

HB 739 INTRODUCED BY JENKINS  
EXEMPT CERTAIN CLASS FOURTEEN IMPROVEMENTS AND ANY  
ADDITION TO OR EXPANSION, REMODELING, OR  
RECONSTRUCTION OF IMPROVEMENTS TO CLASS  
FOURTEEN OR CLASS FOUR PROPERTY

2/13 INTRODUCED  
2/13 REFERRED TO TAXATION  
2/13 FISCAL NOTE REQUESTED  
2/19 FISCAL NOTE RECEIVED  
3/06 HEARING  
3/16 TABLED IN COMMITTEE

1 House BILL NO. 739

2 INTRODUCED BY: [Signature]

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING CERTAIN CLASS  
5 FOURTEEN IMPROVEMENTS AND ANY ADDITION TO OR EXPANSION,  
6 REMODELING, OR RECONSTRUCTION OF IMPROVEMENTS TO CLASS  
7 FOURTEEN OR CLASS FOUR PROPERTY; AMENDING SECTION 15-6-207,  
8 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A  
9 RETROACTIVE APPLICABILITY DATE."

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

12 Section 1. Section 15-6-207, MCA, is amended to read:

13 "15-6-207. Agricultural exemptions. (1) The following  
14 agricultural products are exempt from taxation:

15 (a) all unprocessed, perishable fruits and vegetables  
16 in farm storage and owned by the producer;

17 (b) all nonperishable unprocessed agricultural  
18 products, except livestock, held in possession of the  
19 original producer for less than 7 months following harvest;

20 (c) except as provided in subsection (1)(d), livestock  
21 which have not attained the age of 9 months as of the last  
22 day of any month if assessed on the average inventory basis  
23 or on March 1 if assessed as provided in 15-24-911(1)(a);  
24 and

25 (d) swine which have not attained the age of 3 months

1 as of January 1.

2 (2) Any beet digger, beet topper, beet defoliator,  
3 beet thinner, beet cultivator, beet planter, or beet top  
4 saver designed exclusively to plant, cultivate, and harvest  
5 sugar beets is exempt from taxation if such implement has  
6 not been used to plant, cultivate, or harvest sugar beets  
7 for the 2 years immediately preceding the current assessment  
8 date and there are no available sugar beet contracts in the  
9 sugar beet grower's marketing area.

10 (3) All class fourteen property constructed after  
11 December 31, 1986, and any addition to or expansion,  
12 remodeling, or reconstruction of class fourteen property  
13 after December 31, 1986, is exempt from taxation as follows:

14 (a) 100% exemption for the first 5 tax years following  
15 construction, addition, expansion, remodeling, or  
16 reconstruction; and

17 (b) 50% exemption for the next 5 tax years."

18 NEW SECTION. Section 2. Exemption for certain class  
19 four improvements. (1) Any addition to or expansion,  
20 remodeling, or reconstruction of improvements to class four  
21 property completed after December 31, 1986, is exempt from  
22 taxation as provided in subsection (2) if the property taxes  
23 on the improvement added to or altered are fully paid for  
24 the 5 years immediately preceding the first year in which  
25 the exemption is sought.



1 (2) Property described in subsection (1) is exempt  
2 from taxation as follows:

3 (a) 100% exemption for the first 5 tax years for which  
4 the exemption is granted; and

5 (b) 50% exemption for the next 5 tax years for which  
6 the exemption is granted.

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

11 NEW SECTION. Section 4. Extension of authority. Any  
12 existing authority of the department of revenue to make  
13 rules on the subject of the provisions of this act is  
14 extended to the provisions of this act.

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

18 (2) This act applies retroactively, within the meaning  
19 of 1-2-109, to taxable years beginning after December 31,  
20 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB739, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act exempting certain Class Fourteen improvements and any addition to or expansion, remodeling, or reconstruction of improvements to Class Fourteen or Class Four property; providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,997,193,000 in FY88 and \$2,024,661,000 in FY89 (REAC).
2. Mill levies are 6 mills for the university system, 45 mills for the school foundation program, and the weighted average local government levy remains constant at the 1986 level of 289 mills.
3. The increase in taxable value of Class 14 new construction and remodeling improvements is estimated to be \$3,300,000 in FY88, and \$6,800,000 in FY89, over current level. The increase in taxable value of Class 4 remodeling is estimated to be \$5,680,000 in FY88, and \$11,360,000 in FY89, over current level.
4. There is no property tax reduction for Class 12 property (trailers and mobile homes).

FISCAL IMPACT:

Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$ 11,983,158	\$ 11,929,278	\$ ( 53,880)	\$ 12,147,966	\$ 12,039,006	\$ (108,960)
School Equalization	89,873,685	89,469,585	(404,100)	91,109,745	90,292,545	(817,200)
Total	\$101,856,843	\$101,398,863	\$ (457,980)	\$103,257,711	\$102,331,551	\$ (926,160)

Expenditure Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Personal Services	\$ 0	\$ 36,980	\$ 36,980	N/A		
Operating Expense	0	2,845	2,845	N/A		
Total	\$ 0	\$ 39,825	\$ 39,825	N/A		

David L. Hunter DATE 2/19/87  
 DAVID L. HUNTER, BUDGET DIRECTOR  
 Office of Budget and Program Planning

Loren Jenkins DATE \_\_\_\_\_  
 LOREN JENKINS, PRIMARY SPONSOR

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**HB 739**

EFFECT ON LOCAL GOVERNMENT REVENUES:

Local government revenues are estimated to decrease \$2,595,220 in FY88, and \$5,248,240 in FY89.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Because the revenue effects are cumulative in each succeeding fiscal year, the revenue impact will grow in each succeeding year through fiscal year 1997. At that time the total decrease in taxable value is anticipated to be in the \$65-70 million range. This compares to a decrease in taxable value of \$8,890,000 in FY88.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Under current law (MCA,15-24-1501), remodeling, reconstruction, and expansion of certain existing buildings is afforded property tax relief at the discretion of the local governing body. The proposed bill does not rescind this portion of tax law. This may make it unclear if remodeling, reconstruction, or expansion would be eligible for the proposed tax reduction only if sanctioned by local governing bodies.

Also, because this proposal applies retroactively to taxable years beginning after December 31, 1986, property assessments completed in CY1987 but prior to passage of this bill would have to be revised. These revisions could be costly and time consuming. Changing the applicability date to taxable years beginning after December 31, 1987 would alleviate this problem.

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