

HB 759 INTRODUCED BY ASAY
INCLUDE IN CLASS SIX ALL PERSONAL PROPERTY NOT IN
OTHER CLASSES

2/14 INTRODUCED
2/14 REFERRED TO TAXATION
2/14 FISCAL NOTE REQUESTED
2/20 FISCAL NOTE RECEIVED
3/03 HEARING
3/17 TABLED IN COMMITTEE

1 House BILL NO. 759
2 INTRODUCED BY Olson

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO COMBINE IN CLASS SIX
5 ALL PERSONAL PROPERTY IN CLASSES EIGHT, NINE, TEN, AND
6 SIXTEEN; AMENDING SECTIONS 15-1-101, 15-6-136, 15-6-141
7 THROUGH 15-6-145, 15-6-147 THROUGH 15-6-149, 15-6-153,
8 15-6-154, 15-8-111, 15-8-205, 15-24-301, 15-24-1102, AND
9 15-24-1103, MCA; REPEALING SECTIONS 15-6-138 THROUGH
10 15-6-140 AND 15-6-146, MCA; AND PROVIDING AN IMMEDIATE
11 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

14 Section 1. Section 15-1-101, MCA, is amended to read:

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

19 (a) The term "agricultural" refers to the raising of
20 livestock, poultry, bees, and other species of domestic
21 animals and wildlife in domestication or a captive
22 environment, and the raising of field crops, fruit, and
23 other animal and vegetable matter for food or fiber.

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

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

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

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

12 (A) agricultural lands;

13 (B) timberlands;

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

17 (D) mobile homes used exclusively as a residence
18 except when held by a distributor or dealer of trailers or
19 mobile homes as his stock in trade; and

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

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

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

23 (e) The term "comparable property" means property that
24 has similar use, function, and utility; that is influenced
25 by the same set of economic trends and physical,



1 governmental, and social factors; and that has the potential
2 of a similar highest and best use.

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

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

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

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

24 (j) The term "mobile home" means forms of housing
25 known as "trailers", "housetrailers", or "trailer coaches"

1 exceeding 8 feet in width or 45 feet in length, designed to
2 be moved from one place to another by an independent power
3 connected to them, or any "trailer", "housetrailer", or
4 "trailer coach" up to 8 feet in width or 45 feet in length
5 used as a principal residence.

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

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

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

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

21 (i) the possession of, claim to, ownership of, or
22 right to the possession of land;

23 (ii) all mines, minerals, and quarries in and under the
24 land subject to the provisions of 15-23-501 and Title 15,
25 chapter 23, part 8; all timber belonging to individuals or

1 corporations growing or being on the lands of the United
2 States; and all rights and privileges appertaining thereto.

3 (o) The term "taxable value" means the percentage of
4 market or assessed value as provided for in ~~15-6-131~~ through
5 ~~15-6-140~~ Title 15, chapter 6, part 1.

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

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

15 Section 2. Section 15-6-136, MCA, is amended to read:

16 "15-6-136. Class six property -- description --
17 taxable percentage. (1) Class six property includes:

18 ~~{a}--livestock, poultry, bees, and other species of~~
19 ~~domestic animals and wildlife raised in domestication or a~~
20 ~~captive environment, except for cats, dogs, and other~~
21 ~~household pets not raised for profit, and the unprocessed~~
22 ~~products of such animals and wildlife;~~

23 ~~{b}--all unprocessed agricultural products on the farm~~
24 ~~or in storage except all perishable fruits and vegetables in~~
25 ~~farm storage and owned by the producer;~~

1 ~~{c}--items of personal property intended for lease in~~
2 ~~the ordinary course of business provided each item of~~
3 ~~personal property satisfies all of the following:~~

4 ~~{i}--the full and true value of the personal property~~
5 ~~is less than \$5,000;~~

6 ~~{ii}--the personal property is owned by a business whose~~
7 ~~primary business income is from rental or lease of personal~~
8 ~~property to individuals wherein no one customer of the~~
9 ~~business accounts for more than 10% of the total rentals or~~
10 ~~leases during a calendar year; and~~

11 ~~{iii}--the lease of the personal property is generally~~
12 ~~on an hourly, daily, or weekly basis; all personal property~~
13 ~~not included in another class and not subject to a fee in~~
14 ~~lieu of property tax.~~

15 (2) Class six property is taxed at 4% of its market
16 value."

