

HOUSE BILL NO. 851

INTRODUCED BY HARP, LYBECK, B. BROWN,
C. SMITH, JONES, CONNELLY, BRANDEWIE,
COHEN, NELSON

IN THE HOUSE

MARCH 3, 1987 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

MARCH 19, 1987 COMMITTEE RECOMMEND BILL
 DO PASS. REPORT ADOPTED.

 PRINTING REPORT.

MARCH 20, 1987 SECOND READING, DO PASS.

MARCH 21, 1987 ENGROSSING REPORT.

 THIRD READING, PASSED.
 AYES, 81; NOES, 15.

 TRANSMITTED TO SENATE.

IN THE SENATE

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

APRIL 4, 1987 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN. REPORT ADOPTED.

APRIL 6, 1987 SECOND READING, CONCURRED IN.

APRIL 7, 1987 THIRD READING, CONCURRED IN.
 AYES, 40; NOES, 10.

 RETURNED TO HOUSE.

IN THE HOUSE

APRIL 8, 1987 RECEIVED FROM SENATE.

 SENT TO ENROLLING.

1 *Connelly* House BILL NO. 851
 2 INTRODUCED BY *HARP Lyub Bob Brown Cybrite James*
 3 *Bran Lewis* *Alan Nelson*

4 A BILL FOR AN ACT ENTITLED: "AN ACT TRANSFERRING
 5 ELECTROLYTIC REDUCTION FACILITIES MACHINERY AND EQUIPMENT
 6 FROM CLASS EIGHT TO CLASS FIVE PROPERTY; AMENDING SECTION
 7 15-6-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
 8 A RETROACTIVE APPLICABILITY DATE."

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

11 Section 1. Section 15-6-135, MCA, is amended to read:
 12 "15-6-135. Class five property -- description --
 13 taxable percentage. (1) Class five property includes:

14 (a) all property used and owned by cooperative rural
 15 electrical and cooperative rural telephone associations
 16 organized under the laws of Montana, except property owned
 17 by cooperative organizations described in subsection (1)(c)
 18 of 15-6-137;

19 (b) air and water pollution control equipment as
 20 defined in this section;

21 (c) new industrial property as defined in this
 22 section;

23 (d) any personal or real property used primarily in
 24 the production of gasohol during construction and for the
 25 first 3 years of its operation;

1 (e) machinery and equipment used in electrolytic
 2 reduction facilities.

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

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

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

23 (4) (a) "New industry" means any person, corporation,
 24 firm, partnership, association, or other group that
 25 establishes a new plant in Montana for the operation of a



-2- INTRODUCED BILL
 HB-851

1 new industrial endeavor, as distinguished from a mere
2 expansion, reorganization, or merger of an existing
3 industry.

4 (b) New industry includes only those industries that:

5 (i) manufacture, mill, mine, produce, process, or
6 fabricate materials;

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

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

17 (5) New industrial property does not include:

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

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

23 (c) property used or employed in any industrial plant
24 that has been in operation in this state for 3 years or
25 longer.

1 (6) Class five property is taxed at 3% of its market
2 value."

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

7 NEW SECTION. Section 3. Effective date --
8 applicability. This act is effective on passage and approval
9 and applies retroactively, within the meaning of 1-2-109, to
10 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 HB851, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act transferring electrolytic reduction facilities machinery and equipment from class 8 to class 5 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 intent of the proposed law is to transfer class 8 (11%) electrolytic reduction facility machinery and equipment to class 5 (3%) for property tax purposes.
3. The market value of class 8 electrolytic reduction facility machinery and equipment was \$51,752,624 in FY86 (Property Assessment Division). This market value will remain the same in FY88 and FY89.
4. The mill levy for the jurisdictions affected by this proposal is 300 mills; the school equalization mill levy is 45 mills; the university mill levy is 6 mills.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Revenues:</u>						
University Levy	\$ 11,983,158	\$ 11,958,317	(\$ 24,841)	\$ 12,147,966	\$ 12,123,125	(\$ 24,841)
School Equalization	89,873,685	89,687,376	(186,309)	91,109,745	90,923,436	(186,309)
TOTAL	\$101,856,843	\$ 101,645,693	(\$211,150)	\$103,257,711	\$ 103,046,561	(\$211,150)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would result in a loss of local property tax revenue of approximately \$1,030,912 per year.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

Section 1(1)e does not make clear if furniture in electrolytic reduction facilities should be transferred from class 9 to class 5 for property tax purposes. The note reflects only class 8 property moving to class 5.

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

John Harp DATE _____
 JOHN HARP, PRIMARY SPONSOR

Fiscal Note for HB851, as introduced.

HB 851

STATE OF MONTANA - FISCAL NOTE

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In compliance with a written request, there is hereby submitted a Fiscal Note for HB851, as introduced.
REVISED FISCAL NOTE

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3. The market value of class 8 electrolytic reduction facility machinery and equipment was \$51,752,624 in FY86 (Property Assessment Division). This market value will remain the same in FY88 and FY89.
4. The mill levy for the jurisdictions affected by this proposal is 254 mills; the school equalization mill levy is 45 mills; the university mill levy is 6 mills.

FISCAL IMPACT:

	FY88			FY89		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
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EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would result in a loss of local property tax revenue of approximately \$840,463 per year.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

Section 1(1)e does not make clear if furniture in electrolytic reduction facilities should be transferred from class 9 to class 5 for property tax purposes. The note reflects only class 8 property moving to class 5.

David L. Hunter DATE 3/9/82
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

John Harp DATE _____
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REVISED FISCAL NOTE **HB 851**
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20 defined in this section;

21 (c) new industrial property as defined in this
22 section;

23 (d) any personal or real property used primarily in
24 the production of gasohol during construction and for the
25 first 3 years of its operation;

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7 pollutants, contaminants, wastes, or heat. The department of
8 health and environmental sciences shall determine if such
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10 (b) The department of health and environmental
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1 new industrial endeavor, as distinguished from a mere
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4 (b) New industry includes only those industries that:

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6 fabricate materials;

7 (ii) do similar work, employing capital and labor, in
8 which materials unserviceable in their natural state are
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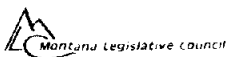
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