

HOUSE BILL NO. 436

INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP

IN THE HOUSE

JANUARY 24, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

MARCH 19, 1987 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 20, 1987 PRINTING REPORT.

MARCH 24, 1987 SECOND READING, DO PASS.

ENGROSSING REPORT.

MARCH 25, 1987 ON MOTION, TAKEN FROM THIRD READING
AND REREFERRED TO COMMITTEE
ON APPROPRIATIONS.

MARCH 27, 1987 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

MARCH 28, 1987 PRINTING REPORT.

MARCH 31, 1987 SECOND READING, DO PASS.

APRIL 1, 1987 ENGROSSING REPORT.

THIRD READING, PASSED.
AYES, 92; NOES, 3.

TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 9, 1987 ON MOTION, RULES SUSPENDED TO ALLOW
RECEIPT OF HB NO. 436.

APRIL 10, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

APRIL 11, 1987 COMMITTEE RECOMMEND BILL BE
CONCURRED IN. REPORT ADOPTED.

APRIL 14, 1987

SECOND READING, CONCURRED IN.

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THE 83RD
LEGISLATIVE DAY.

THIRD READING, CONCURRED IN.
AYES, 49; NOES, 1.

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 15, 1987

RECEIVED FROM SENATE.

SENT TO ENROLLING.

1 *House* BILL NO. *436*
 2 INTRODUCED BY *Ramsey Cyprien* *Hoffman*
 3 *Randy Bishop*

4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE
 5 APPRAISALS OF 20 PERCENT OF THE STATE'S TAXABLE PROPERTY
 6 EACH YEAR AND ANNUAL REVALUATIONS OF THE REMAINDER BASED ON
 7 ON-SITE APPRAISALS AS A REPRESENTATIVE SAMPLE FOR
 8 DETERMINING PERCENTAGE INCREASES OR DECREASES FOR SIMILAR
 9 PROPERTY; AMENDING SECTIONS 15-7-103 AND 15-7-111, MCA; AND
 10 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
 11 DATE."

12
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Section 15-7-103, MCA, is amended to read:
 15 "15-7-103. Classification and appraisal -- general and
 16 uniform methods. (1) It is the duty of the department of
 17 revenue to implement the provisions of 15-7-101 through
 18 15-7-103 by providing:

- 19 (a) for a general and uniform method of classifying
- 20 lands in the state for the purpose of securing an equitable
- 21 and uniform basis of assessment of said lands for taxation
- 22 purposes;
- 23 (b) for a general and uniform method of appraising
- 24 city and town lots;
- 25 (c) for a general and uniform method of appraising

1 rural and urban improvements;

2 (d) for a general and uniform method of appraising
 3 timberlands.

4 (2) All lands shall be classified according to their
 5 use or uses and graded within each class according to soil
 6 and productive capacity. In such classification work, use
 7 shall be made of soil surveys and maps and all other
 8 pertinent available information.

9 (3) All lands must be classified by parcels or
 10 subdivisions not exceeding 1 section each, by the sections,
 11 fractional sections, or lots of all tracts of land that have
 12 been sectionized by the United States government, or by
 13 metes and bounds, whichever yields a true description of the
 14 land.

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

18 ~~(5) -- In any periodic revaluation of taxable property~~
 19 ~~completed under the provisions of 15-7-111 after January 1,~~
 20 ~~1979, all property classified in 15-6-134 must be appraised~~
 21 ~~on its market value in the same year. The department must~~
 22 ~~publish a rule specifying the year used in the appraisal.~~

23 (6) (5) All sewage disposal systems and domestic use
 24 water supply systems of all dwellings may not be appraised,
 25 assessed, and taxed separately from the land, house, or



1 other improvements in which they are located. In no event
2 may the sewage disposal or domestic water supply systems be
3 included twice by including them in the valuation and
4 assessing them separately."

5 Section 2. Section 15-7-111, MCA, is amended to read:

6 "15-7-111. Periodic revaluation of taxable property by
7 on-site appraisal -- valuation by representative sample.

8 (1) The department of revenue shall administer and
9 supervise a program for the revaluation of all taxable
10 property within the state by on-site appraisal at least
11 every 5 years. A comprehensive written plan of rotation
12 shall be promulgated by the department fixing the order of
13 revaluation of property in each county by on-site appraisal
14 on the basis of ~~the last revaluation of taxable property in~~
15 ~~each county prior to July 1, 1974, in order to adjust the~~
16 ~~disparities therein between the counties~~ a typical
17 cross-section of the type and quality of property in each
18 class of property throughout the state to be used as a
19 representative sample. The plan of rotation so adopted
20 shall provide that all property in each county shall be
21 revalued by on-site appraisal at least every 5 years or that
22 no less than 20% of the property in each county shall be
23 revalued by on-site appraisal in each year. The department
24 shall furnish a copy of the plan and all amendments thereto
25 to each county assessor and the board of county

1 commissioners in each county.

2 (2) Based on the percentage change in value of
3 property within a class as determined by the on-site
4 appraisal performed by the department in the previous year
5 under subsection (1), the department shall revalue the
6 remainder of the property within the state for the year.
7 Under this method all taxable property is considered
8 revalued for each tax year based on the representative
9 sample produced in the preceding year.

10 (3) The department shall fulfill its responsibility to
11 equalize property values throughout the state by making
12 percentage adjustments to the valuations that are based on
13 the representative sample in order to offset unique factors
14 affecting values in a community that are not considered in
15 the representative sample compiled by on-site appraisal."

16 NEW SECTION. Section 3. Extension of authority. Any
17 existing authority of the department of revenue to make
18 rules on the subject of the provisions of this act is
19 extended to the provisions of this act.

20 NEW SECTION. Section 4. Effective date --
21 applicability. (1) This act is effective on passage and
22 approval.

23 (2) This act applies to taxable years beginning after
24 December 31, 1987, but does not alter the requirement of the
25 department of revenue to reappraise 20% of the property in

LC 0316/01

1 the state in 1987. That reappraisal is the representative
2 sample for new taxable values for all affected property to
3 be placed on the assessment rolls on January 1, 1988, in
4 accordance with this act.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB436, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring on-site appraisals of 20% of the state's taxable property each year and annual revaluations of the remainder based on on-site appraisals as a representative sample for determining percentage increases or decreases for similar property; amending sections 15-7-103 and 15-7-111, MCA; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

1. The intent of this proposal is to require on-site appraisals of 20% of all property in classes 3, 4, 12, 13, and 14 each year and to require revaluation of the remaining 80% of property in these classes based on on-site appraisals.
2. The taxable value of property in classes 3, 4, 12, 13, and 14 will be \$857,915,000 in FY88 and \$886,326,000 in FY89 (REAC agricultural land and other real property).
3. No mechanism exists in this proposal to adjust taxable value rates in response to fluctuations in values. Because such a mechanism does not exist, an increase in taxable value as a result of on-site appraisal may result in an increase in property taxes. Likewise, a decline in taxable value as a result of this proposal may cause a decline in property tax revenue (see examples below).
4. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
5. The university mill levy is 6 mills; the school foundation mill levy is 45 mills; the average state levy is 240 mills.
6. This proposal would have no impact on property tax revenues during FY88.
7. Under this proposal, 524,600 properties in classes 4, 12, and 14 would have to be revalued each year. 104,920 properties each year in classes 4, 12, and 14 would have to be reviewed.
8. All industrial property would require review and revaluation under the proposed law.
9. 51,000,000 acres of agricultural land in class 3 would require revaluation under the proposed law.
10. 3,500,000 acres of timber land in class 13 would require revaluation under the proposed law.
11. All property will require annual renotification, so administrative costs would increase.


