

HOUSE BILL NO. 816

INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

IN THE HOUSE

FEBRUARY 18, 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 21, 1987 SECOND READING, DO PASS AS AMENDED.

ON MOTION, BILL RETURNED TO SECOND
READING FOR FURTHER AMENDMENT.

MARCH 24, 1987 SECOND READING, DO PASS AS AMENDED.

ENGROSSING REPORT.

MARCH 26, 1987 THIRD READING, PASSED.
AYES, 76; NOES, 21.

TRANSMITTED TO SENATE.

IN THE SENATE

APRIL 9, 1987 ON MOTION, RULES SUSPENDED TO ALLOW
RECEIPT OF HB NO. 816.

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

APRIL 13, 1987 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

APRIL 14, 1987 SECOND READING, CONCURRED IN.

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

APRIL 14, 1987

THIRD READING, CONCURRED IN.
AYES, 50; NOES, 0.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 16, 1987

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 17, 1987

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

1 House BILL NO. 816
2 INTRODUCED BY Way Ramirez, Keller, Sunder
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS
5 TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES;
6 ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE
7 OF CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO
8 TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING
9 SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
10 DATE AND A RETROACTIVE APPLICABILITY DATE."

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

13 NEW SECTION. Section 1. Class twenty property --
14 description -- method of valuation -- taxable percentage.

15 (1) Class twenty property includes all real and personal
16 property that is integrally related in a single working unit
17 and devoted exclusively to the processing of agricultural or
18 timber products.

19 (2) In determining the market value of class twenty
20 property, the department shall use the formula $V=I/R$ where:

21 (a) V is the market value of the property for the
22 current taxable year;

23 (b) I is the net income produced by the property
24 during the immediately preceding taxable year and must be
25 the same amount as the net income reported to the department

1 as provided in Title 15, chapter 31, for the immediately
2 preceding taxable year; and

3 (c) R is the capitalization rate to be determined by
4 the department as provided in subsection (3).

5 (3) The capitalization rate is the average annual
6 interest rate on agricultural loans, as reported by the
7 federal land bank association of Spokane, Washington, for
8 the calendar year immediately preceding the current taxable
9 year, plus the effective tax rate in Montana for class
10 twenty property determined as provided in subsection (4).

11 (4) The effective tax rate is calculated by the
12 department for the current taxable year by dividing the
13 statewide total estimated tax due on class twenty property
14 for the immediately preceding year by the statewide total
15 market value of class twenty property for the immediately
16 preceding year.

17 (5) Property that meets the description of class
18 twenty property in subsection (1) that does not have a net
19 income stream from which to calculate its market value must
20 be valued:

21 (a) on the basis of its construction cost if it is
22 newly constructed; or

23 (b) if not newly constructed, at the cost at which it
24 was acquired, whether the method of acquisition was a
25 contract for deed, mortgage, fee simple purchase, purchase



-2- INTRODUCED BILL
HB-816

1 at bankruptcy, or any other transaction considered to be an
2 arm's-length transaction.

3 (6) Property in class twenty is taxable at 3.86% of
4 its market value.

5 Section 2. Section 15-8-111, MCA, is amended to read:

6 "15-8-111. Assessment -- market value standard --
7 exceptions. (1) All taxable property must be assessed at
8 100% of its market value except as otherwise provided in
9 subsection (5) of this section and in 15-7-111 through
10 15-7-114.

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

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

24 (3) The department of revenue or its agents may not
25 adopt a lower or different standard of value from market

1 value in making the official assessment and appraisal of the
2 value of property in ~~15-6-134 through 15-6-140 and 15-6-145~~
3 ~~through 15-6-149~~, except:

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

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

13 (c) as otherwise authorized in Title 15 and Title 61.

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

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

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

23 (a) Properties in 15-6-131, under class one, are
24 assessed at 100% of the annual net proceeds after deducting
25 the expenses specified and allowed by 15-23-503.

