

HB 556 INTRODUCED BY MENAHAN, ET AL.
BROADEN PROPERTY TAX EXEMPTION FOR FRATERNAL
ORGANIZATIONS

1/30 INTRODUCED
1/30 REFERRED TO TAXATION
1/30 FISCAL NOTE REQUESTED
2/06 FISCAL NOTE RECEIVED
2/10 HEARING
2/13 TABLED IN COMMITTEE

1 House BILL NO. 556
 2 INTRODUCED BY Mendenham Harms
 3 Miller Daily Haffey
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND BROADEN
 5 THE PROPERTY TAX EXEMPTION FOR FRATERNAL ORGANIZATIONS;
 6 AMENDING SECTIONS 15-6-203, 15-6-209, 33-7-407, AND
 7 61-3-532, MCA; AND PROVIDING A RETROACTIVE APPLICABILITY
 8 DATE AND AN IMMEDIATE EFFECTIVE DATE."
 9

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

11 Section 1. Section 15-6-203, MCA, is amended to read:

12 "15-6-203. ~~Veterans'-----clubhouse-----exemption-----~~
 13 ~~incompetent~~ Incompetent veterans' trusts -- exemption. (1)
 14 ~~When--a-clubhouse-or-building-erected-by-or-belonging-to-any~~
 15 ~~society--or--organization--of--honorably--discharged--United~~
 16 ~~States---military---personnel---is---used---exclusively--for~~
 17 ~~educational,--fraternal,--benevolent,---or---purely---public~~
 18 ~~charitable-purposes-rather-than-for-gain-or-profit,--together~~
 19 ~~with--the-library-and-furniture-necessarily-used-in-any-such~~
 20 ~~building,--such-property-is-exempt-from-taxation.~~

21 (2) All property, real or personal, in the possession
 22 of legal guardians of incompetent veterans of U.S. military
 23 service or minor dependents of such veterans, where such
 24 property is funds or derived from funds received from the
 25 United States as pension, compensation, insurance, adjusted

1 compensation, or gratuity, shall be exempt from all taxation
 2 as property of the United States while held by the guardian,
 3 but not after title passes to the veteran or minor in his or
 4 her own right on account of removal of legal disability."

5 Section 2. Section 15-6-209, MCA, is amended to read:

6 "15-6-209. Community services buildings exempt. (1)
 7 The building and appurtenant land, not exceeding 1 acre,
 8 owned by a nonprofit community service organization is
 9 exempt from property taxation, except as provided in
 10 subsections (3) and (4), if such organization:

11 (a) ~~is-a- lodge-of-a--nationally--recognized--fraternal~~
 12 ~~organization--and--does--not--sell--food--or-beverages-under~~
 13 ~~license-from-the-state-of-Montana;~~

14 (b)(a) furnishes services to senior citizens in the
 15 form of daytime or evening educational or recreational
 16 activities and does not furnish living accommodations to
 17 such citizens or sell food or beverages under license from
 18 the state of Montana; services qualifying under this
 19 provision must be recognized in the state plan on aging
 20 adopted by the department of social and rehabilitation
 21 services; or

22 (b) primarily furnishes facilities without charge,
 23 except that a minimal fee may be charged for janitorial
 24 services, for public meetings and entertainments.

25 (2) An applicant for exemption under this section

1 shall demonstrate that it has been an active community
2 service organization continuously from January 1, 1981.

3 (3) A building and lot exempted under this section
4 shall be appraised, assessed, and subject to levies for any
5 special improvement district if the special improvement
6 directly benefits the building or lot.

7 (4) The exemption provided under this section may not
8 be extended to any property owned by a community service
9 organization described herein which is leased in whole or in
10 part to any person for business or profitmaking purposes."

11 NEW SECTION. Section 3. Property of fraternal
12 organization exempt. The following property owned by a
13 fraternal organization as defined in [section 4] is exempt
14 from taxation:

15 (1) all the real or personal property or portion
16 thereof that is actually occupied or used in fraternal or
17 lodge work or for entertainment and recreational purposes by
18 one or more fraternal organizations, except that property or
19 portions of property of a fraternal organization rented or
20 leased by it at any time to other persons for sums greater
21 than out-of-pocket expenses for heat, light, water, and
22 janitorial services and supplies is subject to taxation; and

23 (2) parking lots used for parking or any other use as
24 long as that parking or other use is permitted without
25 charge.