DATE 1/30/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
JACK RAMIREZ, PRIMARY SPONSOR
Fiscal Note for HB 436, as introduced

HB-436

Fiscal Note Request, HB436, as introduced.

Form BD-15

Page 2

FISCAL IMPACT:

Examples of Possible Revenue Impact: given a 10% increase or a 10% decrease in the valuation of classes 3, 4, 12, 13, and 14 property.

	<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>10% Increase</u>			
University Levy	\$ 12,147,966	\$ 12,679,762	\$ 531,796
School Equalization	91,109,745	95,098,212	3,988,467
<u>TOTAL</u>	<u>\$103,257,711</u>	<u>\$ 107,777,974</u>	<u>\$4,520,263</u>
<u>10% Decrease</u>			
University Levy	\$ 12,147,966	\$ 11,616,170	(\$ 531,796)
School Equalization	91,109,745	87,121,278	(3,988,467)
<u>TOTAL</u>	<u>\$103,257,711</u>	<u>\$ 98,737,448</u>	<u>(\$4,520,263)</u>

	<u>FY88</u>			<u>FY89</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditure Impact:</u>						
Personal services	\$ 0	\$ 428,734	\$ 428,734	\$ 0	\$ 428,734	\$ 428,734
Operating expenses	0	411,306	411,306	0	381,306	381,306
<u>TOTAL GENERAL FUND</u>	<u>\$ 0</u>	<u>\$ 840,040</u>	<u>\$ 840,040</u>	<u>\$ 0</u>	<u>\$ 810,040</u>	<u>\$ 810,040</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Examples, given a 10% increase or a 10% decrease in the valuation of classes 3, 4, 12, 13, and 14 property.

<u>FY89</u>	
<u>10% Increase</u>	
Current Law	382,660,929
<u>Proposed Law</u>	<u>399,412,490</u>
Increase	16,751,561
<u>10% Decrease</u>	
Current Law	382,660,929
<u>Proposed Law</u>	<u>365,909,368</u>
Decrease	(16,751,561)

HOUSE BILL NO. 436

INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE APPRAISALS--OF--20--PERCENT--OF--THE--STATE'S--TAXABLE--PROPERTY EACH-YEAR-AND-ANNUAL-REVALUATIONS-OF-THE-REMAINDER-BASED--ON ON-SITE---APPRAISALS---AS---A---REPRESENTATIVE---SAMPLE--FOR DETERMINING-PERCENTAGE-INCREASES-OR--DECREASES--FOR--SIMILAR PROPERTY THE DEPARTMENT OF REVENUE TO CONDUCT A SALES ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF MONTANA; AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-103, AND 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

SECTION 1. SECTION 15-1-101, MCA, IS AMENDED TO READ:

"15-1-101. Definitions. (1) Except as otherwise specifically provided, when terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "agricultural" refers to the raising of livestock, poultry, bees, and other species of domestic animals and wildlife in domestication or a captive

environment, and the raising of field crops, fruit, and other animal and vegetable matter for food or fiber.

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

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

(d) (i) The term "commercial", when used to describe property, means any property used or owned by a business, a trade, or a nonprofit corporation as defined in 35-2-102 or used for the production of income, except that property described in subsection (ii).

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

- (A) agricultural lands;
(B) timberlands;
(C) single-family residences and ancillary improvements and improvements necessary to the function of a bona fide farm, ranch, or stock operation;
(D) mobile homes used exclusively as a residence except when held by a distributor or dealer of trailers or mobile homes as his stock in trade;
(E) all property described in 15-6-135;
(F) all property described in 15-6-136; and



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

2 (e) The term "comparable property" means property that
3 has similar use, function, and utility; that is influenced
4 by the same set of economic trends and physical,
5 governmental, and social factors; and that has the potential
6 of a similar highest and best use.

7 (f) The term "credit" means solvent debts, secured or
8 unsecured, owing to a person.

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

19 (h) The term "leasehold improvements" means
20 improvements to mobile homes and mobile homes located on
21 land owned by another person. This property is assessed
22 under the appropriate classification and the taxes are due
23 and payable in two payments as provided in 15-24-202.
24 Delinquent taxes on such leasehold improvements are a lien
25 only on such leasehold improvements.

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

3 (j) The term "mobile home" means forms of housing
4 known as "trailers", "housetrainers", or "trailer coaches"
5 exceeding 8 feet in width or 45 feet in length, designed to
6 be moved from one place to another by an independent power
7 connected to them, or any "trailer", "housetrailer", or
8 "trailer coach" up to 8 feet in width or 45 feet in length
9 used as a principal residence.

10 (k) The term "personal property" includes everything
11 that is the subject of ownership but that is not included
12 within the meaning of the terms "real estate" and
13 "improvements".

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

17 (m) The term "property" includes moneys, credits,
18 bonds, stocks, franchises, and all other matters and things,
19 real, personal, and mixed, capable of private ownership.
20 This definition must not be construed to authorize the
21 taxation of the stocks of any company or corporation when
22 the property of such company or corporation represented by
23 the stocks is within the state and has been taxed.

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

25 (i) the possession of, claim to, ownership of, or

1 at such hearing. Thereafter, the department shall determine
 2 the true and correct appraisal and classification of such
 3 land or improvements and forthwith notify the taxpayer of
 4 its determination. In the notification, the department must
 5 state its reasons for revising the classification or
 6 appraisal. When so determined, the land shall be classified
 7 and improvements appraised in the manner ordered by the
 8 department.

9 (4) Whether a hearing as provided in subsection (3) is
 10 held or not, the department or its agent may not adjust an
 11 appraisal or classification upon taxpayer's objection
 12 unless:

13 (a) the taxpayer has submitted his objection in
 14 writing; and

15 (b) the department or its agent has stated its reason
 16 in writing for making the adjustment.

17 (5) A taxpayer's written objection to a classification
 18 or appraisal and the department's notification to the
 19 taxpayer of its determination and the reason for that
 20 determination are public records. Each county appraiser
 21 shall make such records available for inspection during
 22 regular office hours.

23 (6) If any property owner shall feel aggrieved at the
 24 classification and/or the appraisal so made by the
 25 department, he shall have the right to appeal to the county

1 tax appeal board and then to the state tax appeal board,
 2 whose findings shall be final subject to the right of review
 3 in the proper court or courts. WHILE THE PROPERTY OWNER MAY
 4 APPEAL THE BASE YEAR VALUATION AND CLASSIFICATION
 5 DETERMINATION, THE PROPERTY OWNER MAY NOT APPEAL THE YEARLY
 6 PERCENTAGE ADJUSTMENTS THAT ARE SPECIFIED IN 15-7-111 AND
 7 THAT MAY BE MADE AS A RESULT OF THE SALES ASSESSMENT RATIO
 8 STUDY. THE PROPERTY OWNER MAY NOT APPEAL THE STRATUM OR AREA
 9 DESIGNATIONS AS SPECIFIED IN 15-7-111."

10 Section 3. Section 15-7-103, MCA, is amended to read:

11 "15-7-103. Classification and appraisal -- general and
 12 uniform methods. (1) It is the duty of the department of
 13 revenue to implement the provisions of 15-7-101 through
 14 15-7-103 by providing:

15 (a) for a general and uniform method of classifying
 16 lands in the state for the purpose of securing an equitable
 17 and uniform basis of assessment of said lands for taxation
 18 purposes;

19 (b) for a general and uniform method of appraising
 20 city and town lots;

21 (c) for a general and uniform method of appraising
 22 rural and urban improvements;

23 (d) for a general and uniform method of appraising
 24 timberlands.