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

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

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

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

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

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

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

18 ~~(8) The taxable value of all property in 15-6-131 and~~
19 ~~classes two, three, and thirteen is the percentage of~~
20 ~~assessed value established in 15-6-131(2), 15-6-132,~~
21 ~~15-6-133, and 15-6-143 for each class of property.~~
22 (Subsections (3)(a) and (3)(b) applicable to tax years
23 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
24 Subsection (6)(d) and references in (8) [now deleted] to
25 class thirteen and 15-6-143 terminate January 1, 1991--sec.

1 10, Ch. 681, L. 1985.)"

2 NEW SECTION. Section 3. Extension of authority. Any
3 existing authority of the department of revenue to make
4 rules on the subject of the provisions of this act is
5 extended to the provisions of this act.

6 NEW SECTION. Section 4. Codification instruction.
7 Section 1 is intended to be codified as an integral part of
8 Title 15, chapter 6, part 1, and the provisions of Title 15,
9 chapter 6, apply to section 1.

10 NEW SECTION. Section 5. Effective date --
11 applicability. This act is effective on passage and approval
12 and applies to taxable years beginning after December 31,
13 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB816, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating a new class twenty classification for property tax purposes; establishing requirements for determining the market value of class twenty property; clarifying terminology relating to taxable value, market value, and assessed value; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. One-time expenditures of \$19,500 would be incurred in FY87 to adjust tax records and to upgrade count computer programs.
2. An additional Grade 15 step 2 appraiser would be required to maintain records and value class twenty property. The annual cost of the FTE would be \$30,300 per year including benefits.

FISCAL IMPACT:

The fiscal impact of the proposal cannot be estimated in the time allowed. Company by company appraisals would be required, which would take weeks to complete.

TECHNICAL OR MECHANICAL DEFECTS WITH THE PROPOSED LEGISLATION:

Income from corporate tax returns cannot be used to estimate the value of many, if not most, of the class twenty properties. Income for corporate tax purposes is not specific to an individual plant; it includes the income from all of the facilities of the corporation regardless of where they are located and what products they produce. A portion of the income is allocated to the state based on the presence of the corporation in the state. The proposal, therefore, would require plant specific income reporting by the taxpayers.

David L. Hunter DATE 2/24/87

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

Tom Asay DATE 2-25-87

TOM ASAY, PRIMARY SPONSOR

Fiscal Note for HB816, as introduced.

HB 816

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 816

INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES; ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE OF CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Class twenty property -- description -- method of valuation -- taxable percentage.

(1) Class twenty property includes all real and personal property that:

(A) is integrally related in a single working unit and;

(B) IS devoted exclusively to the processing of agricultural or timber products; AND

(C) HAS NOT BEEN IN PRODUCTION FOR 12 CONSECUTIVE MONTHS.

(2) In determining the market value of class twenty property, the department shall use the formula $V=I/R$ where:

(a) V is the market value of the property for the

current taxable year;

(b) I is the net income produced by the property during the immediately preceding taxable year and must be the same amount as the net income reported to the department as provided in Title 15, chapter 31, for the immediately preceding taxable year; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (3);

(3) The capitalization rate is the average annual interest rate on agricultural loans, as reported by the federal land bank association of Spokane, Washington, for the calendar year immediately preceding the current taxable year, plus the effective tax rate in Montana for class twenty property determined as provided in subsection (4);

(4) The effective tax rate is calculated by the department for the current taxable year by dividing the statewide total estimated tax due on class twenty property for the immediately preceding year by the statewide total market value of class twenty property for the immediately preceding year;

(5) Property that meets the description of class twenty property in subsection (1) that does not have a net income stream from which to calculate its market value must be valued:

(a) on the basis of its construction cost if it is

1 newly-constructed; or
 2 (b) ~~if not newly constructed, at the cost at which it~~
 3 ~~was acquired, whether the method of acquisition was a~~
 4 ~~contract for deed, mortgage, fee simple purchase, purchase~~
 5 ~~at bankruptcy, or any other transaction considered to be an~~
 6 ~~arm's-length transaction; REDUCE THE ASSESSED VALUE BY 25% A~~
 7 YEAR FOR EACH YEAR THE PLANT CONTINUES TO BE OUT OF
 8 PRODUCTION UNTIL THE MARKET VALUE IS REDUCED TO SALVAGE
 9 VALUE.

