

HB 850 INTRODUCED BY ROTH
REDUCING PROPERTY TAX VALUATIONS BY 30 PERCENT

2/24 INTRODUCED
2/24 REFERRED TO TAXATION
2/24 FISCAL NOTE REQUESTED
3/04 FISCAL NOTE RECEIVED
3/12 HEARING
3/16 TABLED IN COMMITTEE

1 *House* BILL NO. 850
 2 INTRODUCED BY *[Signature]*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING TAXABLE VALUE
 5 BY 30 PERCENT FOR EACH CLASS OF PROPERTY; AMENDING SECTIONS
 6 15-6-131 THROUGH 15-6-149, MCA; AND PROVIDING AN IMMEDIATE
 7 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."
 8

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

10 Section 1. Section 15-6-131, MCA, is amended to read:

11 "15-6-131. Class one property -- description --
 12 taxable percentage. (1) Class one property includes the
 13 annual net proceeds of all mines and mining claims except
 14 coal and metal mines.

15 (2) Class one property is taxed at 100% of its annual
 16 net proceeds after deducting the expenses specified and
 17 allowed by 15-23-503, less a 30% reduction in taxable
 18 value."

19 Section 2. Section 15-6-132, MCA, is amended to read:

20 "15-6-132. Class two property -- description --
 21 taxable percentage. (1) Class two property includes:

- 22 (a) the annual gross proceeds of metal mines;
- 23 (b) the annual gross proceeds of underground coal
- 24 mines; and
- 25 (c) the annual gross proceeds of coal mines using the

1 strip-mining method.

2 (2) Class two property is taxed as follows:

3 (a) Property described in subsection (1)(a) is taxed
 4 at 3% of its annual gross proceeds, as defined in 15-23-801,
 5 less a 30% reduction in taxable value.

6 (b) Property described in subsection (1)(b) is taxed
 7 at 33 1/3% of its annual gross proceeds, less a 30%
 8 reduction in taxable value.

9 (c) Property described in subsection (1)(c) is taxed
 10 at 45% of its annual gross proceeds, less a 30% reduction in
 11 taxable value."

12 Section 3. Section 15-6-133, MCA, is amended to read:

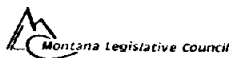
13 "15-6-133. Class three property -- description --
 14 taxable percentage. (1) Class three property includes
 15 agricultural land as defined in 15-7-202.

16 (2) Class three property is taxed at the taxable
 17 percentage rate "P" of its productive capacity, less a 30%
 18 reduction in taxable value.

19 (3) Until July 1, 1986, the taxable percentage rate
 20 "P" for class three property is 30%.

21 (4) Prior to July 1, 1986, the department of revenue
 22 shall determine the taxable percentage rate "P" applicable
 23 to class three property for the revaluation cycle beginning
 24 January 1, 1986, as follows:

25 (a) The director of the department of revenue shall



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INTRODUCED BILL
HB 850

1 certify to the governor before July 1, 1986, the percentage
 2 by which the appraised value of all property in the state
 3 classified under class three as of January 1, 1986, has
 4 increased due to the revaluation conducted under 15-7-111.
 5 This figure is the "certified statewide percentage
 6 increase".

7 (b) The taxable value of property in class three is
 8 determined as a function of the certified statewide
 9 percentage increase in accordance with the table shown
 10 below.

11 (c) This table limits the statewide increase in
 12 taxable valuation resulting from reappraisal to 0%. In
 13 calculating the percentage increase, the department may not
 14 consider agricultural use changes during calendar year 1985.

15 (d) The taxable percentage must be calculated by
 16 interpolation to coincide with the nearest whole number
 17 certified statewide percentage increase from the following
 18 table:

19 Certified Statewide	Class Three Taxable
20 Percentage Increase	Percentage "P"
21 0	30.00
22 10	27.27
23 20	25.00
24 30	23.08
25 40	21.43

1 50 20.00
 2 (5) After July 1, 1986, no adjustment may be made by
 3 the department to the taxable percentage rate "P" until a
 4 revaluation has been made as provided in 15-7-111."