25 (2) All lands shall be classified according to their

1 right to the possession of land;

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

7 (o) The term "taxable value" means the percentage of
8 market or assessed value as provided for in 15-6-131 through
9 15-6-140.

10 (p) The term "weighted mean assessment ratio" means
11 the total of the assessed values divided by the total of the
12 selling prices of all area sales in the stratum.

13 (2) The phrase "municipal corporation" or
14 "municipality" or "taxing unit" shall be deemed to include a
15 county, city, incorporated town, township, school district,
16 irrigation district, drainage district, or any person,
17 persons, or organized body authorized by law to establish
18 tax levies for the purpose of raising public revenue.

19 (3) The term "state board" or "board" when used
20 without other qualification shall mean the state tax appeal
21 board."

22 SECTION 2. SECTION 15-7-102, MCA, IS AMENDED TO READ:

23 "15-7-102. Notice of classification and appraisal to
24 owners -- appeals. (1) It shall be the duty of the
25 department of revenue to cause to be mailed to each owner

1 and purchaser under contract for deed a notice of the
2 classification of the land owned or being purchased by him
3 and the appraisal of the improvements thereon only if one or
4 more of the following changes pertaining to the land or
5 improvements have been made since the last notice:

- 6 (a) change in ownership;
- 7 (b) change in classification;
- 8 (c) change in valuation; or
- 9 (d) addition or subtraction of personal property
10 affixed to the land.

11 (2) The notice of classification and appraisal
12 provided by the department under subsection (1) must be on
13 a standardized form adopted by the department containing
14 sufficient information in a comprehensible manner designed
15 to fully inform the taxpayer as to the classification and
16 appraisal of his property and of changes over the prior tax
17 year.

18 (3) If the owner of any land and improvements is
19 dissatisfied with the appraisal or classification of his
20 land or improvements, he may submit his objection in writing
21 to the department's agent. The department shall give
22 reasonable notice to such taxpayer of the time and place of
23 hearing and hear any testimony or other evidence which the
24 taxpayer may desire to produce at such time and afford the
25 opportunity to other interested persons to produce evidence

1 amendments thereto to each county assessor and the board of
2 county commissioners in each county.

3 (2) Based on the percentage change in value of
4 property within a class as determined by the on-site
5 appraisal performed by the department in the previous year
6 under subsection (1), the department shall revalue the
7 remainder of the property within the state for the year.
8 Under this method all taxable property is considered
9 revalued for each tax year based on the representative
10 sample produced in the preceding year.

11 (3) The department shall fulfill its responsibility to
12 equalize property values throughout the state by making
13 percentage adjustments to the valuations that are based on
14 the representative sample in order to offset unique factors
15 affecting values in a community that are not considered in
16 the representative sample compiled by on-site appraisal. FOR
17 THE TAXABLE YEAR BEGINNING JANUARY 1, 1988, AND FOR EVERY
18 TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL CONDUCT A
19 STRATIFIED SALES ASSESSMENT RATIO STUDY OF ALL RESIDENTIAL
20 REAL PROPERTY AND IMPROVEMENTS, OF ALL COMMERCIAL AND
21 INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS, AND OF ALL OTHER
22 REAL PROPERTY AND IMPROVEMENTS. THE STUDY MUST INCLUDE SUCH
23 PROPERTY AS VACANT LAND, AGRICULTURAL IMPROVEMENTS, AND THE
24 1-ACRE HOMESITE BENEATH THE AGRICULTURAL RESIDENCE.

25 (3) THE STUDY REQUIRED IN SUBSECTION (2) MUST BE BASED

1 ON:

2 (A) THE STANDARDS AND METHODOLOGY ADOPTED BY THE
3 INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS IN THEIR
4 PUBLICATION "STANDARD ON ASSESSMENT RATIO STUDIES";

5 (B) ASSESSMENTS OF THE PROPERTY DESCRIBED IN
6 SUBSECTION (2) AS OF JANUARY 1 OF THE YEAR IMMEDIATELY
7 PRECEDING THE TAXABLE YEAR FOR WHICH THE STUDY IS CONDUCTED;

8 (C) A STATISTICALLY VALID SAMPLE OF SALES, USING DATA
9 FROM REALTY TRANSFER CERTIFICATES FILED FOR THE TAXABLE YEAR
10 IMMEDIATELY FOLLOWING THE ASSESSMENT DATE IDENTIFIED IN
11 SUBSECTION (3)(B); AND

12 (D) THE ASSESSMENTS AND SALES FOR AREAS OF THE STATE
13 THAT ARE ECONOMICALLY, DEMOGRAPHICALLY, AND GEOGRAPHICALLY
14 SIMILAR IN ORDER TO DETERMINE THE SALES ASSESSMENT RATIO FOR
15 A SPECIFIC AREA.

16 (4) FOR PURPOSES OF CONDUCTING THE STUDY REQUIRED BY
17 SUBSECTION (2), THE SALES ASSESSMENT AREAS ARE AS FOLLOWS:

18 (A) AREA 1:

19 (I) DANIELS COUNTY;

20 (II) SHERIDAN COUNTY;

21 (III) ROOSEVELT COUNTY;

22 (IV) MCCONE COUNTY;

23 (V) VALLEY COUNTY;

24 (VI) PHILLIPS COUNTY;

25 (VII) PETROLEUM COUNTY;

1 use or uses and graded within each class according to soil
 2 and productive capacity. In such classification work, use
 3 shall be made of soil surveys and maps and all other
 4 pertinent available information.

5 (3) All lands must be classified by parcels or
 6 subdivisions not exceeding 1 section each, by the sections,
 7 fractional sections, or lots of all tracts of land that have
 8 been sectionized by the United States government, or by
 9 metes and bounds, whichever yields a true description of the
 10 land.

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

14 ~~{5}--In--any--periodic--revaluation--of--taxable--property~~
 15 ~~completed--under--the--provisions--of--15-7-111--after--January--1,~~
 16 ~~1979,--all--property--classified--in--15-6-134--must--be--appraised~~
 17 ~~on--its--market--value--in--the--same--year.--The--department--must~~
 18 ~~publish--a--rule--specifying--the--year--used--in--the--appraisal.~~

19 (5) IN ANY PERIODIC REVALUATION OF TAXABLE PROPERTY
 20 COMPLETED UNDER THE PROVISIONS OF 15-7-111 AFTER JANUARY 1,
 21 1986, ALL PROPERTY CLASSIFIED IN 15-6-134 MUST BE APPRAISED
 22 ON ITS MARKET VALUE IN THE SAME YEAR. THE DEPARTMENT SHALL
 23 PUBLISH A RULE SPECIFYING THE YEAR USED IN THE APPRAISAL.

24 ~~{6}{5}{6}~~ All sewage disposal systems and domestic use
 25 water supply systems of all dwellings may not be appraised,

1 assessed, and taxed separately from the land, house, or
 2 other improvements in which they are located. In no event
 3 may the sewage disposal or domestic water supply systems be
 4 included twice by including them in the valuation and
 5 assessing them separately."

6 Section 4. Section 15-7-111, MCA, is amended to read:

7 "15-7-111. Periodic revaluation of taxable property by
 8 on-site--appraisal-----valuation--by--representative--sample.