10 (3) FOLLOWING THE COMMENCEMENT OF PRODUCTION, PROPERTY
 11 CLASSIFIED AS CLASS TWENTY MUST REMAIN AT THE PRECEDING
 12 YEAR'S VALUATION FOR THE SUCCEEDING 12 MONTHS.

13 (6)(4) Property in class twenty is taxable at 3.86% of
 14 its market value.

15 Section 2. Section 15-8-111, MCA, is amended to read:

16 "15-8-111. Assessment -- market value standard --
 17 exceptions. (1) All taxable property must be assessed at
 18 100% of its market value except as otherwise provided in
 19 ~~subsection (5) of this section and in 15-7-111 through~~
 20 ~~15-7-114.~~

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

25 (b) Except as provided in subsection (3), the market

1 value of all motor trucks; agricultural tools, implements,
 2 and machinery; and vehicles of all kinds, including but not
 3 limited to aircraft and boats and all watercraft, is the
 4 average wholesale value shown in national appraisal guides
 5 and manuals or the value of the vehicle before
 6 reconditioning and profit margin. The department of revenue
 7 shall prepare valuation schedules showing the average
 8 wholesale value when no national appraisal guide exists.

9 (3) The department of revenue or its agents may not
 10 adopt a lower or different standard of value from market
 11 value in making the official assessment and appraisal of the
 12 value of property in ~~15-6-134 through 15-6-140 and 15-6-145~~
 13 ~~through 15-6-149~~, except:

14 (a) the wholesale value for agricultural implements
 15 and machinery is the loan value as shown in the Official
 16 Guide, Tractor and Farm Equipment, published by the national
 17 farm and power equipment dealers association, St. Louis,
 18 Missouri; and

19 (b) for agricultural implements and machinery not
 20 listed in the official guide, the department shall prepare a
 21 supplemental manual where the values reflect the same
 22 depreciation as those found in the official guide; and

23 (c) as otherwise authorized in Title 15 and Title 61.

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

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

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

8 (a) Properties in 15-6-131, under class one, are
 9 assessed at 100% of the annual net proceeds after deducting
 10 the expenses specified and allowed by 15-23-503.

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

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

18 (d) Properties in 15-6-143, under class thirteen, are
 19 assessed at 100% of the combined appraised value of the
 20 standing timber and grazing productivity of the land when
 21 valued as timberland.

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

24 (a) ownership of the improvements is different from
 25 ownership of the land;

1 (b) the taxpayer makes a written request; or
 2 (c) the land is outside an incorporated city or town.
 3 ~~(8) The taxable value of all property in 15-6-131 and~~
 4 ~~classes two, three, and thirteen is the percentage of~~
 5 ~~assessed value established in 15-6-131(2), 15-6-132,~~
 6 ~~15-6-133, and 15-6-143 for each class of property.~~
 7 (Subsections (3)(a) and (3)(b) applicable to tax years
 8 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
 9 Subsection (6)(d) and references in (8) [now deleted] to
 10 class thirteen and 15-6-143 terminate January 1, 1991--sec.
 11 10, Ch. 681, L. 1985.)"

12 NEW SECTION. Section 3. Extension of authority. Any
 13 existing authority of the department of revenue to make
 14 rules on the subject of the provisions of this act is
 15 extended to the provisions of this act.

16 NEW SECTION. Section 4. Codification instruction.
 17 Section 1 is intended to be codified as an integral part of
 18 Title 15, chapter 6, part 1, and the provisions of Title 15,
 19 chapter 6, apply to section 1.