5 Section 4. Section 15-6-134, MCA, is amended to read:
 6 "15-6-134. Class four property -- description --
 7 taxable percentage. (1) Class four property includes:

8 (a) all land except that specifically included in
 9 another class;

10 (b) all improvements except those specifically
 11 included in another class;

12 (c) the first \$35,000 or less of the market value of
 13 any improvement on real property and appurtenant land not
 14 exceeding 5 acres owned or under contract for deed and
 15 actually occupied for at least 10 months a year as the
 16 primary residential dwelling of any person whose total
 17 income from all sources including otherwise tax-exempt
 18 income of all types is not more than \$10,000 for a single
 19 person or \$12,000 for a married couple;

20 (d) all golf courses, including land and improvements
 21 actually and necessarily used for that purpose, that consist
 22 of at least 9 holes and not less than 3,000 lineal yards.

23 (2) Class four property is taxed as follows:

24 (a) Except as provided in 15-24-1402 or 15-24-1501,
 25 property described in subsections (1)(a) and (1)(b) is taxed

1 at the taxable percentage rate "P" 3.86% of its market
2 value, less a 30% reduction in taxable value.

3 (b) Property described in subsection (1)(c) is taxed
4 at the taxable percentage rate "P" 3.86% of its market value
5 multiplied by a percentage figure based on income and
6 determined from the following table, less a 30% reduction in
7 taxable value:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
\$0 - \$1,000	\$0 - \$1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

20 (c) Property described in subsection (1)(d) is taxed
21 at one-half the taxable percentage rate "P" established in
22 subsection (2)(a), less a 30% reduction in taxable value.

23 (3) -- Until January 1, 1986, the taxable percentage rate
24 "P" for class four property is 8.55%.

25 (4) -- Prior to July 1, 1986, the department of revenue

1 shall determine the taxable percentage rate "P" applicable
2 to class four property for the revaluation cycle beginning
3 January 1, 1986, as follows:

4 (a) -- The director of the department of revenue shall
5 certify to the governor before July 1, 1986, the percentage
6 by which the appraised value of all property in the state
7 classified under class four as of January 1, 1986, has
8 increased due to the revaluation conducted under 15-7-111.
9 This figure is the certified statewide percentage increase.

10 (b) -- The taxable value of property in class four is
11 determined as a function of the certified statewide
12 percentage increase in accordance with the table shown
13 below:

14 (c) -- This table limits the statewide increase in
15 taxable valuation resulting from reappraisal to 0% in
16 calculating the percentage increase; the department may not
17 consider changes resulting from new construction, additions,
18 or deletions during calendar year 1985.

19 (d) -- The taxable percentage must be calculated by
20 interpolation to coincide with the nearest whole number
21 certified statewide percentage increase from the following
22 table:

Certified Statewide Percentage Increase	Class Four Taxable Percentage "P"
0	8.55

1	10	7-77
2	20	7-12
3	30	6-57
4	40	6-10
5	50	5-70
6	60	5-34
7	70	5-02
8	80	4-75
9	90	4-50
10	100	4-27
11	110	4-07
12	120	3-88
13	130	3-71
14	140	3-56
15	150	3-42
16	160	3-28
17	170	3-16
18	180	3-05
19	190	2-94
20	200	2-85
21	210	2-75
22	220	2-67
23	230	2-59
24	240	2-51
25	250	2-44

1	260	2-37
2	270	2-31
3	280	2-25
4	290	2-19
5	300	2-13
6	(5) -- After -- July -- 1, -- 1986, -- no -- adjustment -- may -- be -- made -- by	
7	the -- department -- to -- the -- taxable -- percentage -- rate -- "P" -- until -- a	
8	revaluation -- has -- been -- made -- as -- provided -- in -- 15 -- 7 -- 111.	
9	(6)(3) Within the meaning of comparable property as	
10	defined in 15-1-101, property assessed as commercial	
11	property is comparable only to other property assessed as	
12	commercial property, and property assessed as other than	
13	commercial property is comparable only to other property	
14	assessed as other than commercial property."	
15	Section 5. Section 15-6-135, MCA, is amended to read:	
16	"15-6-135. Class five property -- description --	
17	taxable percentage. (1) Class five property includes:	
18	(a) all property used and owned by cooperative rural	
19	electrical and cooperative rural telephone associations	
20	organized under the laws of Montana, except property owned	
21	by cooperative organizations described in subsection (1)(c)	
22	of 15-6-137;	
23	(b) air and water pollution control equipment as	
24	defined in this section;	
25	(c) new industrial property as defined in this	

1 section;

2 (d) any personal or real property used primarily in
3 the production of gasohol during construction and for the
4 first 3 years of its operation.