9 {1} The department of revenue shall administer and
 10 supervise a program for the revaluation of all taxable
 11 property within the state by--on-site--appraisal at least
 12 every 5 years. A comprehensive written REAPPRAISAL plan of
 13 rotation shall be promulgated by the department fixing--the
 14 order--of--revaluation--of--property--in--each--county--by--on-site
 15 appraisal--on--the--basis--of--the--last--revaluation--of--taxable
 16 property--in--each--county--prior--to--July--1,--1974,--in--order--to
 17 adjust--the--disparities--therein--between--the--counties--a
 18 typical--cross--section--of--the--type--and--quality--of--property--in
 19 each--class--of--property--throughout--the--state--to--be--used--as--a
 20 representative--sample. The REAPPRAISAL plan of--rotation so
 21 adopted shall provide that all property in each county shall
 22 be revalued by--on-site--appraisal at least every 5 years or
 23 that no less than 20% of the property in each county shall
 24 be revalued by--on-site--appraisal in each year. The
 25 department shall furnish a copy of the plan and all

1 (VI) GRANITE COUNTY; AND
 2 (VII) POWELL COUNTY;
 3 (J) AREA 10: CITY OF MISSOULA;
 4 (K) AREA 11;
 5 (I) MISSOULA COUNTY (EXCLUDING THE CITY OF MISSOULA);
 6 AND
 7 (II) RAVALLI COUNTY;
 8 (L) AREA 12;
 9 (I) MINERAL COUNTY;
 10 (II) SANDERS COUNTY; AND
 11 (III) LINCOLN COUNTY;
 12 (M) AREA 13;
 13 (I) FLATHEAD COUNTY; AND
 14 (II) LAKE COUNTY.
 15 (5) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURES
 16 TO RESOLVE SITUATIONS IN SIMILAR AREAS OF THE STATE THAT
 17 HAVE INADEQUATE NUMBERS OF SALES TO CONDUCT THE
 18 STATISTICALLY VALID SAMPLE IN A SPECIFIC TAX YEAR:
 19 (A) AN EXTENSION OF THE TIME PERIOD FROM WHICH SALES
 20 ARE DRAWN AND AN ADJUSTMENT OF THE SALES PRICE TO
 21 ACKNOWLEDGE THE DIFFERENT TIME PERIOD. AT A MINIMUM, THE
 22 TIME ADJUSTMENT MUST COINCIDE WITH THE CONSUMER PRICE INDEX
 23 FOR THAT SAME TIME PERIOD.
 24 (B) THE USE OF FEE APPRAISALS IN LIEU OF SALES PRICES.
 25 THE FEE APPRAISAL MUST BE CONDUCTED BY A CERTIFIED APPRAISER

1 WHO IS NOT AN EMPLOYEE OF THE DEPARTMENT.
 2 (C) THE INPUT OF ASSESSMENT RATIO STATISTICS DEVELOPED
 3 FROM A MODEL OF THE AREA. THE INFORMATION TO BE INPUT INTO
 4 THE STUDY MUST BE STATISTICALLY VALID AND MUST BE DEVELOPED
 5 BY A CERTIFIED STATISTICIAN WHO IS NOT AN EMPLOYEE OF THE
 6 DEPARTMENT.
 7 (6) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURE
 8 TO VALIDATE SALES INFORMATION:
 9 (A) DEPARTMENT FIELD STAFF ARE REQUIRED TO MANUALLY
 10 REVIEW EACH SALES TRANSACTION EVIDENCED BY A REALTY TRANSFER
 11 CERTIFICATE. THE REVIEW MUST BE CONDUCTED TO DETERMINE
 12 WHETHER EACH SALE WAS A VALID, ARM'S-LENGTH TRANSACTION.
 13 ONLY VALID, ARM'S-LENGTH SALES MAY BE USED IN THE SALES
 14 ASSESSMENT RATIO STUDY.
 15 (B) THE VALID SALES INFORMATION MUST BE TRANSMITTED TO
 16 THE DEPARTMENT. THE DEPARTMENT STAFF SHALL ENTER THE SALES
 17 INFORMATION ON THE COMPUTER-ASSISTED APPRAISAL SYSTEM IN
 18 ORDER TO MAKE THE SALES ASSESSMENT RATIO STUDY. THE SALES
 19 INFORMATION CONTAINED ON THE COMPUTER-ASSISTED APPRAISAL
 20 SYSTEM IS CONSIDERED CONFIDENTIAL, AS PROVIDED IN 15-7-308.
 21 (C) THE DEPARTMENT SHALL EXCLUDE FROM THE SALES
 22 ASSESSMENT RATIO STUDY ANY PARCELS IN WHICH THE IMPROVEMENTS
 23 HAVE BEEN REMODELED, RECONSTRUCTED, OR EXPANDED OR THAT ARE
 24 WHOLLY NEW CONSTRUCTION AFTER THE ASSESSMENT DATE IDENTIFIED
 25 IN SUBSECTION (3)(B).

1 (VIII) GARFIELD COUNTY; AND
 2 (IX) PRAIRIE COUNTY;
 3 (B) AREA 2:
 4 (I) RICHLAND COUNTY;
 5 (II) DAWSON COUNTY;
 6 (III) WIBAUX COUNTY;
 7 (IV) FALLON COUNTY;
 8 (V) CARTER COUNTY;
 9 (VI) POWDER RIVER COUNTY;
 10 (VII) ROSEBUD COUNTY;
 11 (VIII) BIG HORN COUNTY; AND
 12 (IX) CUSTER COUNTY;
 13 (C) AREA 3: CITY OF BILLINGS;
 14 (D) AREA 4:
 15 (I) YELLOWSTONE COUNTY (EXCLUDING THE CITY OF
 16 BILLINGS);
 17 (II) TREASURE COUNTY;
 18 (III) MUSSELSHELL COUNTY;
 19 (IV) CARBON COUNTY; AND
 20 (V) STILLWATER COUNTY;
 21 (E) AREA 5:
 22 (I) GOLDEN VALLEY COUNTY;
 23 (II) WHEATLAND COUNTY;
 24 (III) FERGUS COUNTY;
 25 (IV) JUDITH BASIN COUNTY;

1 (V) MEAGHER COUNTY; AND
 2 (VI) SWEET GRASS COUNTY;
 3 (F) AREA 6:
 4 (I) PARK COUNTY;
 5 (II) GALLATIN COUNTY;
 6 (III) BROADWATER COUNTY; AND
 7 (IV) LEWIS AND CLARK COUNTY;
 8 (G) AREA 7: CITY OF GREAT FALLS;
 9 (H) AREA 8:
 10 (I) CASCADE COUNTY (EXCLUDING THE CITY OF GREAT
 11 FALLS);
 12 (II) CHOUTEAU COUNTY;
 13 (III) TETON COUNTY;
 14 (IV) HILL COUNTY;
 15 (V) LIBERTY COUNTY;
 16 (VI) TOOLE COUNTY;
 17 (VII) PONDERA COUNTY;
 18 (VIII) GLACIER COUNTY; AND
 19 (IX) BLAINE COUNTY;
 20 (I) AREA 9:
 21 (I) MADISON COUNTY;
 22 (II) BEAVERHEAD COUNTY;
 23 (III) SILVER BOW COUNTY;
 24 (IV) JEFFERSON COUNTY;
 25 (V) DEER LODGE COUNTY;

1 (D) THE DEPARTMENT SHALL EXCLUDE SALES ASSESSMENT
 2 RATIOS OF LESS THAN 50% OR GREATER THAN 200%.

