of taxing jurisdictions will be at least as great as under current law, hence there will be no reduction in taxes levied.
3. General fund expenditures for property assessment at the state level will be \$10,422,376 beginning in FY90 (Executive Budget). These expenditures would be reduced by \$847,745, to \$9,594,631 through the elimination of residential property tax appraisers and associated operating costs (43 grade 10, step 2 residential appraisers). Additional state expenditures of \$27,289 will be required to update information on the class 4 properties that are moved to the new class 20. All nonresidential property will be subject to reappraisal as required under current law.
4. Local governments are assumed to increase staffing expenditures for residential property appraisal to verify compliance with the provisions of the amendment, to update county records and to monitor new construction compliance. It is assumed that 7 grade 10, step 2 full-time appraisers will be added in the largest counties; half-time appraisers will be added in the remaining counties. The additional local expenditures for these appraisers will be \$744,474 (with benefits).
5. The proposal is assumed to require taxpayers to use private fee appraisers to establish the value for new construction, for new mobile homes and for parcel splits. It is assumed that 10 percent of the total residential parcels in the state (31,070) will require fee appraisals at \$250 each. Local governments will be required to notify these taxpayers at a cost of \$0.37 each.
6. Legal responsibilities for defending residential property assessments will rest with the county where the property is located since local officials set the assessments for certain properties. This litigation is assumed to be handled by county attorneys and may require staffing changes that are not included in the local cost estimates.

 DATE 1/28/89  
DAVID L. HUNTER, BUDGET DIRECTOR  
Office of Budget and Program Planning

DATE \_\_\_\_\_  
PAUL RAPP-SVRCEK, PRIMARY SPONSOR  
Fiscal Note for HB 383, as introduced  
**HB-383**

	<u>FY90 and Beyond</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>State Costs:</u>			
<u>Existing State Program:</u>			
Nonresidential Property Appraisal	\$ 9,594,631	\$ 9,594,631	\$ 0
Residential Property Appraisal	847,745	0	( 847,745)
<u>Class 20 Additional Costs</u>	<u>0</u>	<u>27,289</u>	<u>27,289</u>
Total State Costs	10,442,376	9,621,920	( 820,456)
<u>Local Costs:</u>			
Additional Appraisers	0	744,474	744,474
Notification	<u>0</u>	<u>11,496</u>	<u>11,496</u>
Total Local Costs	0	755,970	755,970
Total Cost of Property Tax	10,442,376	10,377,890	( 64,486)

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Fiscal Impact:

Revenue Impact:

Assuming residential property increases in value through time, the proposal will increase revenues to the university levy and school foundation levy as acquisition values replace 1982 market values. Precise estimates are not possible.

Expenditure Impact:

	<u>FY90 and Beyond</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Property Tax Program	\$10,442,376	\$ 9,621,920	(\$ 820,456)

Fund Information:

The expenditure impact table provides estimates of the potential savings to the state general fund.

LONG-RANGE EFFECT ON LOCAL REVENUES AND EXPENDITURES:

The proposal would shift a portion of the cost of residential property appraisal to local governments. Under the assumptions stated above, the cost to local governments of property appraisal and assessment would increase by \$755,970 in FY 90 and thereafter. These additional costs would require a like increase in property taxes levied, assuming there is no offsetting decrease in other areas of local expenditures.

LONG-RANGE EFFECT ON LOCAL REVENUES AND EXPENDITURES:

The proposal would shift a portion of the cost of residential property appraisal to local governments. Under the assumptions stated above, the cost to local governments of property appraisal and assessment would increase by \$755,970 in FY 90 and thereafter. These additional costs would require a like increase in property taxes levied, assuming there is no offsetting decrease in other areas of local expenditures.

Taxpayers would be required to pay for the appraisal of new construction. It is estimated that these additional costs will total \$7,767,500 per year.

Assuming residential property appreciates in value through time, the proposal will increase revenues to local governments as acquisition values replace 1982 market values. Precise estimates are not possible.

TECHNICAL OR MECHANICAL DEFECTS:

The proposal does not implement the constitutional amendment proposed in HB384, which states "County assessors shall assess residential property based on acquisition value and not market value". Under this proposal, only a portion of residential property is assessed at acquisition value; the remainder is still assessed at market value. This dual treatment is prohibited by the amendment proposed in HB384.

It will be difficult to determine whether transactions are made for the purpose of avoiding taxes. Nothing in the proposal prohibits artificially low sale prices that are intended to lower taxes. To the degree that this takes place, revenues will decrease.