1 NEW SECTION. Section 4. Definition of fraternal
2 organization. (1) For the purposes of [section 3],
3 "fraternal organization" means a corporation:

4 (a) organized as a nonprofit corporation under the
5 laws of a state or national government;

6 (b) that is not solely a social club but is
7 established under the lodge system, with ritualistic forms
8 or work and a representative form of government;

9 (c) that regularly engages in or provides financial
10 support for some form of benevolent or charitable activity
11 with the purpose of doing good to others rather than for the
12 convenience of its members;

13 (d) no part of the income of which is distributable to
14 its members, directors, or officers;

15 (e) in which no member, officer, agent, or employee is
16 paid or directly or indirectly receives, in the form of
17 salary or other compensation, an amount beyond that which is
18 just and reasonable compensation commonly paid for services
19 rendered and in which compensation is fixed and approved by
20 the members, directors, or other governing body of the
21 corporation; and

22 (f) that is not a college fraternity or sorority.

23 (2) For the purposes of [section 3], "fraternal
24 organization" includes but is not limited to the grand and
25 subordinate lodges of the masons, the grand and subordinate

1 lodges of the knights of Pythias, the knights of Columbus,
 2 the benevolent and protective order of elks, the fraternal
 3 order of eagles, the loyal order of moose, the independent
 4 order of odd fellows, the Montana state grange, the American
 5 legion, the veterans of foreign wars, and every society
 6 organized or licensed under Title 33, chapter 7.

7 Section 5. Section 33-7-407, MCA, is amended to read:

8 "33-7-407. Taxes. Every society organized or licensed
 9 under this chapter is hereby declared to be a charitable and
 10 benevolent institution, and all of its funds shall be exempt
 11 from all and every state, county, district, municipal, and
 12 school tax ~~other than taxes on real estate and office~~
 13 ~~equipment."~~

14 Section 6. Section 61-3-532, MCA, is amended to read:

15 "61-3-532. Light vehicle license fee. (1) Except as
 16 provided in subsection (2), light vehicles are subject to a
 17 license fee. This fee is imposed in lieu of a property tax
 18 and is in addition to the tax on new motor vehicles.

19 (2) (a) Light vehicles that meet the description of
 20 property exempt from taxation under the provisions of
 21 subsections (a), (c), (d), or (e) of 15-6-201(1) or
 22 15-6-203~~(2)~~ are exempt from the fee imposed in subsection
 23 (1) of this section.

24 (b) A dealer for light vehicles is not required to pay
 25 the license fee for light vehicles held for sale or used in

1 the dealer's business in selling or demonstrating the
 2 vehicles. Vehicles exempt under this subsection may not be
 3 used for the personal use of the dealer, his family, or
 4 employees or for any use not necessary in the pursuit of
 5 business."

6 NEW SECTION. Section 7. Codification instruction.
 7 Sections 3 and 4 are intended to be codified as an integral
 8 part of Title 15, chapter 6, part 2, and the provisions of
 9 Title 15 apply to sections 3 and 4.

10 NEW SECTION. Section 8. 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 9. Retroactive applicability.
 15 This act applies retroactively, within the meaning of
 16 1-2-109, to taxable years beginning after December 31, 1986.

17 NEW SECTION. Section 10. Effective date. This act is
 18 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB556, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to revise and broaden the property tax exemption for fraternal organizations; amending sections 15-6-203, 15-6-209, 33-7-407, and 61-3-532, MCA; and providing a retroactive applicability date and an immediate effective date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. The university levy is 6 mills; the school foundation levy is 45 mills; the average urban levy is 300 mills.
3. There are approximately 20 veterans clubs that would be exempt from property taxation under the proposed law. The taxable value of affected real and personal property is \$83,965 (Property Assessment Division Estimate).
4. There are approximately 146 fraternal organizations that would be exempt from property taxation under the proposed law. The taxable value of affected real and personal property is \$1,060,499 (Property Assessment Division Estimate).
5. Under the proposed law, 13 vehicles would be exempted from fees and property taxation at an annual loss of \$184 (Property Assessment Division Estimate). This minimal fiscal impact is not addressed.

FISCAL IMPACT:

Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$ 11,983,158	\$ 11,976,291	\$ (6,867)	\$ 12,147,966	\$ 12,141,099	\$ (6,867)
School Equalization	89,873,685	89,822,184	(51,501)	91,109,745	91,058,244	(51,501)
<u>Total</u>	<u>\$101,856,843</u>	<u>\$101,798,475</u>	<u>\$ (58,368)</u>	<u>\$103,257,711</u>	<u>\$103,199,343</u>	<u>\$ (58,368)</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposal would reduce local government revenue by \$284,972 annually.

David L. Hunter DATE 2/5/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

William Menahan DATE 2/6/87
WILLIAM MENAHAN, PRIMARY SPONSOR

Fiscal Note for HB556, as introduced.

HB-556