3 (7) THE DEPARTMENT SHALL HAVE EQUALIZED PROPERTY
 4 VALUES THROUGHOUT THE STATE WHEN THE FOLLOWING CONDITIONS
 5 ARE MET:

6 (A) THE OVERALL ASSESSMENT LEVEL FOR EACH STRATUM
 7 WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) IS WITHIN AN
 8 INTERVAL OF PLUS OR MINUS 10% OF THE LEGAL LEVEL OF
 9 ASSESSMENT, GIVEN AN ADEQUATE SAMPLE SIZE;

10 (B) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
 11 WEIGHTED MEAN ASSESSMENT RATIO FOR RESIDENTIAL PROPERTIES
 12 LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) ARE
 13 EQUAL TO OR LESS THAN 20%;

14 (C) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
 15 WEIGHTED MEAN ASSESSMENT RATIO FOR INCOME-PRODUCING
 16 PROPERTIES LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION
 17 (4) ARE EQUAL TO OR LESS THAN 20%; AND

18 (D) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
 19 WEIGHTED MEAN ASSESSMENT RATIO FOR OTHER TYPES OF REAL
 20 PROPERTY AND IMPROVEMENTS LOCATED WITHIN EACH AREA
 21 IDENTIFIED IN SUBSECTION (4) ARE EQUAL TO OR LESS THAN 20%.

22 (8) (A) WHEN THE OVERALL ASSESSMENT LEVEL OF EACH
 23 STRATUM EXCEEDS 10% OF THE LEGAL LEVEL OF ASSESSMENT AND
 24 WHEN THE COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
 25 WEIGHTED MEAN FOR EACH STRATUM EXCEED 20%, THE DEPARTMENT

1 SHALL MAKE PERCENTAGE ADJUSTMENTS TO THE VALUATIONS OF ALL
 2 THE PROPERTIES IN A SPECIFIC AREA STRATUM. THE PERCENTAGE
 3 ADJUSTMENTS MUST CREATE COMPLIANCE WITH SUBSECTION (7). THE
 4 PERCENTAGE ADJUSTMENTS MUST ACCOUNT FOR UNIQUE FACTORS THAT
 5 AFFECT VALUES IN THE VARIOUS AREAS.

6 (B) UNDER THIS METHOD, ALL TAXABLE PROPERTY IN EACH
 7 AREA IS CONSIDERED REVALUED FOR EACH TAX YEAR, BASED ON THE
 8 RESULTS OF THE SALES ASSESSMENT RATIO STUDY AND ANY
 9 PERCENTAGE ADJUSTMENTS REQUIRED BY THAT STUDY."

10 NEW SECTION. Section 5. 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 6. Effective date --
 15 applicability. (1) This act is effective on passage and
 16 approval.

17 (2) This act applies to taxable years beginning after
 18 December 31, 1987, ~~but does not alter the requirement of the~~
 19 ~~department of revenue to reappraise 20% of the property in~~
 20 ~~the state in 1987. That reappraisal is the representative~~
 21 ~~sample for new taxable values for all affected property to~~
 22 ~~be placed on the assessment rolls on January 1, 1988, in~~
 23 ~~accordance with this act.~~

-End-

STANDING COMMITTEE REPORT

SENATE

April 11 19 87.....

MR. PRESIDENT

We, your committee on SENATE TAXATION.....
having had under consideration..... HOUSE BILL..... No. 436.....
third reading copy (blue)
color

RAMIREZ (CRIPPEN)

REVALUE PROPERTY ANNUALLY FROM ON-SITE APPRAISAL OF
20% OF TAXABLE PROPERTY

Respectfully report as follows: That..... HOUSE BILL..... No. 436.....

BE CONCURRED IN

~~DO NOT PASS~~

~~DO NOT PASS~~


SENATOR GEORGE McCALLUM, Chairman.

4-11-87
6:00
26

RE-REFERRED AND
APPROVED BY COMMITTEE
ON APPROPRIATIONS
AS AMENDED

1 HOUSE BILL NO. 436
 2 INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE
 5 APPRAISALS--OF--20--PERCENT--OF--THE--STATE'S--TAXABLE--PROPERTY
 6 EACH-YEAR-AND-ANNUAL-REVALUATIONS-OF-THE-REMAINDER-BASED--ON
 7 ON-SITE---APPRAISALS---AS---A---REPRESENTATIVE---SAMPLE---FOR
 8 DETERMINING-PERCENTAGE-INCREASES-OR-DECREASES--FOR--SIMILAR
 9 PROPERTY THE DEPARTMENT OF REVENUE TO CONDUCT A SALES
 10 ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY
 11 DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR
 12 PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF MONTANA;
 13 AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-103, AND
 14 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
 15 AN APPLICABILITY DATE."

16
 17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 18 SECTION 1. SECTION 15-1-101, MCA, IS AMENDED TO READ:
 19 "15-1-101. Definitions. (1) Except as otherwise
 20 specifically provided, when terms mentioned in this section
 21 are used in connection with taxation, they are defined in
 22 the following manner:
 23 (a) The term "agricultural" refers to the raising of
 24 livestock, poultry, bees, and other species of domestic
 25 animals and wildlife in domestication or a captive

1 environment, and the raising of field crops, fruit, and
 2 other animal and vegetable matter for food or fiber.
 3 (b) The term "assessed value" means the value of
 4 property as defined in 15-8-111.
 5 (c) The term "average wholesale value" means the value
 6 to a dealer prior to reconditioning and profit margin shown
 7 in national appraisal guides and manuals or the valuation
 8 schedules of the department of revenue.
 9 (d) (i) The term "commercial", when used to describe
 10 property, means any property used or owned by a business, a
 11 trade, or a nonprofit corporation as defined in 35-2-102 or
 12 used for the production of income, except that property
 13 described in subsection (ii).
 14 (ii) The following types of property are not
 15 commercial:
 16 (A) agricultural lands;
 17 (B) timberlands;
 18 (C) single-family residences and ancillary
 19 improvements and improvements necessary to the function of a
 20 bona fide farm, ranch, or stock operation;
 21 (D) mobile homes used exclusively as a residence
 22 except when held by a distributor or dealer of trailers or
 23 mobile homes as his stock in trade;
 24 (E) all property described in 15-6-135;
 25 (F) all property described in 15-6-136; and

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

2 (e) The term "comparable property" means property that
3 has similar use, function, and utility; that is influenced
4 by the same set of economic trends and physical,
5 governmental, and social factors; and that has the potential
6 of a similar highest and best use.

7 (f) The term "credit" means solvent debts, secured or
8 unsecured, owing to a person.

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

19 (h) The term "leasehold improvements" means
20 improvements to mobile homes and mobile homes located on
21 land owned by another person. This property is assessed
22 under the appropriate classification and the taxes are due
23 and payable in two payments as provided in 15-24-202.
24 Delinquent taxes on such leasehold improvements are a lien
25 only on such leasehold improvements.

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

3 (j) The term "mobile home" means forms of housing
4 known as "trailers", "housetrainers", or "trailer coaches"
5 exceeding 8 feet in width or 45 feet in length, designed to
6 be moved from one place to another by an independent power
7 connected to them, or any "trailer", "housetrailer", or
8 "trailer coach" up to 8 feet in width or 45 feet in length
9 used as a principal residence.

10 (k) The term "personal property" includes everything
11 that is the subject of ownership but that is not included
12 within the meaning of the terms "real estate" and
13 "improvements".

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

17 (m) The term "property" includes moneys, credits,
18 bonds, stocks, franchises, and all other matters and things,
19 real, personal, and mixed, capable of private ownership.
20 This definition must not be construed to authorize the
21 taxation of the stocks of any company or corporation when
22 the property of such company or corporation represented by
23 the stocks is within the state and has been taxed.