5 (2) (a) "Air and water pollution equipment" means
6 facilities, machinery, or equipment used to reduce or
7 control water or atmospheric pollution or contamination by
8 removing, reducing, altering, disposing, or storing
9 pollutants, contaminants, wastes, or heat. The department of
10 health and environmental sciences shall determine if such
11 utilization is being made.

12 (b) The department of health and environmental
13 sciences' determination as to air and water pollution
14 equipment may be appealed to the board of health and
15 environmental sciences and may not be appealed to either a
16 county tax appeal board or the state tax appeal board.
17 However, the appraised value of the equipment as determined
18 by the department of revenue may be appealed to the county
19 tax appeal board and the state tax appeal board.

20 (3) "New industrial property" means any new industrial
21 plant, including land, buildings, machinery, and fixtures,
22 used by new industries during the first 3 years of their
23 operation. The property may not have been assessed within
24 the state of Montana prior to July 1, 1961.

25 (4) (a) "New industry" means any person, corporation,

1 firm, partnership, association, or other group that
2 establishes a new plant in Montana for the operation of a
3 new industrial endeavor, as distinguished from a mere
4 expansion, reorganization, or merger of an existing
5 industry.

6 (b) New industry includes only those industries that:
7 (i) manufacture, mill, mine, produce, process, or
8 fabricate materials;

9 (ii) do similar work, employing capital and labor, in
10 which materials unserviceable in their natural state are
11 extracted, processed, or made fit for use or are
12 substantially altered or treated so as to create commercial
13 products or materials; or

14 (iii) engage in the mechanical or chemical
15 transformation of materials or substances into new products
16 in the manner defined as manufacturing in the 1972 Standard
17 Industrial Classification Manual prepared by the United
18 States office of management and budget.

19 (5) New industrial property does not include:

20 (a) property used by retail or wholesale merchants,
21 commercial services of any type, agriculture, trades, or
22 professions;

23 (b) a plant that will create adverse impact on
24 existing state, county, or municipal services; or

25 (c) property used or employed in any industrial plant

1 that has been in operation in this state for 3 years or
2 longer.

3 (6) Class five property is taxed at 3% of its market
4 value, less a 30% reduction in taxable value."

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

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

8 (a) livestock, poultry, bees, and other species of
9 domestic animals and wildlife raised in domestication or a
10 captive environment, except for cats, dogs, and other
11 household pets not raised for profit, and the unprocessed
12 products of such animals and wildlife;

13 (b) all unprocessed agricultural products on the farm
14 or in storage except all perishable fruits and vegetables in
15 farm storage and owned by the producer;

16 (c) items of personal property intended for lease in
17 the ordinary course of business provided each item of
18 personal property satisfies all of the following:

19 (i) the full and true value of the personal property
20 is less than \$5,000;

21 (ii) the personal property is owned by a business whose
22 primary business income is from rental or lease of personal
23 property to individuals wherein no one customer of the
24 business accounts for more than 10% of the total rentals or
25 leases during a calendar year; and

1 (iii) the lease of the personal property is generally
2 on an hourly, daily, or weekly basis.

3 (2) Class six property is taxed at 4% of its market
4 value, less a 30% reduction in taxable value."

5 Section 7. Section 15-6-137, MCA, is amended to read:

6 "15-6-137. Class seven property -- description --
7 taxable percentage. (1) Class seven property includes:

8 (a) all property used and owned by persons, firms,
9 corporations, or other organizations that are engaged in the
10 business of furnishing telephone communications exclusively
11 to rural areas or to rural areas and cities and towns of 800
12 persons or less;

13 (b) all property owned by cooperative rural electrical
14 and cooperative rural telephone associations that serve less
15 than 95% of the electricity consumers or telephone users
16 within the incorporated limits of a city or town;

17 (c) electric transformers and meters; electric light
18 and power substation machinery; natural gas measuring and
19 regulating station equipment, meters, and compressor station
20 machinery owned by noncentrally assessed public utilities;
21 and tools used in the repair and maintenance of this
22 property; and

23 (d) tools, implements, and machinery used to repair
24 and maintain machinery not used for manufacturing and mining
25 purposes.

1 (2) To qualify for this classification, the average
2 circuit miles for each station on the telephone
3 communication system described in subsection (1)(b) must be
4 more than 1 mile.

