

HOUSE BILL NO. 751
INTRODUCED BY WINSLOW

IN THE HOUSE

FEBRUARY 14, 1987	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 13, 1987	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 14, 1987	PRINTING REPORT.
MARCH 16, 1987	SECOND READING, DO PASS AS AMENDED.
MARCH 17, 1987	ENGROSSING REPORT.
MARCH 18, 1987	THIRD READING, PASSED. AYES, 93; NOES, 1. ON MOTION, RECONSIDER ACTION ON THIRD READING. ON MOTION, REREFERRED TO COMMITTEE ON TAXATION.
MARCH 19, 1987	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED. PRINTING REPORT.
MARCH 20, 1987	SECOND READING, DO PASS.
MARCH 21, 1987	ENGROSSING REPORT. THIRD READING, PASSED. AYES, 91; NOES, 5. TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 23, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

MARCH 31, 1987 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

APRIL 2, 1987 SECOND READING, CONCURRED IN.

APRIL 3, 1987 THIRD READING, CONCURRED IN.
AYES, 49; NOES, 0.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 8, 1987 RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 9, 1987 THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

1 House BILL NO. 751
2 INTRODUCED BY [Signature]

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM PROPERTY
5 TAXATION NONPRODUCING MANUFACTURING IMPROVEMENTS TO REAL
6 PROPERTY THAT WOULD OTHERWISE BE DEMOLISHED, RATHER THAN BE
7 SUBJECT TO PROPERTY TAX, AND THAT MAY BE RETURNED TO
8 PRODUCTION IN THE FUTURE; AND PROVIDING AN IMMEDIATE
9 EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A
10 TERMINATION DATE."

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

13 Section 1. Nonproducing manufacturing property --
14 tax-exempt status. (1) Improvements to real property that
15 were constructed and operated for a manufacturing industry
16 that has ceased production may be exempted from taxation for
17 each taxable year if the board of county commissioners finds
18 that the improvements:

- 19 (a) were used by the manufacturing industry;
- 20 (b) are no longer being used for production by
21 manufacturing industry;
- 22 (c) could be used for production in the future; and
- 23 (d) will be dismantled by the owner to avoid the
24 payment of property taxes on the improvements.

25 (2) For the purposes of this section, "manufacturing

1 industry" means an industry that engages in the mechanical
2 or chemical transformation of materials or substances into
3 new products in the manner defined as manufacturing in the
4 1972 Standard Industrial Classification Manual prepared by
5 the United States office of management and budget.

6 Section 2. Codification instruction. Section 1 is
7 intended to be codified as an integral part of Title 15,
8 chapter 6, part 2, and the provisions of Title 15, chapter
9 6, part 2, apply to section 1.

10 Section 3. Effective date -- applicability --
11 termination. (1) This act is effective on passage and
12 approval and applies to tax years beginning after December
13 31, 1986.

14 (2) This act terminates December 31, 1989.

-End-



-2- INTRODUCED BILL
HB 751

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB751, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exempt from property taxation non-producing manufacturing improvements to real property that would otherwise be demolished, rather than be subject to property tax, and that may be returned to production in the future; and providing an immediate effective date, a retroactive applicability date, and a termination date.

FISCAL IMPACT:

The fiscal impact would depend on the value of manufacturing improvements exempted by county commissioners from property taxation. In taxing jurisdictions where manufacturing improvements constitute a large portion of total taxable value, a property tax exemption could affect local property tax revenue.

The 1986 taxable value of improvements and the property tax liability for three non-productive manufacturing industries are provided below as examples of the impact that this proposal could have .

	<u>1986 Taxable Value of Buildings and Structures</u>	<u>Total Mill Levy</u>	<u>State, County, & Local Tax Revenue</u>
1.	2,613,868	300	784,160
2.	1,179,616	300	353,885
3.	983,320	300	294,996

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

It is not clear whether the proposed property tax exemption would apply to both machinery and buildings or just to buildings. A definition of "improvements to real property" would resolve this issue.

The bill allows county commissioners to reduce taxes for the school foundation program and the university mill levy.

David L. Hunter DATE 2/20/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Cal Winslow DATE 2/20/87
CAL WINSLOW, PRIMARY SPONSOR

Fiscal Note for HB751, as introduced.