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

25 (i) the possession of, claim to, ownership of, or

1 right to the possession of land;

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

7 (o) The term "taxable value" means the percentage of
8 market or assessed value as provided for in 15-6-131 through
9 15-6-140.

10 (p) The term "weighted mean assessment ratio" means
11 the total of the assessed values divided by the total of the
12 selling prices of all area sales in the stratum.

13 (2) The phrase "municipal corporation" or
14 "municipality" or "taxing unit" shall be deemed to include a
15 county, city, incorporated town, township, school district,
16 irrigation district, drainage district, or any person,
17 persons, or organized body authorized by law to establish
18 tax levies for the purpose of raising public revenue.

19 (3) The term "state board" or "board" when used
20 without other qualification shall mean the state tax appeal
21 board."

22 SECTION 2. SECTION 15-7-102, MCA, IS AMENDED TO READ:

23 "15-7-102. Notice of classification and appraisal to
24 owners -- appeals. (1) It shall be the duty of the
25 department of revenue to cause to be mailed to each owner

1 and purchaser under contract for deed a notice of the
2 classification of the land owned or being purchased by him
3 and the appraisal of the improvements thereon only if one or
4 more of the following changes pertaining to the land or
5 improvements have been made since the last notice:

- 6 (a) change in ownership;
- 7 (b) change in classification;
- 8 (c) change in valuation; or
- 9 (d) addition or subtraction of personal property
10 affixed to the land.

11 (2) The notice of classification and appraisal
12 provided by the department under subsection (1) must be on
13 a standardized form adopted by the department containing
14 sufficient information in a comprehensible manner designed
15 to fully inform the taxpayer as to the classification and
16 appraisal of his property and of changes over the prior tax
17 year.

18 (3) If the owner of any land and improvements is
19 dissatisfied with the appraisal or classification of his
20 land or improvements, he may submit his objection in writing
21 to the department's agent. The department shall give
22 reasonable notice to such taxpayer of the time and place of
23 hearing and hear any testimony or other evidence which the
24 taxpayer may desire to produce at such time and afford the
25 opportunity to other interested persons to produce evidence

1 at such hearing. Thereafter, the department shall determine
 2 the true and correct appraisal and classification of such
 3 land or improvements and forthwith notify the taxpayer of
 4 its determination. In the notification, the department must
 5 state its reasons for revising the classification or
 6 appraisal. When so determined, the land shall be classified
 7 and improvements appraised in the manner ordered by the
 8 department.

9 (4) Whether a hearing as provided in subsection (3) is
 10 held or not, the department or its agent may not adjust an
 11 appraisal or classification upon taxpayer's objection
 12 unless:

13 (a) the taxpayer has submitted his objection in
 14 writing; and

15 (b) the department or its agent has stated its reason
 16 in writing for making the adjustment.

17 (5) A taxpayer's written objection to a classification
 18 or appraisal and the department's notification to the
 19 taxpayer of its determination and the reason for that
 20 determination are public records. Each county appraiser
 21 shall make such records available for inspection during
 22 regular office hours.

23 (6) If any property owner shall feel aggrieved at the
 24 classification and/or the appraisal so made by the
 25 department, he shall have the right to appeal to the county

1 tax appeal board and then to the state tax appeal board,
 2 whose findings shall be final subject to the right of review
 3 in the proper court or courts. WHILE THE PROPERTY OWNER MAY
 4 APPEAL THE BASE YEAR VALUATION AND CLASSIFICATION
 5 DETERMINATION, THE PROPERTY OWNER MAY NOT APPEAL THE YEARLY
 6 PERCENTAGE ADJUSTMENTS THAT ARE SPECIFIED IN 15-7-111 AND
 7 THAT MAY BE MADE AS A RESULT OF THE SALES ASSESSMENT RATIO
 8 STUDY. THE PROPERTY OWNER MAY NOT APPEAL THE STRATUM OR AREA
 9 DESIGNATIONS AS SPECIFIED IN 15-7-111."

10 Section 3. Section 15-7-103, MCA, is amended to read:

11 "15-7-103. Classification and appraisal -- general and
 12 uniform methods. (1) It is the duty of the department of
 13 revenue to implement the provisions of 15-7-101 through
 14 15-7-103 by providing:

15 (a) for a general and uniform method of classifying
 16 lands in the state for the purpose of securing an equitable
 17 and uniform basis of assessment of said lands for taxation
 18 purposes;

19 (b) for a general and uniform method of appraising
 20 city and town lots;

21 (c) for a general and uniform method of appraising
 22 rural and urban improvements;

23 (d) for a general and uniform method of appraising
 24 timberlands.

25 (2) All lands shall be classified according to their

1 use or uses and graded within each class according to soil
 2 and productive capacity. In such classification work, use
 3 shall be made of soil surveys and maps and all other
 4 pertinent available information.

5 (3) All lands must be classified by parcels or
 6 subdivisions not exceeding 1 section each, by the sections,
 7 fractional sections, or lots of all tracts of land that have
 8 been sectionized by the United States government, or by
 9 metes and bounds, whichever yields a true description of the
 10 land.

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

14 ~~(5) In any periodic revaluation of taxable property~~
 15 ~~completed under the provisions of 15-7-111 after January 1,~~
 16 ~~1979, all property classified in 15-6-134 must be appraised~~
 17 ~~on its market value in the same year. The department must~~
 18 ~~publish a rule specifying the year used in the appraisal.~~

19 (5) IN ANY PERIODIC REVALUATION OF TAXABLE PROPERTY
 20 COMPLETED UNDER THE PROVISIONS OF 15-7-111 AFTER JANUARY 1,
 21 1986, ALL PROPERTY CLASSIFIED IN 15-6-134 MUST BE APPRAISED
 22 ON ITS MARKET VALUE IN THE SAME YEAR. THE DEPARTMENT SHALL
 23 PUBLISH A RULE SPECIFYING THE YEAR USED IN THE APPRAISAL.

24 ~~(6)~~(6) All sewage disposal systems and domestic use
 25 water supply systems of all dwellings may not be appraised,

1 assessed, and taxed separately from the land, house, or
 2 other improvements in which they are located. In no event
 3 may the sewage disposal or domestic water supply systems be
 4 included twice by including them in the valuation and
 5 assessing them separately."

6 Section 4. Section 15-7-111, MCA, is amended to read:

7 "15-7-111. Periodic revaluation of taxable property by
 8 on-site appraisal-----valuation-by-representative-sample.

9 (1) The department of revenue shall administer and
 10 supervise a program for the revaluation of all taxable
 11 property within the state by-on-site appraisal at least
 12 every 5 years. A comprehensive written REAPPRAISAL plan of
 13 rotation shall be promulgated by the department fixing--the
 14 order--of--revaluation-of-property-in-each-county-by-on-site
 15 appraisal-on-the-basis-of-the-last--revaluation--of--taxable
 16 property--in--each-county-prior-to-July-17-1974;--in-order-to
 17 adjust--the--disparities--therein--between--the--counties--a
 18 typical-cross-section-of-the-type-and-quality-of-property-in
 19 each--class-of-property-throughout-the-state-to-be-used-as-a
 20 representative-sample. The REAPPRAISAL plan of--rotation so
 21 adopted shall provide that all property in each county shall
 22 be revalued by-on-site appraisal at least every 5 years or
 23 that no less than 20% of the property in each county shall
 24 be revalued by-on-site appraisal in each year. The
 25 department shall furnish a copy of the plan and all

1 amendments thereto to each-county-assessor-and the board of
2 county commissioners in each county.