17 Section 3. Section 15-6-141, MCA, is amended to read:

18 "15-6-141. Class ~~eleven~~ eight property -- description
19 -- taxable percentage. (1) Class ~~eleven~~ eight property
20 includes:

21 (a) centrally assessed electric power companies'
22 allocations, including, if congress passes legislation that
23 allows the state to tax property owned by an agency created
24 by congress to transmit or distribute electrical energy,
25 allocations of properties constructed, owned, or operated by

1 a public agency created by the congress to transmit or
2 distribute electric energy produced at privately owned
3 generating facilities (not including rural electric
4 cooperatives);

5 (b) allocations for centrally assessed natural gas
6 companies having a major distribution system in this state;
7 and

8 (c) centrally assessed companies' allocations except:

9 (i) electric power and natural gas companies'
10 property;

11 (ii) property owned by cooperative rural electric and
12 cooperative rural telephone associations and classified in
13 class five;

14 (iii) property owned by organizations providing
15 telephone communications to rural areas and classified in
16 class seven;

17 (iv) railroad transportation property included in class
18 fifteen twelve; and

19 (v) airline transportation property included in class
20 seventeen thirteen.

21 (2) Class eleven eight property is taxed at 12% of
22 market value."

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

24 "15-6-142. Class twelve nine property -- description
25 -- taxable percentage. (1) Class twelve nine property

1 includes:

2 (a) a trailer or mobile home used as a residence
3 except when:

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

6 (ii) specifically included in another class;

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

14 (2) Class twelve nine property is taxed as follows:

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

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

24 Section 5. Section 15-6-143, MCA, is amended to read:

25 "15-6-143. (Effective January 1, 1986) Class thirteen

1 ten property -- description -- taxable percentage. (1) Class
2 thirteen ten property includes all timberland.

3 (2) Timberland is contiguous land exceeding 15 acres
4 in one ownership that is capable of producing timber that
5 can be harvested in commercial quantity.

6 (3) Class thirteen ten property is taxed at the
7 ~~percentage rate "P"~~ 3.84% of the combined appraised value of
8 the standing timber and grazing productivity of the
9 property.

10 ~~{4}--For--taxable--years--beginning--January--17--19867--and~~
11 ~~thereafter7--the--taxable--percentage--rate--"P"--applicable--to~~
12 ~~class--thirteen--property--is--30%/B7--where--B--is--the--certified~~
13 ~~statewide--percentage--increase--to--be--determined--by--the~~
14 ~~department--of--revenue--as--provided--in--subsection--(5)7--The~~
15 ~~taxable--percentage--rate--"P"--shall--be--rounded--downward--to--the~~
16 ~~nearest--0.01%--and--shall--be--calculated--by--the--department~~
17 ~~before--July--17--19867.~~

18 ~~{5}--(a)--Prior--to--July--17--19867--the--department--shall~~
19 ~~determine--the--certified--statewide--percentage--increase--for~~
20 ~~class--thirteen--property--using--the--formula--B--=--X/Y7--where7~~

21 ~~{i}--X--is--the--appraised--value7--as--of--January--17--19867~~
22 ~~of--all--property--in--the--state7--excluding--use--changes~~
23 ~~occurring--during--the--preceding--year7--classified--under--class~~
24 ~~thirteen--as--class--thirteen--is--described--in--this--section7--and~~

25 ~~{ii}--Y--is--the--appraised--value7--as--of--January--17--19857~~

1 ~~of--all--property--in--the--state--that7--as--of--January--17--19867~~
2 ~~would--be--classified--under--class--thirteen--as--class--thirteen~~
3 ~~is--described--in--this--section7~~

4 ~~{b}--B--shall--be--rounded--downward--to--the--nearest~~
5 ~~0.0001%7~~

6 ~~{6}--After--July--17--19867--no--adjustment--may--be--made--by~~
7 ~~the--department--to--the--taxable--percentage--rate--"P"--until--a~~
8 ~~valuation--has--been--made--as--provided--in--15-7-1117 (Terminates~~
9 ~~January 1, 1991--sec. 10, Ch. 681, L. 1985.)"~~

10 Section 6. Section 15-6-144, MCA, is amended to read:

11 "15-6-144. Class fourteen eleven property --
12 description -- taxable percentage. (1) Class fourteen eleven
13 property includes all improvements on land that is eligible
14 for valuation, assessment, and taxation as agricultural land
15 under 15-7-202(2). Class fourteen eleven property includes 1
16 acre of real property beneath the agricultural improvements.
17 The 1 acre shall be valued at market value.