20 NEW SECTION. Section 5. Effective date --
 21 applicability. This act is effective on passage and approval
 22 and applies to taxable years beginning after December 31,
 23 1986 1987.

-End-

1 HOUSE BILL NO. 816

2 INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS
5 TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES;
6 ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE
7 OF CLASS TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO
8 TAXABLE VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING
9 SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
10 DATE AND A RETROACTIVE AN A RETROACTIVE APPLICABILITY DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:13 NEW SECTION. Section 1. Class twenty property --
14 description -- method of valuation -- taxable percentage.15 (1) Class twenty property includes all real and personal
16 property that:17 (A) is integrally related in a single working unit
18 and;19 (B) IS devoted exclusively to the processing of
20 agricultural or timber products; AND21 (C) (I) HAS NOT BEEN IN PRODUCTION FOR 12 CONSECUTIVE
22 MONTHS OR HAS BEEN ACQUIRED IN AN ARM'S-LENGTH TRANSACTION
23 BY AN UNRELATED PERSON, INCLUDING AN ACQUISITION IN A
24 FORECLOSURE SALE OR BANKRUPTCY PROCEEDING; OR25 (II) HAS BEEN ACQUIRED IN A FORECLOSURE OR BANKRUPTCY1 PROCEEDING BY A PERSON, AS DEFINED IN 15-1-102, HAVING NO
2 RELATIONSHIP TO OR INTEREST IN THE PROPERTY PRIOR TO THE
3 TRANSACTION.4 (2) In determining the market value of class twenty
5 property, the department shall use the formula $V=I/R$ where:6 (a) V is the market value of the property for the
7 current taxable year;8 (b) I is the net income produced by the property
9 during the immediately preceding taxable year and must be
10 the same amount as the net income reported to the department
11 as provided in Title 15, chapter 31, for the immediately
12 preceding taxable year; and13 (c) R is the capitalization rate to be determined by
14 the department as provided in subsection (3);15 (3) The capitalization rate is the average annual
16 interest rate on agricultural loans, as reported by the
17 federal land bank association of Spokane, Washington, for
18 the calendar year immediately preceding the current taxable
19 year, plus the effective tax rate in Montana for class
20 twenty property determined as provided in subsection (4);21 (4) The effective tax rate is calculated by the
22 department for the current taxable year by dividing the
23 statewide total estimated tax due on class twenty property
24 for the immediately preceding year by the statewide total
25 market value of class twenty property for the immediately

1 preceding-year.

2 ~~(5) Property that meets the description of class~~
 3 ~~twenty property in subsection (1) that does not have a net~~
 4 ~~income stream from which to calculate its market value must~~
 5 ~~be valued:~~

6 ~~(a) on the basis of its construction cost if it is~~
 7 ~~newly constructed; or~~

8 ~~(b) if not newly constructed, at the cost at which it~~
 9 ~~was acquired, whether the method of acquisition was a~~
 10 ~~contract for deed, mortgage, fee simple purchase, purchase~~
 11 ~~at bankruptcy, or any other transaction considered to be an~~
 12 ~~arm's-length transaction. REDUCE THE ASSESSED VALUE BY 25% A~~
 13 ~~YEAR FOR EACH YEAR THE PLANT CONTINUES TO BE OUT OF~~
 14 ~~PRODUCTION UNTIL THE MARKET VALUE IS REDUCED TO SALVAGE~~
 15 ~~VALUE.~~

16 ~~(3) FOLLOWING THE UPON COMMENCEMENT OF PRODUCTION OR~~
 17 ~~AN ACQUISITION DESCRIBED IN SUBSECTION (1)(C)(II), PROPERTY~~
 18 ~~CLASSIFIED AS CLASS TWENTY MUST REMAIN AT THE PRECEDING~~
 19 ~~YEAR'S VALUATION FOR THE SUCCEEDING 12 MONTHS. FOLLOWING THE~~
 20 ~~END OF THE 12-MONTH PERIOD, THE PROPERTY MAY BE CONSIDERED~~
 21 ~~NEW OR EXPANDING INDUSTRY AS PROVIDED IN TITLE 15, CHAPTER~~
 22 ~~24, PART 14.~~