3 (2) Based-on-the-percentage-change-in-value-of
4 property-within-a-class-as-determined-by-the-on-site
5 appraisal-performed-by-the-department-in-the-previous-year
6 under-subsection-(1),-the-department-shall-revalue-the
7 remainder-of-the-property-within-the-state-for-the-year.
8 Under-this-method-all-taxable-property-is-considered
9 revalued-for-each-tax-year-based-on-the-representative
10 sample-produced-in-the-preceding-year.

11 (3)-The-department-shall-fulfill-its-responsibility-to
12 equalize-property-values-throughout-the-state-by-making
13 percentage-adjustments-to-the-valuations-that-are-based-on
14 the-representative-sample-in-order-to-offset-unique-factors
15 affecting-values-in-a-community-that-are-not-considered-in
16 the-representative-sample-compiled-by-on-site-appraisal. FOR
17 THE TAXABLE YEAR BEGINNING JANUARY 1, 1988, AND FOR EVERY
18 TAXABLE YEAR THEREAFTER, THE DEPARTMENT SHALL CONDUCT A
19 STRATIFIED SALES ASSESSMENT RATIO STUDY OF ALL RESIDENTIAL
20 REAL PROPERTY AND IMPROVEMENTS, OF ALL COMMERCIAL AND
21 INDUSTRIAL REAL PROPERTY AND IMPROVEMENTS, AND OF ALL OTHER
22 REAL PROPERTY AND IMPROVEMENTS. THE STUDY MUST INCLUDE SUCH
23 PROPERTY AS VACANT LAND, AGRICULTURAL IMPROVEMENTS, AND THE
24 1-ACRE HOMESITE BENEATH THE AGRICULTURAL RESIDENCE.

25 (3) THE STUDY REQUIRED IN SUBSECTION (2) MUST BE BASED

1 ON:

2 (A) THE STANDARDS AND METHODOLOGY ADOPTED BY THE
3 INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS IN THEIR
4 PUBLICATION "STANDARD ON ASSESSMENT RATIO STUDIES";

5 (B) ASSESSMENTS OF THE PROPERTY DESCRIBED IN
6 SUBSECTION (2) AS OF JANUARY 1 OF THE YEAR IMMEDIATELY
7 PRECEDING THE TAXABLE YEAR FOR WHICH THE STUDY IS CONDUCTED;

8 (C) A STATISTICALLY VALID SAMPLE OF SALES, USING DATA
9 FROM REALTY TRANSFER CERTIFICATES FILED FOR THE TAXABLE YEAR
10 IMMEDIATELY FOLLOWING THE ASSESSMENT DATE IDENTIFIED IN
11 SUBSECTION (3)(B); AND

12 (D) THE ASSESSMENTS AND SALES FOR AREAS OF THE STATE
13 THAT ARE ECONOMICALLY, DEMOGRAPHICALLY, AND GEOGRAPHICALLY
14 SIMILAR IN ORDER TO DETERMINE THE SALES ASSESSMENT RATIO FOR
15 A SPECIFIC AREA.

16 (4) FOR PURPOSES OF CONDUCTING THE STUDY REQUIRED BY
17 SUBSECTION (2), THE SALES ASSESSMENT AREAS ARE AS FOLLOWS:

18 (A) AREA 1:

19 (I) DANIELS COUNTY;

20 (II) SHERIDAN COUNTY;

21 (III) ROOSEVELT COUNTY;

22 (IV) MCCONE COUNTY;

23 (V) VALLEY COUNTY;

24 (VI) PHILLIPS COUNTY;

25 (VII) PETROLEUM COUNTY;

1 (VIII) GARFIELD COUNTY; AND
 2 (IX) PRAIRIE COUNTY;
 3 (B) AREA 2:
 4 (I) RICHLAND COUNTY;
 5 (II) DAWSON COUNTY;
 6 (III) WIBAUX COUNTY;
 7 (IV) FALLON COUNTY;
 8 (V) CARTER COUNTY;
 9 (VI) POWDER RIVER COUNTY;
 10 (VII) ROSEBUD COUNTY;
 11 (VIII) BIG HORN COUNTY; AND
 12 (IX) CUSTER COUNTY;
 13 (C) AREA 3: CITY OF BILLINGS;
 14 (D) AREA 4:
 15 (I) YELLOWSTONE COUNTY (EXCLUDING THE CITY OF
 16 BILLINGS);
 17 (II) TREASURE COUNTY;
 18 (III) MUSSELSHELL COUNTY;
 19 (IV) CARBON COUNTY; AND
 20 (V) STILLWATER COUNTY;
 21 (E) AREA 5:
 22 (I) GOLDEN VALLEY COUNTY;
 23 (II) WHEATLAND COUNTY;
 24 (III) FERGUS COUNTY;
 25 (IV) JUDITH BASIN COUNTY;

1 (V) MEAGHER COUNTY; AND
 2 (VI) SWEET GRASS COUNTY;
 3 (F) AREA 6:
 4 (I) PARK COUNTY;
 5 (II) GALLATIN COUNTY;
 6 (III) BROADWATER COUNTY; AND
 7 (IV) LEWIS AND CLARK COUNTY;
 8 (G) AREA 7: CITY OF GREAT FALLS;
 9 (H) AREA 8:
 10 (I) CASCADE COUNTY (EXCLUDING THE CITY OF GREAT
 11 FALLS);
 12 (II) CHOUTEAU COUNTY;
 13 (III) TETON COUNTY;
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 15 (V) LIBERTY COUNTY;
 16 (VI) TOOLE COUNTY;
 17 (VII) PONDERA COUNTY;
 18 (VIII) GLACIER COUNTY; AND
 19 (IX) BLAINE COUNTY;
 20 (I) AREA 9:
 21 (I) MADISON COUNTY;
 22 (II) BEAVERHEAD COUNTY;
 23 (III) SILVER BOW COUNTY;
 24 (IV) JEFFERSON COUNTY;
 25 (V) DEER LODGE COUNTY;

- 1 (VI) GRANITE COUNTY; AND
- 2 (VII) POWELL COUNTY;
- 3 (J) AREA 10: CITY OF MISSOULA;
- 4 (K) AREA 11:
- 5 (I) MISSOULA COUNTY (EXCLUDING THE CITY OF MISSOULA);

6 AND

- 7 (II) RAVALLI COUNTY;
- 8 (L) AREA 12:
- 9 (I) MINERAL COUNTY;
- 10 (II) SANDERS COUNTY; AND
- 11 (III) LINCOLN COUNTY;
- 12 (M) AREA 13:
- 13 (I) FLATHEAD COUNTY; AND
- 14 (II) LAKE COUNTY.

15 (5) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURES
 16 TO RESOLVE SITUATIONS IN SIMILAR AREAS OF THE STATE THAT
 17 HAVE INADEQUATE NUMBERS OF SALES TO CONDUCT THE
 18 STATISTICALLY VALID SAMPLE IN A SPECIFIC TAX YEAR:

19 (A) AN EXTENSION OF THE TIME PERIOD FROM WHICH SALES
 20 ARE DRAWN AND AN ADJUSTMENT OF THE SALES PRICE TO
 21 ACKNOWLEDGE THE DIFFERENT TIME PERIOD. AT A MINIMUM, THE
 22 TIME ADJUSTMENT MUST COINCIDE WITH THE CONSUMER PRICE INDEX
 23 FOR THAT SAME TIME PERIOD.