18 (2) Class fourteen eleven property is taxed at 80% of
19 the taxable percentage applicable to class four property."

20 Section 7. Section 15-6-145, MCA, is amended to read:

21 "15-6-145. Class fifteen twelve property --
22 description -- taxable percentage. (1) Class fifteen twelve
23 property includes all railroad transportation property as
24 described in the Railroad Revitalization and Regulatory
25 Reform Act of 1976 as it read on January 1, 1986.

1 (2) For the taxable year beginning January 1, 1986,
 2 and for each taxable year thereafter, class fifteen twelve
 3 property is taxed at the percentage rate "R", to be
 4 determined by the department as provided in subsection (3),
 5 or 12%, whichever is less.

6 (3) $R = A/B$ where:

7 (a) A is the total statewide taxable value of all
 8 commercial property, except class fifteen twelve property,
 9 as commercial property is described in 15-1-101(1)(d),
 10 including class 1 and class 2 property; and

11 (b) B is the total statewide market value of all
 12 commercial property, except class fifteen twelve property,
 13 as commercial property is described in 15-1-101(1)(d),
 14 including class 1 and class 2 property.

15 (4) (a) For the taxable year beginning January 1,
 16 1986, and for every taxable year thereafter, the department
 17 shall conduct a sales assessment ratio study of all
 18 commercial and industrial real property and improvements.
 19 The study must be based on:

20 (i) assessments of such property as of January 1 of
 21 the year for which the study is being conducted; and

22 (ii) a statistically valid sample of sales using data
 23 from realty transfer certificates filed during the same
 24 taxable year or from the immediately preceding taxable year,
 25 but only if a sufficient number of certificates is

1 unavailable from the current taxable year to provide a
 2 statistically valid sample.

3 (b) The department shall determine the value-weighted
 4 mean sales assessment ratio "M" for all such property and
 5 reduce the taxable value of property described in subsection
 6 (4) only, by multiplying the total statewide taxable value
 7 of property described in subsection (4) by "M" prior to
 8 calculating "A" in subsection (3).

9 (c) The adjustment referred to in subsection (4)(b)
 10 will be made beginning January 1, 1986, and in each
 11 subsequent tax year to equalize the railroad taxable values.

12 (5) For the purpose of complying with the Railroad
 13 Revitalization and Regulatory Reform Act of 1976, as it read
 14 on January 1, 1986, the rate "R" referred to in this section
 15 is the equalized average tax rate generally applicable to
 16 commercial and industrial property, except class fifteen
 17 twelve property, as commercial property is defined in
 18 15-1-101(1)(d)."

19 Section 8. Section 15-6-147, MCA, is amended to read:

20 "15-6-147. Class seventeen thirteen property --
 21 description -- taxable percentage. (1) Class seventeen
 22 thirteen property includes all airline transportation
 23 property as described in the Tax Equity and Fiscal
 24 Responsibility Act of 1982 as it read on January 1, 1986.

25 (2) For the taxable years 1986 through 1990 class

1 ~~seventeen~~ thirteen property is taxed at 12%, and for each
2 taxable year thereafter, class ~~seventeen~~ thirteen property
3 is taxed at the lesser of 12% or the percentage rate for
4 class ~~fifteen~~ twelve property without adjustment.

5 (3) For the purpose of complying with the Tax Equity
6 and Fiscal Responsibility Act of 1982, as it read on January
7 1, 1986, the rate "R" referred to in this section is the
8 equalized average tax rate generally applicable to
9 commercial and industrial property, except class ~~seventeen~~
10 thirteen property, as commercial property is defined in
11 15-1-101(1)(d)."

12 Section 9. Section 15-6-148, MCA, is amended to read:

13 "15-6-148. Class ~~eighteen~~ fourteen property --
14 description -- taxable percentage. (1) Class ~~eighteen~~
15 fourteen property includes all nonproductive patented mining
16 claims outside the limits of an incorporated city or town
17 held by an owner for the ultimate purpose of developing the
18 mineral interests on the property. Class ~~eighteen~~ fourteen
19 does not include any property that is used for residential,
20 recreational as described in 70-16-301, or commercial as
21 defined in 15-1-101, purposes, or if the surface is being
22 used for other than mining purposes or has a separate and
23 independent value for such other purposes.