23 ~~(6)(4) Property in class twenty is taxable at 3.86% of~~
 24 ~~its market value.~~

25 Section 2. Section 15-8-111, MCA, is amended to read:

1 "15-8-111. Assessment -- market value standard --
 2 exceptions. (1) All taxable property must be assessed at
 3 100% of its market value except as otherwise provided in
 4 ~~subsection (5) of this section and in 15-7-111 through~~
 5 ~~15-7-114.~~

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

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

19 (3) The department of revenue or its agents may not
 20 adopt a lower or different standard of value from market
 21 value in making the official assessment and appraisal of the
 22 value of property ~~in 15-6-134 through 15-6-140 and 15-6-145~~
 23 ~~through 15-6-149, except:~~

24 (a) the wholesale value for agricultural implements
 25 and machinery is the loan value as shown in the Official

1 Guide, Tractor and Farm Equipment, published by the national
2 farm and power equipment dealers association, St. Louis,
3 Missouri; and

4 (b) for agricultural implements and machinery not
5 listed in the official guide, the department shall prepare a
6 supplemental manual where the values reflect the same
7 depreciation as those found in the official guide; and

8 (c) as otherwise authorized in Title 15 and Title 61.

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

11 (5) The taxable value for all property in-classes-four
12 through-eleven--and--fifteen--through---nineteen is the
13 percentage of market or assessed value established for each
14 class of property in-15-6-134-through-15-6-141-and--15-6-145
15 through-15-6-149.

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

18 (a) Properties in 15-6-131, under class one, are
19 assessed at 100% of the annual net proceeds after deducting
20 the expenses specified and allowed by 15-23-503.

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

23 (c) Properties in 15-6-133, under class three, are
24 assessed at 100% of the productive capacity of the lands
25 when valued for agricultural purposes. All lands that meet

1 the qualifications of 15-7-202 are valued as agricultural
2 lands for tax purposes.

3 (d) Properties in 15-6-143, under class thirteen, are
4 assessed at 100% of the combined appraised value of the
5 standing timber and grazing productivity of the land when
6 valued as timberland.

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

9 (a) ownership of the improvements is different from
10 ownership of the land;

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

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

13 ~~(8) The taxable value of all property in 15-6-131 and~~
14 ~~classes two, three, and thirteen is the percentage of~~
15 ~~assessed value established in 15-6-131(2), 15-6-132,~~
16 ~~15-6-133, and 15-6-143 for each class of property.~~
17 (Subsections (3)(a) and (3)(b) applicable to tax years
18 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
19 Subsection (6)(d) and references in (8) [now deleted] to
20 class thirteen and 15-6-143 terminate January 1, 1991--sec.
21 10, Ch. 681, L. 1985.)"

22 NEW SECTION. Section 3. Extension of authority. Any
23 existing authority of the department of revenue to make
24 rules on the subject of the provisions of this act is
25 extended to the provisions of this act.

1 NEW SECTION. Section 4. Codification instruction.
2 Section 1 is intended to be codified as an integral part of
3 Title 15, chapter 6, part 1, and the provisions of Title 15,
4 chapter 6, apply to section 1.
5 NEW SECTION. Section 5. Effective date --
6 applicability. This act is effective on passage and approval
7 and applies to taxable years beginning after December 31,
8 ~~1986~~ ~~1987~~ 1986.