5 (3) Class seven property is taxed at 8% of its market
6 value, less a 30% reduction in taxable value."

7 Section 8. Section 15-6-138, MCA, is amended to read:

8 "15-6-138. Class eight property -- description --
9 taxable percentage. (1) Class eight property includes:

- 10 (a) all agricultural implements and equipment;
11 (b) all mining machinery, fixtures, equipment, tools,
12 and supplies except:
13 (i) those included in class five; and
14 (ii) coal and ore haulers;
15 (c) all manufacturing machinery, fixtures, equipment,
16 tools, and supplies except those included in class five;
17 (d) all trailers up to and including 18,000 pounds
18 maximum gross loaded weight, except those subject to a fee
19 in lieu of property tax;
20 (e) aircraft;
21 (f) all goods and equipment intended for rent or
22 lease, except goods and equipment specifically included and
23 taxed in another class; and
24 (g) all other machinery except that specifically
25 included in another class.

1 (2) Class eight property is taxed at 11% of its market
2 value, less a 30% reduction in taxable value."

3 Section 9. Section 15-6-139, MCA, is amended to read:

4 "15-6-139. Class nine property -- description --
5 taxable percentage. (1) Class nine property includes:

- 6 (a) buses and trucks having a rated capacity of more
7 than three-quarters of a ton but less than or equal to 1 1/2
8 tons;
9 (b) truck toppers weighing more than 300 pounds;
10 (c) furniture, fixtures, and equipment, except that
11 specifically included in another class, used in commercial
12 establishments as defined in this section;
13 (d) x-ray and medical and dental equipment; and
14 (e) citizens' band radios and mobile telephones.

15 (2) "Commercial establishment" includes any hotel;
16 motel; office; petroleum marketing station; or service,
17 wholesale, retail, or food-handling business.

18 (3) Class nine property is taxed at 13% of its market
19 value, less a 30% reduction in taxable value."

20 Section 10. Section 15-6-140, MCA, is amended to read:

21 "15-6-140. Class ten property -- description --
22 taxable percentage. (1) Class ten property includes:

- 23 (a) radio and television broadcasting and transmitting
24 equipment;
25 (b) cable television systems;

1 (c) coal and ore haulers;
 2 (d) trucks having a rated capacity of more than 1 1/2
 3 tons, including those prorated under 15-24-102;
 4 (e) all trailers exceeding 18,000 pounds maximum gross
 5 loaded weight, including those prorated under 15-24-102 and
 6 except those subject to a fee in lieu of property tax;
 7 (f) theater projectors and sound equipment; and
 8 (g) all other property not included in any other class
 9 in this part except that property subject to a fee in lieu
 10 of a property tax.

11 (2) Class ten property is taxed at 16% of its market
 12 value, less a 30% reduction in taxable value."

13 Section 11. Section 15-6-141, MCA, is amended to read:
 14 "15-6-141. Class eleven property -- description --
 15 taxable percentage. (1) Class eleven property includes:
 16 (a) centrally assessed electric power companies'
 17 allocations, including, if congress passes legislation that
 18 allows the state to tax property owned by an agency created
 19 by congress to transmit or distribute electrical energy,
 20 allocations of properties constructed, owned, or operated by
 21 a public agency created by the congress to transmit or
 22 distribute electric energy produced at privately owned
 23 generating facilities (not including rural electric
 24 cooperatives);
 25 (b) allocations for centrally assessed natural gas

1 companies having a major distribution system in this state;
 2 and
 3 (c) centrally assessed companies' allocations except:
 4 (i) electric power and natural gas companies'
 5 property;
 6 (ii) property owned by cooperative rural electric and
 7 cooperative rural telephone associations and classified in
 8 class five;
 9 (iii) property owned by organizations providing
 10 telephone communications to rural areas and classified in
 11 class seven;
 12 (iv) railroad transportation property included in class
 13 fifteen; and
 14 (v) airline transportation property included in class
 15 seventeen.

16 (2) Class eleven property is taxed at 12% of market
 17 value, less a 30% reduction in taxable value."