HB 751

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 751
INTRODUCED BY WINSLOW

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT FROM PROPERTY TAXATION NONPRODUCING MANUFACTURING IMPROVEMENTS TO REAL PROPERTY AND NONPRODUCING IMPROVEMENTS TO RAILROAD OPERATING PROPERTY THAT WOULD OTHERWISE BE DEMOLISHED, RATHER THAN BE SUBJECT TO PROPERTY TAX, AND THAT MAY BE RETURNED TO PRODUCTION IN THE FUTURE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

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

Section 1. Nonproducing manufacturing AND RAILROAD OPERATING property -- tax-exempt status. (1) Improvements PERMANENTLY AFFIXED to real property that were constructed and operated for a manufacturing industry that has ceased production OR AS AN IMPROVEMENT TO A RAILROAD'S OPERATING PROPERTY THAT HAS CEASED PRODUCTION, FOR A PERIOD OF AT LEAST 12 CONSECUTIVE MONTHS, may be FULLY OR PARTIALLY exempted from taxation for each taxable year if the board of county commissioners finds that the improvements:

(a) were used by the manufacturing industry OR A RAILROAD;

(b) are no longer being used for production by

manufacturing industry OR A RAILROAD;

(c) could be used for production OR TRANSPORTATION in the future; and

(d) will be dismantled by the owner to avoid the payment of property taxes on the improvements.

(2) For the purposes of this section, "manufacturing industry" means an industry that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

(3) FOR THE PURPOSES OF THIS SECTION, "RAILROAD OPERATING PROPERTY" HAS THE MEANING PROVIDED IN 15-23-202.

(4) THE TAX BENEFIT DESCRIBED IN SUBSECTION (1) APPLIES ONLY TO THE NUMBER OF MILLS LEVIED AND ASSESSED FOR LOCAL HIGH SCHOOL DISTRICT AND ELEMENTARY SCHOOL DISTRICT PURPOSES AND TO THE NUMBER OF MILLS LEVIED AND ASSESSED BY THE GOVERNING BODY APPROVING THE BENEFIT OVER WHICH THE GOVERNING BODY HAS SOLE DISCRETION. IN NO CASE MAY THE BENEFIT DESCRIBED IN SUBSECTION (1) APPLY TO LEVIES OR ASSESSMENTS REQUIRED UNDER TITLE 15, CHAPTER 10, 20-9-331, 20-9-333, OR OTHERWISE REQUIRED UNDER STATE LAW.

Section 2. Codification instruction. Section 1 is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter



1 6, part 2, apply to section 1.

2 Section 3. Effective date -- applicability --
3 termination. (1) This act is effective on passage and
4 approval and applies to tax years beginning after December
5 31, 1986.

6 (2) This act terminates December 31, 1989.

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17 and operated for a manufacturing industry that has ceased
18 production OR AS AN IMPROVEMENT TO A RAILROAD'S OPERATING
19 PROPERTY THAT HAS CEASED PRODUCTION, FOR A PERIOD OF AT
20 LEAST 12 CONSECUTIVE MONTHS, FOR A PERIOD OF AT LEAST 6
21 CONSECUTIVE MONTHS, may be FULLY OR PARTIALLY exempted from
22 taxation for each taxable year if the board of county
23 commissioners finds that the improvements:

24 (a) were used by the manufacturing industry OR A
25 RAILROAD;

1 (b) are no longer being used for production by
2 manufacturing industry OR A RAILROAD;

3 (c) could be used for production OR TRANSPORTATION in
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-End-

STANDING COMMITTEE REPORT

SENATE

March 30 1987.....

MR. PRESIDENT

We, your committee on.....SENATE TAXATION.....

having had under consideration.....HOUSE BILL..... No. 751.....

third reading copy (blue)
color

WINSLOW (ECK)

TAX EXEMPTION TO PREVENT DISMANTLING OF NONPRODUCING
MFG. IMPROVEMENT

Respectfully report as follows: That.....HOUSE BILL..... No. 751.....

be amended as follows:

1. Page 1, line 20.
Following: "MONTHS"
Insert: "for a period of at least 6 consecutive months"

AND AS AMENDED
BE CONCURRED IN

~~XXXXXX~~

~~XXXXXXXXXX~~

George McCallum
SENATOR GEORGE McCALLUM, Chairman.

3-30-87
17
5-2