-End-

1 HOUSE BILL NO. 816

2 INTRODUCED BY ASAY, RAMIREZ, KELLER, SANDS

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A NEW CLASS
5 TWENTY CLASSIFICATION FOR PROPERTY TAX PURPOSES;
6 ESTABLISHING REQUIREMENTS FOR DETERMINING THE MARKET VALUE
7 OF CLASS TWENTY PROPERTY; ESTABLISHING LOCAL GOVERNMENT
8 APPROVAL AS A PREREQUISITE FOR CLASSIFICATION AS CLASS
9 TWENTY PROPERTY; CLARIFYING TERMINOLOGY RELATING TO TAXABLE
10 VALUE, MARKET VALUE, AND ASSESSED VALUE; AMENDING SECTION
11 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
12 A-RETROACTIVE AN A RETROACTIVE APPLICABILITY DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:15 NEW SECTION. Section 1. Class twenty property --
16 description -- method of valuation -- taxable percentage.17 (1) Class twenty property includes all real and personal
18 property that:19 (A) is integrally related in a single working unit
20 and;21 (B) IS devoted exclusively to the processing of
22 agricultural or timber products; AND23 (C) (I) HAS NOT BEEN IN PRODUCTION FOR 12 CONSECUTIVE
24 MONTHS OR HAS BEEN ACQUIRED IN AN ARM'S-LENGTH TRANSACTION
25 BY AN UNRELATED PERSON, INCLUDING AN ACQUISITION IN A1 FORECLOSURE SALE OR BANKRUPTCY PROCEEDING; OR2 (II) HAS BEEN ACQUIRED IN A FORECLOSURE OR BANKRUPTCY
3 PROCEEDING BY A PERSON, AS DEFINED IN 15-1-102, HAVING NO
4 RELATIONSHIP TO OR INTEREST IN THE PROPERTY PRIOR TO THE
5 TRANSACTION.6 (2) In determining the market value of class twenty
7 property, the department shall use the formula $V=I/R$ where:
8 (a) ~~V is the market value of the property for the~~
9 ~~current taxable year;~~10 (b) ~~I is the net income produced by the property~~
11 ~~during the immediately preceding taxable year and must be~~
12 ~~the same amount as the net income reported to the department~~
13 ~~as provided in Title 15, chapter 31, for the immediately~~
14 ~~preceding taxable year; and~~15 (c) ~~R is the capitalization rate to be determined by~~
16 ~~the department as provided in subsection (3);~~17 (3) ~~The capitalization rate is the average annual~~
18 ~~interest rate on agricultural loans, as reported by the~~
19 ~~federal land bank association of Spokane, Washington, for~~
20 ~~the calendar year immediately preceding the current taxable~~
21 ~~year, plus the effective tax rate in Montana for class~~
22 ~~twenty property determined as provided in subsection (4);~~23 (4) ~~The effective tax rate is calculated by the~~
24 ~~department for the current taxable year by dividing the~~
25 ~~statewide total estimated tax due on class twenty property~~

1 for--the--immediately--preceding--year--by--the--statewide--total
 2 market--value--of--class--twenty--property--for--the--immediately
 3 preceding--year;

4 {5}--Property--that--meets--the--description--of--class
 5 twenty--property--in--subsection--(1)--that--does--not--have--a--net
 6 income--stream--from--which--to--calculate--its--market--value--must
 7 be--valued:

8 (a)--on--the--basis--of--its--construction--cost--if--it--is
 9 newly--constructed;--or

10 (b)--if--not--newly--constructed,--at--the--cost--at--which--it
 11 was--acquired,--whether--the--method--of--acquisition--was--a
 12 contract--for--deed,--mortgage,--fee--simple--purchase,--purchase
 13 at--bankruptcy,--or--any--other--transaction--considered--to--be--an
 14 arm's--length--transaction; REDUCE THE ASSESSED VALUE BY 25% A
 15 YEAR FOR EACH YEAR THE PLANT CONTINUES TO BE OUT OF
 16 PRODUCTION UNTIL THE MARKET VALUE IS REDUCED TO SALVAGE
 17 VALUE.