18 Section 12. Section 15-6-142, MCA, is amended to read:
 19 "15-6-142. Class twelve property -- description --
 20 taxable percentage. (1) Class twelve property includes:
 21 (a) a trailer or mobile home used as a residence
 22 except when:
 23 (i) held by a distributor or dealer of trailers or
 24 mobile homes as his stock in trade; or
 25 (ii) specifically included in another class;

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

(2) Class twelve property is taxed as follows:

(a) Property described in subsection (1)(a) that is not of the type described in subsection (1)(b) is taxed at the taxable percentage rate "P", described in 15-6-134, 3.86% of its market value, less a 30% reduction in taxable value.

(b) Property described in subsection (1)(b) is taxed at the taxable percentage rate "P", described in 15-6-134, 3.86% of its market value multiplied by a percentage figure based on income and determined from the table established in subsection (2)(b) of 15-6-134, less a 30% reduction in taxable value."

Section 13. Section 15-6-143, MCA, is amended to read:

"15-6-143. Class thirteen property -- description -- taxable percentage. (1) Class thirteen property includes all timberland.

(2) Timberland is contiguous land exceeding 15 acres in one ownership that is capable of producing timber that

can be harvested in commercial quantity.

(3) Class thirteen property is taxed at the percentage rate "P" 3.84% of the combined appraised value of the standing timber and grazing productivity of the property, less a 30% reduction in taxable value.

(4) For taxable years beginning January 1, 1986, and thereafter, the taxable percentage rate "P" applicable to class thirteen property is $30\%/B$, where B is the certified statewide percentage increase to be determined by the department of revenue as provided in subsection (5). The taxable percentage rate "P" shall be rounded downward to the nearest 0.01% and shall be calculated by the department before July 1, 1986.

(5) (a) Prior to July 1, 1986, the department shall determine the certified statewide percentage increase for class thirteen property using the formula $B = X/Y$, where:

(i) X is the appraised value, as of January 1, 1986, of all property in the state, excluding use changes occurring during the preceding year, classified under class thirteen as class thirteen is described in this section, and

(ii) Y is the appraised value, as of January 1, 1985, of all property in the state that, as of January 1, 1986, would be classified under class thirteen as class thirteen is described in this section.

(b) B shall be rounded downward to the nearest

1 0.0001%.

2 ~~{6)--After--July--17--1986,--no--adjustment--may--be--made--by~~
 3 ~~the--department--to--the--taxable--percentage--rate--"P"--until--a~~
 4 ~~valuation--has--been--made--as--provided--in--15-7-111. (Terminates~~
 5 January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

6 Section 14. Section 15-6-144, MCA, is amended to read:

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

14 (2) Class fourteen property is taxed at 80% of the
 15 taxable percentage applicable to class four property, less a
 16 30% reduction in taxable value."

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

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

23 (2) For the taxable year beginning January 1, 1986,
 24 and for each taxable year thereafter, class fifteen property
 25 is taxed at the percentage rate "R", to be determined by the

1 department as provided in subsection (3), or 12%, whichever
 2 is less, minus a 30% reduction in taxable value.

3 (3) R = A/B where:

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

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

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

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

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

25 (b) The department shall determine the value-weighted

1 mean sales assessment ratio "M" for all such property and
 2 reduce the taxable value of property described in subsection
 3 (4) only, by multiplying the total statewide taxable value
 4 of property described in subsection (4) by "M" prior to
 5 calculating "A" in subsection (3).

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

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

16 Section 16. Section 15-6-146, MCA, is amended to read:
 17 "15-6-146. Class sixteen property -- description --
 18 taxable percentage. (1) Class sixteen property includes:

19 (a) watercraft;

20 (b) all-terrain vehicles [not registered under
 21 61-3-301];

22 (c) harness, saddlery, and other tack equipment;

23 (d) all other property used for noncommercial purposes
 24 which is not real property or an improvement to real
 25 property and which is not included in another class or

1 exempt from taxation under Title 15, chapter 6, part 2.

2 (2) Class sixteen property is taxed at 11% of its
 3 market value, less a 30% reduction in taxable value."

4 Section 17. Section 15-6-147, MCA, is amended to read:

5 "15-6-147. Class seventeen property -- description --
 6 taxable percentage. (1) Class seventeen property includes
 7 all airline transportation property as described in the Tax
 8 Equity and Fiscal Responsibility Act of 1982 as it read on
 9 January 1, 1986.

10 (2) For the taxable years 1986 through 1990 class
 11 seventeen property is taxed at 12%, less a 30% reduction in
 12 property value, and for each taxable year thereafter, class
 13 seventeen property is taxed at the lesser of 12% or the
 14 percentage rate for class fifteen property **without**
 15 **adjustment**, less a 30% reduction in property value.