24 (2) Improvements to class ~~eighteen~~ fourteen property
25 that would not disqualify the parcel from designation as

1 class ~~eighteen~~ fourteen property are taxed as otherwise
2 provided in this title, including that portion of the land
3 upon which such improvements are located and which is
4 reasonably required for the use of such improvements.

5 (3) Class ~~eighteen~~ fourteen property must be valued as
6 if such land were devoted to agricultural grazing use and is
7 taxed at 30% of its value."

8 Section 10. Section 15-6-149, MCA, is amended to read:

9 "15-6-149. Class ~~nineteen~~ fifteen property --
10 description -- taxable percentage. (1) Class ~~nineteen~~
11 fifteen property includes parcels of nonproductive real
12 property containing less than 20 acres that are precluded
13 from being developed for residential, commercial, or
14 industrial purposes because of subdivision or zoning laws,
15 regulations, or ordinances or that are precluded from being
16 so developed for other reasons.

17 (2) Improvements to class ~~nineteen~~ fifteen property
18 are taxed as class four property.

19 (3) Class ~~nineteen~~ fifteen property is taxed at 2% of
20 its market value."

21 Section 11. Section 15-6-153, MCA, is amended to read:

22 "15-6-153. Application for classification as class
23 ~~eighteen~~ fourteen property. A person applying for
24 classification of property as class ~~eighteen~~ fourteen
25 property shall make an affidavit to the department of

1 revenue, on a form provided by the department without cost,
2 stating:

3 (1) the fact that the mining claim is not presently
4 being used for mining purposes but is being held for that
5 use;

6 (2) that the mineral interests of the mining claim
7 have not been depleted; and

8 (3) such other information as the department may
9 require to determine an applicant's eligibility and to
10 determine if the surface is being used for other than mining
11 purposes or has a separate and independent value for such
12 other purposes."

13 Section 12. Section 15-6-154, MCA, is amended to read:

14 "15-6-154. Application for classification as class
15 nineteen fifteen property. A person applying for
16 classification of property as class nineteen fifteen
17 property shall make an affidavit to the department of
18 revenue, on a form provided by the department without cost,
19 stating:

20 (1) that the property is precluded from being
21 developed for residential, commercial, or industrial
22 purposes because of subdivision or zoning laws, regulations,
23 or ordinances or for other reasons;

24 (2) what law, regulation, or ordinance or other reason
25 precludes such use;

1 (3) what determinations, if any, by a governmental
2 entity have been made to substantiate the application for
3 classification as class nineteen fifteen property; and

4 (4) such other information as is relevant to the
5 application or as may be required by the department."

6 Section 13. Section 15-8-111, MCA, is amended to read:

7 "15-8-111. Assessment -- market value standard --
8 exceptions. (1) All taxable property must be assessed at
9 100% of its market value except as otherwise provided in
10 ~~subsection--(5)--of--this--section--and--in--15-7-111--through~~
11 ~~15-7-114.~~

12 (2) (a) Market value is the value at which property
13 would change hands between a willing buyer and a willing
14 seller, neither being under any compulsion to buy or to sell
15 and both having reasonable knowledge of relevant facts.

16 (b) Except as provided in subsection (3), the market
17 value of all motor trucks; agricultural tools, implements,
18 and machinery; and vehicles of all kinds, including but not
19 limited to aircraft and boats and all watercraft, is the
20 average wholesale value shown in national appraisal guides
21 and manuals or the value of the vehicle before
22 reconditioning and profit margin. The department of revenue
23 shall prepare valuation schedules showing the average
24 wholesale value when no national appraisal guide exists.

25 (3) The department of revenue or its agents may not

1 adopt a lower or different standard of value from market
2 value in making the official assessment and appraisal of the
3 value of property ~~in-15-6-134-through-15-6-140-and--15-6-145~~
4 ~~through-15-6-149~~, except:

5 (a) the wholesale value for agricultural implements
6 and machinery is the loan value as shown in the Official
7 Guide, Tractor and Farm Equipment, published by the national
8 farm and power equipment dealers association, St. Louis,
9 Missouri; and

10 (b) for agricultural implements and machinery not
11 listed in the official guide, the department shall prepare a
12 supplemental manual where the values reflect the same
13 depreciation as those found in the official guide; and

14 (c) as otherwise authorized in Title 15 and Title 16.