18 (3) FOLLOWING--THE UPON COMMENCEMENT OF PRODUCTION OR
 19 AN ACQUISITION DESCRIBED IN SUBSECTION (1)(C)(II), PROPERTY
 20 CLASSIFIED AS CLASS TWENTY MUST REMAIN AT THE PRECEDING
 21 YEAR'S VALUATION FOR THE SUCCEEDING 12 MONTHS. FOLLOWING THE
 22 END OF THE 12-MONTH PERIOD, THE PROPERTY MAY BE CONSIDERED
 23 NEW OR EXPANDING INDUSTRY AS PROVIDED IN TITLE 15, CHAPTER
 24 24, PART 14.

25 {6}{4} Property in class twenty is taxable at 3.86% of

1 its market value.

2 NEW SECTION. SECTION 2. APPLICATION FOR
 3 CLASSIFICATION AS CLASS TWENTY PROPERTY -- LOCAL GOVERNMENT
 4 APPROVAL REQUIRED. (1) A PERSON APPLYING FOR CLASSIFICATION
 5 OF PROPERTY AS CLASS TWENTY PROPERTY SHALL MAKE AN
 6 APPLICATION TO THE DEPARTMENT OF REVENUE ON A FORM PROVIDED
 7 BY THE DEPARTMENT WITHOUT COST.

8 (2) THE DEPARTMENT MAY NOT GRANT AN APPLICATION FOR
 9 CLASSIFICATION OF PROPERTY AS CLASS TWENTY PROPERTY UNLESS
 10 THE GOVERNING BODY OF THE AFFECTED COUNTY OR INCORPORATED
 11 CITY OR TOWN APPROVES THE APPLICATION BY RESOLUTION,
 12 FOLLOWING DUE NOTICE AS DEFINED IN 76-15-103 AND A PUBLIC
 13 HEARING, FOR ITS RESPECTIVE JURISDICTION.

14 (3) THE RESOLUTION PROVIDED FOR IN SUBSECTION (2) MUST
 15 SPECIFY THE PROPERTY THAT THE TAXING JURISDICTION APPROVES
 16 FOR CLASSIFICATION AS CLASS TWENTY PROPERTY.

17 (4) THE PROPERTY VALUATION REDUCTION GRANTED TO CLASS
 18 TWENTY PROPERTY UNDER [SECTION 1] APPLIES ONLY TO THE NUMBER
 19 OF MILLS LEVIED AND ASSESSED FOR LOCAL HIGH SCHOOL DISTRICT
 20 AND ELEMENTARY SCHOOL DISTRICT PURPOSES AND TO THE NUMBER OF
 21 MILLS LEVIED AND ASSESSED BY AN APPROVING GOVERNING BODY
 22 OVER WHICH IT HAS SOLE DISCRETION. IN NO CASE MAY THE
 23 PROPERTY VALUATION REDUCTION FOR CLASS TWENTY PROPERTY APPLY
 24 TO LEVIES OR ASSESSMENTS REQUIRED UNDER TITLE 15, CHAPTER
 25 10; 20-9-331; 20-9-333; OR OTHERWISE REQUIRED UNDER STATE

1 LAW.

2 Section 3. Section 15-8-111, MCA, is amended to read:

3 "15-8-111. Assessment -- market value standard --
4 exceptions. (1) All taxable property must be assessed at
5 100% of its market value except as otherwise provided in
6 ~~subsection--(5)--of--this--section--and--in--15-7-111--through~~
7 ~~15-7-114.~~

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

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

21 (3) The department of revenue or its agents may not
22 adopt a lower or different standard of value from market
23 value in making the official assessment and appraisal of the
24 value of property ~~in--15-6-134--through--15-6-140--and--15-6-145~~
25 ~~through--15-6-149, except:~~

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

6 (b) for agricultural implements and machinery not
7 listed in the official guide, the department shall prepare a
8 supplemental manual where the values reflect the same
9 depreciation as those found in the official guide; and

10 (c) as otherwise authorized in Title 15 and Title 61.

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

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

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

20 (a) Properties in 15-6-131, under class one, are
21 assessed at 100% of the annual net proceeds after deducting
22 the expenses specified and allowed by 15-23-503.