24 (B) THE USE OF FEE APPRAISALS IN LIEU OF SALES PRICES.
 25 THE FEE APPRAISAL MUST BE CONDUCTED BY A CERTIFIED APPRAISER

1 WHO IS NOT AN EMPLOYEE OF THE DEPARTMENT.

2 (C) THE INPUT OF ASSESSMENT RATIO STATISTICS DEVELOPED
 3 FROM A MODEL OF THE AREA. THE INFORMATION TO BE INPUT INTO
 4 THE STUDY MUST BE STATISTICALLY VALID AND MUST BE DEVELOPED
 5 BY A CERTIFIED STATISTICIAN WHO IS NOT AN EMPLOYEE OF THE
 6 DEPARTMENT.

7 (6) THE DEPARTMENT SHALL USE THE FOLLOWING PROCEDURE
 8 TO VALIDATE SALES INFORMATION:

9 (A) DEPARTMENT FIELD STAFF ARE REQUIRED TO MANUALLY
 10 REVIEW EACH SALES TRANSACTION EVIDENCED BY A REALTY TRANSFER
 11 CERTIFICATE. THE REVIEW MUST BE CONDUCTED TO DETERMINE
 12 WHETHER EACH SALE WAS A VALID, ARM'S-LENGTH TRANSACTION.
 13 ONLY VALID, ARM'S-LENGTH SALES MAY BE USED IN THE SALES
 14 ASSESSMENT RATIO STUDY.

15 (B) THE VALID SALES INFORMATION MUST BE TRANSMITTED TO
 16 THE DEPARTMENT. THE DEPARTMENT STAFF SHALL ENTER THE SALES
 17 INFORMATION ON THE COMPUTER-ASSISTED APPRAISAL SYSTEM IN
 18 ORDER TO MAKE THE SALES ASSESSMENT RATIO STUDY. THE SALES
 19 INFORMATION CONTAINED ON THE COMPUTER-ASSISTED APPRAISAL
 20 SYSTEM IS CONSIDERED CONFIDENTIAL, AS PROVIDED IN 15-7-308.

21 (C) THE DEPARTMENT SHALL EXCLUDE FROM THE SALES
 22 ASSESSMENT RATIO STUDY ANY PARCELS IN WHICH THE IMPROVEMENTS
 23 HAVE BEEN REMODELED, RECONSTRUCTED, OR EXPANDED OR THAT ARE
 24 WHOLLY NEW CONSTRUCTION AFTER THE ASSESSMENT DATE IDENTIFIED
 25 IN SUBSECTION (3)(B).

1 (D) THE DEPARTMENT SHALL EXCLUDE SALES ASSESSMENT
2 RATIOS OF LESS THAN 50% OR GREATER THAN 200%.

3 (7) THE DEPARTMENT SHALL HAVE EQUALIZED PROPERTY
4 VALUES THROUGHOUT THE STATE WHEN THE FOLLOWING CONDITIONS
5 ARE MET:

6 (A) THE OVERALL ASSESSMENT LEVEL FOR EACH STRATUM
7 WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) IS WITHIN AN
8 INTERVAL OF PLUS OR MINUS 10% OF THE LEGAL LEVEL OF
9 ASSESSMENT, GIVEN AN ADEQUATE SAMPLE SIZE;

10 (B) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
11 WEIGHTED MEAN ASSESSMENT RATIO FOR RESIDENTIAL PROPERTIES
12 LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION (4) ARE
13 EQUAL TO OR LESS THAN 20%;

14 (C) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
15 WEIGHTED MEAN ASSESSMENT RATIO FOR INCOME-PRODUCING
16 PROPERTIES LOCATED WITHIN EACH AREA IDENTIFIED IN SUBSECTION
17 (4) ARE EQUAL TO OR LESS THAN 20%; AND

18 (D) COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
19 WEIGHTED MEAN ASSESSMENT RATIO FOR OTHER TYPES OF REAL
20 PROPERTY AND IMPROVEMENTS LOCATED WITHIN EACH AREA
21 IDENTIFIED IN SUBSECTION (4) ARE EQUAL TO OR LESS THAN 20%.

22 (8) (A) WHEN THE OVERALL ASSESSMENT LEVEL OF EACH
23 STRATUM EXCEEDS 10% OF THE LEGAL LEVEL OF ASSESSMENT AND
24 WHEN THE COEFFICIENTS OF DISPERSION WITH RESPECT TO THE
25 WEIGHTED MEAN FOR EACH STRATUM EXCEED 20%, THE DEPARTMENT

1 SHALL MAKE PERCENTAGE ADJUSTMENTS TO THE VALUATIONS OF ALL
2 THE PROPERTIES IN A SPECIFIC AREA STRATUM. THE PERCENTAGE
3 ADJUSTMENTS MUST CREATE COMPLIANCE WITH SUBSECTION (7). THE
4 PERCENTAGE ADJUSTMENTS MUST ACCOUNT FOR UNIQUE FACTORS THAT
5 AFFECT VALUES IN THE VARIOUS AREAS.

6 (B) UNDER THIS METHOD, ALL TAXABLE PROPERTY IN EACH
7 AREA IS CONSIDERED REVALUED FOR EACH TAX YEAR, BASED ON THE
8 RESULTS OF THE SALES ASSESSMENT RATIO STUDY AND ANY
9 PERCENTAGE ADJUSTMENTS REQUIRED BY THAT STUDY."

10 NEW SECTION. Section 5. 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 6. Effective date --
15 applicability. (1) This act is effective on passage and
16 approval.

17 (2) This act applies to taxable years beginning after
18 December 31, 1987--but does not alter the requirement of the
19 department--of--revenue--to--reappraise--20%--of--the--property--in
20 the--state--in--1987--That--reappraisal--is--the--representative
21 sample--for--new--taxable--values--for--all--affected--property--to
22 be--placed--on--the--assessment--rolls--on--January--17--1988--in
23 accordance--with--this--act.

-End-

1 HOUSE BILL NO. 436

2 INTRODUCED BY RAMIREZ, CRIPPEN, HOFFMAN, RANEY, BISHOP

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING ON-SITE
5 APPRAISALS--OF--20--PERCENT--OF--THE--STATE'S--TAXABLE--PROPERTY
6 EACH--YEAR--AND--ANNUAL--REVALUATIONS--OF--THE--REMAINDER--BASED--ON
7 ON-SITE---APPRAISALS---AS---A---REPRESENTATIVE---SAMPLE---FOR
8 DETERMINING--PERCENTAGE--INCREASES--OR--DECREASES--FOR--SIMILAR
9 PROPERTY THE DEPARTMENT OF REVENUE TO CONDUCT A SALES
10 ASSESSMENT RATIO STUDY FOR THE PURPOSE OF ANNUALLY
11 DETERMINING THE CORRECT ASSESSMENT LEVEL FOR SIMILAR
12 PROPERTY LOCATED IN SPECIFIC AREAS OF THE STATE OF MONTANA;
13 AMENDING SECTIONS 15-1-101, 15-7-102, 15-7-103, AND
14 15-7-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
15 AN APPLICABILITY DATE."

16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:18 SECTION 1. SECTION 15-1-101, MCA, IS AMENDED TO READ:

19 "15-1-101. Definitions. (1) Except as otherwise
20 specifically provided, when terms mentioned in this section
21 are used in connection with taxation, they are defined in
22 the following manner:

23 (a) The term "agricultural" refers to the raising of
24 livestock, poultry, bees, and other species of domestic
25 animals and wildlife in domestication or a captive

THERE ARE NO CHANGES ON HB 436 AND DUE
TO LENGTH WILL NOT BE REPRINTED, PLEASE
REFER TO SECOND READING (SECOND PRINTING)
AND THIRD READING (SECOND READING) FOR
COMPLETE TEXT. HB 0436/03