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

17 (5) The taxable value for all property ~~in-classes-four~~
18 ~~through--eleven--and--fifteen--through---nineteen~~ is the
19 percentage of market or assessed value established for each
20 class of property ~~in-15-6-134-through-15-6-141-and--15-6-145~~
21 ~~through-15-6-149~~.

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

24 (a) Properties in 15-6-131, under class one, are
25 assessed at 100% of the annual net proceeds after deducting

1 the expenses specified and allowed by 15-23-503.

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

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

9 (d) Properties in 15-6-143, under class ~~thirteen~~ ten,
10 are assessed at 100% of the combined appraised value of the
11 standing timber and grazing productivity of the land when
12 valued as timberland.

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

15 (a) ownership of the improvements is different from
16 ownership of the land;

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

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

19 ~~(8) The taxable value of all property in-15-6-131-and~~
20 ~~classes-two,--three,--and--thirteen--is--the--percentage--of~~
21 ~~assessed--value--established--in--15-6-131(2),--15-6-132,~~
22 ~~15-6-133,--and--15-6-143--for--each--class--of--property.~~
23 (Subsections (3)(a) and (3)(b) applicable to tax years
24 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
25 Subsection (6)(d) and references in (8) [now deleted] to

1 class thirteen and 15-6-143 terminate January 1, 1991--sec.
2 10, Ch. 681, L. 1985.)"

3 Section 14. Section 15-8-205, MCA, is amended to read:
4 "15-8-205. Initial assessment of class ~~twelve~~ nine
5 property -- when. The county assessor shall assess all class
6 ~~twelve~~ nine property immediately upon arrival in the county
7 if the taxes have not been previously paid for that year in
8 another county in Montana."

9 Section 15. Section 15-24-301, MCA, is amended to
10 read:

11 "15-24-301. Personal property brought into the state
12 -- assessment -- exceptions -- custom combine equipment. (1)
13 Except as provided in subsections (2) through (6), property
14 in the following cases is subject to taxation and assessment
15 for all taxes levied that year in the county in which it is
16 located:

17 (a) any personal property (including livestock)
18 brought, driven, or coming into this state at any time
19 during the year that is used in the state for hire,
20 compensation, or profit;

21 (b) property whose owner or user is engaged in gainful
22 occupation or business enterprise in the state; or

23 (c) property which comes to rest and becomes a part of
24 the general property of the state.

25 (2) The taxes on this property are levied in the same

1 manner and to the same extent, except as otherwise provided,
2 as though the property had been in the county on the regular
3 assessment date, provided that the property has not been
4 regularly assessed for the year in some other county of the
5 state.

6 (3) Nothing in this section shall be construed to levy
7 a tax against a merchant or dealer within this state on
8 goods, wares, or merchandise brought into the county to
9 replenish the stock of the merchant or dealer.

10 (4) Any motor vehicle not subject to the light vehicle
11 license fee or a fee in lieu of tax brought, driven, or
12 coming into this state by any nonresident person temporarily
13 employed in Montana and used exclusively for transportation
14 of such person is subject to taxation and assessment for
15 taxes as follows:

16 (a) The motor vehicle is taxed by the county in which
17 it is located.

18 (b) One-fourth of the annual tax liability of the
19 motor vehicle must be paid for each quarter or portion of a
20 quarter of the year that the motor vehicle is located in
21 Montana.

22 (c) The quarterly taxes are due the first day of the
23 quarter.

24 (5) Agricultural harvesting machinery classified under
25 class eight six, licensed in other states, and operated on

1 the lands of persons other than the owner of the machinery
2 under contracts for hire shall be subject to a fee in lieu
3 of taxation of \$35 per machine for the calendar year in
4 which the fee is collected. The machines shall be subject to
5 taxation under class eight six only if they are sold in
6 Montana.

7 (6) The provisions of this part do not apply to
8 automobiles and trucks having a rated capacity of
9 three-quarters of a ton or less, motorcycles, or
10 quadricycles. These vehicles are subject to the fee provided
11 for in 61-3-532 or 61-3-541."