16 (3) For the purpose of complying with the Tax Equity
 17 and Fiscal Responsibility Act of 1982, as it read on January
 18 1, 1986, the 12% rate "R" referred to in this section is the
 19 equalized average tax rate generally applicable to
 20 commercial and industrial property, except class seventeen
 21 property, as commercial property is defined in
 22 15-1-101(1)(d)."

23 Section 18. Section 15-6-148, MCA, is amended to read:

24 "15-6-148. Class eighteen property -- description --
 25 taxable percentage. (1) Class eighteen property includes all

1 nonproductive patented mining claims outside the limits of
 2 an incorporated city or town held by an owner for the
 3 ultimate purpose of developing the mineral interests on the
 4 property. Class eighteen does not include any property that
 5 is used for residential, recreational as described in
 6 70-16-301, or commercial as defined in 15-1-101, purposes,
 7 or if the surface is being used for other than mining
 8 purposes or has a separate and independent value for such
 9 other purposes.

10 (2) Improvements to class eighteen property that would
 11 not disqualify the parcel from designation as class eighteen
 12 property are taxed as otherwise provided in this title,
 13 including that portion of the land upon which such
 14 improvements are located and which is reasonably required
 15 for the use of such improvements.

16 (3) Class eighteen property must be valued as if such
 17 land were devoted to agricultural grazing use and is taxed
 18 at 30% of its value, less a 30% reduction in taxable value."

19 Section 19. Section 15-6-149, MCA, is amended to read:

20 "15-6-149. Class nineteen property -- description --
 21 taxable percentage. (1) Class nineteen property includes
 22 parcels of nonproductive real property containing less than
 23 20 acres that are precluded from being developed for
 24 residential, commercial, or industrial purposes because of
 25 subdivision or zoning laws, regulations, or ordinances or

1 that are precluded from being so developed for other
 2 reasons.

3 (2) Improvements to class nineteen property are taxed
 4 as class four property.

5 (3) Class nineteen property is taxed at 2% of its
 6 market value, less a 30% reduction in taxable value."

7 NEW SECTION. Section 20. Extension of authority. Any
 8 existing authority of the department of revenue to make
 9 rules on the subject of the provisions of this act is
 10 extended to the provisions of this act.

11 NEW SECTION. Section 21. Code commissioner
 12 instruction. The code commissioner is instructed to revise
 13 any new class of property created by the 50th legislature to
 14 include the language ", less a 30% reduction in taxable
 15 value" as a modifier of the tax rate language.

16 NEW SECTION. Section 22. Effective date. This act is
 17 effective on passage and approval.

18 NEW SECTION. Section 23. Applicability. This act
 19 applies retroactively, within the meaning of 1-2-109, to
 20 taxable 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 HB850, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act reducing taxable value by 30 percent for each class of 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. The intent of this proposal is to reduce taxable values for all classes of property by 30% for FY88 and FY89. The way this proposal is worded, the impact on personal property classes would occur during FY87 and FY88 (see technical note).
3. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average state mill levy is 240 mills. These levies will remain unchanged through the FY88-89 biennium.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Revenue Impact:</u>						
University Levy	\$ 11,983,158	\$ 8,388,211	(\$ 3,594,947)	\$ 12,147,966	\$ 8,503,576	(\$ 3,644,390)
School Equalization	89,873,685	62,911,579	(26,962,106)	91,109,745	63,776,821	(\$27,332,924)
TOTAL	\$101,856,843	\$71,299,790	(\$30,557,053)	\$103,257,711	\$72,280,397	(\$30,977,314)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Reducing taxable value by 30 percent for FY88 and FY89 would result in county and local property tax revenue losses of \$113,240,843 (FY88) and \$114,798,279 (FY89).

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The timing of tax payments on personal property is different than it is for real property. If the intent of this bill is to reduce the taxable value for all classes of property by 30 percent in FY88 and FY89, then the applicable tax years for personal property should be 1988 and 1989.

The proposal as drafted would reduce personal property tax payments by approximately \$8.6 million in FY87 (\$115 million X 30 percent reduction in taxable value X 25 percent taxed at last year's levy).

David L. Hunter DATE 3/4/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

Rande K. Roth DATE 3-6-87
 RANDE ROTH, PRIMARY SPONSOR

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