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

25 (c) Properties in 15-6-133, under class three, are

1 assessed at 100% of the productive capacity of the lands
 2 when valued for agricultural purposes. All lands that meet
 3 the qualifications of 15-7-202 are valued as agricultural
 4 lands for tax purposes.

5 (d) Properties in 15-6-143, under class thirteen, are
 6 assessed at 100% of the combined appraised value of the
 7 standing timber and grazing productivity of the land when
 8 valued as timberland.

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

11 (a) ownership of the improvements is different from
 12 ownership of the land;

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

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

15 ~~{8}--The--taxable--value--of--all--property--in--15-6-131--and~~
 16 ~~classes--two,--three,--and--thirteen--is--the--percentage--of~~
 17 ~~assessed--value--established--in--15-6-131(2),--15-6-132,~~
 18 ~~15-6-133,--and--15-6-143--for--each--class--of--property.~~
 19 (Subsections (3)(a) and (3)(b) applicable to tax years
 20 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
 21 Subsection (6)(d) and references in (8) [now deleted] to
 22 class thirteen and 15-6-143 terminate January 1, 1991--sec.
 23 10, Ch. 681, L. 1985.)"

24 NEW SECTION. Section 4. Extension of authority. Any
 25 existing authority of the department of revenue to make

1 rules on the subject of the provisions of this act is
 2 extended to the provisions of this act.

3 NEW SECTION. Section 5. Codification instruction.
 4 ~~Section-1-is~~ SECTIONS 1 AND 2 ARE intended to be codified as
 5 an integral part of Title 15, chapter 6, part 1, and the
 6 provisions of Title 15, chapter 6, apply to ~~section-1~~
 7 SECTIONS 1 AND 2.

8 NEW SECTION. Section 6. Effective date --
 9 applicability. This act is effective on passage and approval
 10 and applies to taxable years beginning after December 31,
 11 ~~1986~~ 1987 1986.

-End-

STANDING COMMITTEE REPORT

Senate Taxation Committee

Page 2 of 2
HB 816
April 11, 19 87

SENATE

April 11, 19 87

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE BILL No. 816

3rd reading copy (blue color)

ASAY (MAZUREK)

NEW CLASS 20 PROPERTY FOR AGRICULTURAL PROCESSING AND TIMBER PLANTS

Respectfully report as follows. That HOUSE BILL No. 816 be amended as follows:

1. Title, line 7.
Following: "PROPERTY;"
Insert: "ESTABLISHING LOCAL GOVERNMENT APPROVAL AS A PREREQUISITE FOR CLASSIFICATION AS CLASS TWENTY PROPERTY;"

2. Page 3.
Following: line 24
Insert: "NEW SECTION. Section 2. Application for classification as class twenty property--local government approval required. (1) A person applying for classification of property as class twenty property shall make an application to the department of revenue, on a form provided by the department without cost.
(2) The department may not grant an application for classification of property as class twenty property unless the governing body of the affected county or incorporated city or town approves the application by resolution, following due notice as defined in 76-15-103 and a public hearing, for its respective jurisdiction.
(3) The resolution provided for in subsection (2) must specify the property that the taxing jurisdiction approves for classification as class twenty property.
(4) The property valuation reduction granted to class twenty property under [section 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 an approving governing body over which it has sole discretion. In no case may the property valuation reduction for the class twenty property apply to levies or assessments required under Title 15, chapter 10, 20-9-331, 20-9-333, or otherwise required under state law

XXXXXX
Renumber: subsequent sections
XXXXXX

(CONTINUED)

G. M.

Chairman

3. Page 7, line 2.
Strike: "Section 1 is"
Insert: "Sections 1 and 2 are"

4. Page 7, line 4.
Strike: "section 1"
Insert: "sections 1 and 2"

AND AS AMENDED

BE CONCURRED IN

George McCallum
SENATOR GEORGE MC CALLUM, Chairman