12 Section 16. Section 15-24-1102, MCA, is amended to
13 read:

14 "15-24-1102. Federal property held under contract of
15 sale. When the property is held under a contract of sale or
16 other agreement whereby upon payment the legal title is or
17 may be acquired by the person, the real property shall be
18 assessed and taxed as ~~defined in 15-6-131 through 15-6-140~~
19 set forth in Title 15, chapter 6, and 15-8-111 without
20 deduction on account of the whole or any part of the
21 purchase price or other sum due on the property remaining
22 unpaid. The lien for the tax may not attach to, impair, or
23 be enforced against any interest of the United States in the
24 real property."

25 Section 17. Section 15-24-1103, MCA, is amended to

1 read:

2 "15-24-1103. Federal property held under lease. When
3 the property is held under lease, other interest, or estate
4 therein less than the fee, except under contract of sale,
5 the property shall be assessed and taxed as for the value,
6 as ~~defined in 15-6-131 through 15-6-140~~ set forth in Title
7 15, chapter 6, of such leasehold, interest, or estate in the
8 property and the lien for the tax shall attach to and be
9 enforced against only the leasehold, interest, or estate in
10 the property. When the United States authorizes the taxation
11 of the property for the full assessed value of the fee
12 thereof, the property shall be assessed for full assessed
13 value as defined in 15-8-111."

14 NEW SECTION. Section 18. Repealer. Sections 15-6-138
15 through 15-6-140 and 15-6-146, MCA, are repealed.

16 NEW SECTION. Section 19. 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 20. Effective date --
21 applicability. (1) This act is effective on passage and
22 approval.

23 (2) This act applies retroactively, within the meaning
24 of 1-2-109, to taxable years beginning after December 31,
25 1986.

-End-

-22-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB759, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to combine in class six all personal property in classes eight, nine, ten and sixteen; providing an 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. The current taxable value of personal property affected by the proposal is \$283,795,068 of which \$53,521,341 is located in cities and towns (1986 values).
3. The proposal will reduce the taxable value of affected personal property to \$ 97,992,315. The value of affected personal property subject to city levies falls to \$17,002,520.
4. Mill levies are 6 mills for the university levy, 45 mills for school equalization, 183.9 for county levies and 96.6 mills for cities and towns (city and county levies are the weighted average 1986 levies for properties affected by the proposal).
5. The proposal does not include personal property of centrally assessed taxpayers nor class seven personal property.
6. The retroactive applicability date of the proposal will require recalculation of taxable values and the renotification of taxpayers in FY87. It is estimated that the recalculation of the taxable value of personal property will cost \$157,000 since additional staff will be required to meet the statutory deadline. An additional \$59,770 in costs would be incurred to renotify 161,540 taxpayers of the changes. These are one-time costs incurred in FY87.
7. 30 percent of the property affected by the proposal will be taxed on the prior year's levy (1986 average). The tax payments on these properties are due in April 1987.

FISCAL IMPACT:

Revenue Impact:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$ 11,983,158	\$ 10,868,498	(\$1,114,660)	\$ 12,147,966	\$ 11,033,306	(\$1,114,660)
School Equalization	89,873,685	81,513,734	(8,359,951)	91,109,745	82,749,794	(8,359,951)
TOTAL	\$101,856,843	\$ 92,382,232	(\$9,474,611)	\$103,257,711	\$ 93,783,100	(\$9,474,611)

The retroactive applicability date would, also, reduce FY87 revenues by the 30 percent of the amounts shown above.

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

Tom Asay DATE 2/20
 TOM ASAY, PRIMARY SPONSOR

Fiscal Note for HB759, as introduced.

HB 759

Fiscal Note Request, HB759, as introduced.

Form BD-15

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Expenditure Impact:

The retroactive applicability date will require expenditures of \$216,770 in FY87 to comply with the proposed changes and to meet the statutory deadline of the second week in May.

EFFECT ON LOCAL GOVERNMENT REVENUES:

The proposal will reduce FY87 property tax revenues to counties by \$10,249,299, and to cities and towns by \$1,058,780. In FY88 and thereafter, the revenue loss to counties will increase to \$34,164,330, and the loss to cities and towns will be \$3,529,260.

TECHNICAL OR MECHANICAL DEFECT OR CONFLICT WITH EXISTING LEGISLATION:

The retroactive applicability date of the proposal is problematic when applied to personal property. Assessments will be completed by the time the proposal, if passed, becomes law. The changes in the classification of personal property due to the proposal will require the recalculation of tax notices and renotification of taxpayers within a one month period.

HB 759