

HB 843 INTRODUCED BY HANNAH
ELIMINATE MINES' NET AND GROSS PROCEEDS FROM FEDERAL
4-R'S ACT FORMULA

2/20 INTRODUCED
2/20 REFERRED TO TAXATION
2/20 FISCAL NOTE REQUESTED
3/02 FISCAL NOTE RECEIVED
3/11 HEARING
3/16 TABLED IN COMMITTEE

1 House BILL NO. 843
2 INTRODUCED BY Harold

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REMOVE THE USE OF
5 NET AND GROSS PROCEEDS OF MINES FROM THE FORMULA FOR
6 DETERMINING PROPERTY TAXES ON CERTAIN TRANSPORTATION
7 PROPERTY; AMENDING SECTIONS 15-1-101 AND 15-6-145, MCA; AND
8 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
9 APPLICABILITY DATE."

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

12 Section 1. Section 15-1-101, MCA, is amended to read:
13 "15-1-101. Definitions. (1) Except as otherwise
14 specifically provided, when terms mentioned in this section
15 are used in connection with taxation, they are defined in
16 the following manner:

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

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

24 (c) The term "average wholesale value" means the value
25 to a dealer prior to reconditioning and profit margin shown

1 in national appraisal guides and manuals or the valuation
2 schedules of the department of revenue.

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

8 (ii) The following types of property are not
9 commercial:

10 (A) agricultural lands;

11 (B) timberlands;

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

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

18 (E) all property described in 15-6-131;

19 (F) all property described in 15-6-132;

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

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

22 ~~(G)~~(I) 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,



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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", "housetrailer", 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.

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 15-6-145, MCA, is amended to read:

16 "15-6-145. Class fifteen property -- description --
17 taxable percentage. (1) Class fifteen property includes all
18 railroad transportation property as described in the
19 Railroad Revitalization and Regulatory Reform Act of 1976 as
20 it read on January 1, 1986.

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

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

2 (a) A is the total statewide taxable value of all
3 commercial property, except class fifteen property, as
4 commercial property is described in 15-1-101(1)(d)₇
5 ~~including class-1 and class-2 property~~; and

6 (b) B is the total statewide market value of all
7 commercial property, except class fifteen property, as
8 commercial property is described in 15-1-101(1)(d)₇
9 ~~including class-1 and class-2 property~~.

10 (4) (a) For the taxable year beginning January 1,
11 1986, and for every taxable year thereafter, the department
12 shall conduct a sales assessment ratio study of all
13 commercial and industrial real property and improvements.
14 The study must be based on:

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

17 (ii) a statistically valid sample of sales using data
18 from realty transfer certificates filed during the same
19 taxable year or from the immediately preceding taxable year,
20 but only if a sufficient number of certificates is
21 unavailable from the current taxable year to provide a
22 statistically valid sample.

23 (b) The department shall determine the value-weighted
24 mean sales assessment ratio "M" for all such property and
25 reduce the taxable value of property described in subsection

1 (4) only, by multiplying the total statewide taxable value
2 of property described in subsection (4) by "M" prior to
3 calculating "A" in subsection (3).

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

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

14 NEW SECTION. Section 3. Effective date --
15 applicability. This act is effective on passage and approval
16 and applies retroactively, within the meaning of 1-2-109, to
17 tax years beginning after December 31, 1986.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB843, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to remove the use of net and gross proceeds of mines from the formula for determining property taxes on certain transportation property; and 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. The Revenue Estimating Advisory Council's estimates of the value of net and gross proceeds are included in the rate formula for current law.
3. Sales ratios for commercial real property are assumed to decline by 5 percent per year.
4. Data used to set the 1986 tax rate, as adjusted under the assumptions above, are assumed to apply to future tax years.
5. Under these assumptions, the tax rate for class 15 property will be 10.58 percent in FY88 and 10.42 percent in FY89 under current law. The rate falls to 7.45 percent in FY88 and 7.37 percent in FY89 under the proposal.
6. The market value of railroad property is assumed constant at the 1986 level. (Includes protested Burlington-Northern value.)
7. Mill levies are assumed constant at 6 mills for the university levy, 45 mills for the foundation program levy and 198 for local governments (weighted 1986 levy for railroads).
8. The proposal will have no effect on other property protected under the 4 R's Act.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Revenue Impact:</u>						
University Levy	\$ 11,983,158	\$ 11,851,944	(\$ 131,214)	\$ 12,147,966	\$ 12,020,106	(\$ 127,860)
School Equalization	89,873,685	88,889,580	(984,105)	91,109,745	90,150,793	(958,952)
TOTAL	\$101,856,843	\$100,741,524	(\$1,115,319)	\$103,257,711	\$102,170,899	(\$1,086,812)

EFFECT ON LOCAL GOVERNMENT REVENUES:

Property tax revenues of local governments will decline by \$4.33 million in FY 88 and \$4.22 million in FY 89 under the proposal.

David L. Hunter DATE 2/26/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE _____
 TOM HANNAH, PRIMARY SPONSOR

Fiscal Note for HB843, as introduced.

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