

HB 859 INTRODUCED BY MERCER, ET AL.
ASSESS PROPERTY IN CLASS FOUR, TWELVE, AND FOURTEEN
AT 80 PERCENT OF MARKET VALUE; ADJUST RATES

3/04 INTRODUCED
3/04 REFERRED TO TAXATION
3/04 FISCAL NOTE REQUESTED
3/11 FISCAL NOTE RECEIVED
3/16 HEARING
3/16 TABLED IN COMMITTEE

1 *House* BILL NO. *859*
 2 INTRODUCED BY *Mercer Fitch Cobb*
 3 *Devlin Switzer Thomsen*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE
 5 DEPARTMENT OF REVENUE TO ASSESS PROPERTY IN CLASS FOUR,
 6 CLASS TWELVE, AND CLASS FOURTEEN AT 80 PERCENT OF MARKET
 7 VALUE; ADJUSTING THE TAX RATE ON SUCH PROPERTY; AMENDING
 8 SECTIONS 15-6-134, 15-6-142, 15-6-144, AND 15-8-111, MCA;
 9 AND PROVIDING AN APPLICABILITY DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 15-6-134, MCA, is amended to read:
 13 "15-6-134. Class four property -- description --
 14 taxable percentage. (1) Class four property includes:
 15 (a) all land except that specifically included in
 16 another class;
 17 (b) all improvements except those specifically
 18 included in another class;
 19 (c) the first \$35,000 or less of the market value of
 20 any improvement on real property and appurtenant land not
 21 exceeding 5 acres owned or under contract for deed and
 22 actually occupied for at least 10 months a year as the
 23 primary residential dwelling of any person whose total
 24 income from all sources including otherwise tax-exempt
 25 income of all types is not more than \$10,000 for a single

1 person or \$12,000 for a married couple;
 2 (d) all golf courses, including land and improvements
 3 actually and necessarily used for that purpose, that consist
 4 of at least 9 holes and not less than 3,000 lineal yards.
 5 (2) Class four property is taxed as follows:
 6 (a) Except as provided in 15-24-1402 or 15-24-1501,
 7 property described in subsections (1)(a) and (1)(b) is taxed
 8 at the ~~taxable percentage rate~~ ^{"P"} 4.630% of its market
 9 assessed value.
 10 (b) Property described in subsection (1)(c) is taxed
 11 at the ~~taxable percentage rate~~ ^{"P"} 4.630% of its market
 12 value multiplied by a percentage figure based on income and
 13 determined from the following table:

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%



1 (c) Property described in subsection (1)(d) is taxed
 2 at one-half the taxable percentage rate "P" established in
 3 subsection (2)(a).

4 {3}--Until January 17, 1986, the taxable percentage rate
 5 "P" for class four property is 8.55%.

6 {4}--Prior to July 17, 1986, the department of revenue
 7 shall determine the taxable percentage rate "P" applicable
 8 to class four property for the revaluation cycle beginning
 9 January 17, 1986, as follows:

10 {a}--The director of the department of revenue shall
 11 certify to the governor before July 17, 1986, the percentage
 12 by which the appraised value of all property in the state
 13 classified under class four as of January 17, 1986, has
 14 increased due to the revaluation conducted under 15-7-111.
 15 This figure is the certified statewide percentage increase.

16 {b}--The taxable value of property in class four is
 17 determined as a function of the certified statewide
 18 percentage increase in accordance with the table shown
 19 below.

20 {c}--This table limits the statewide increase in
 21 taxable valuation resulting from reappraisal to 0% in
 22 calculating the percentage increase; the department may not
 23 consider changes resulting from new construction, additions,
 24 or deletions during calendar year 1986.

25 {d}--The taxable percentage must be calculated by

1 interpolation to coincide with the nearest whole number
 2 certified statewide percentage increase from the following
 3 table:

4 Certified Statewide	Class Four Taxable
5 Percentage Increase	Percentage "P"
6 0	8.55
7 10	7.77
8 20	7.12
9 30	6.57
10 40	6.10
11 50	5.70
12 60	5.34
13 70	5.02
14 80	4.75
15 90	4.50
16 100	4.27
17 110	4.07
18 120	3.88
19 130	3.71
20 140	3.56
21 150	3.42
22 160	3.28
23 170	3.16
24 180	3.05
25 190	2.94

1	200	2-05
2	210	2-75
3	220	2-67
4	230	2-59
5	240	2-51
6	250	2-44
7	260	2-37
8	270	2-31
9	280	2-25
10	290	2-19
11	300	2-13

12 ~~{5}--After July 17, 1986, no adjustment may be made by~~
 13 ~~the department to the taxable percentage rate "P" until a~~
 14 ~~reevaluation has been made as provided in 15-6-134.~~

15 {6}{3} Within the meaning of comparable property as
 16 defined in 15-1-101, property assessed as commercial
 17 property is comparable only to other property assessed as
 18 commercial property, and property assessed as other than
 19 commercial property is comparable only to other property
 20 assessed as other than commercial property."

21 Section 2. Section 15-6-142, MCA, is amended to read:

22 "15-6-142. Class twelve property -- description --
 23 taxable percentage. (1) Class twelve property includes:

24 (a) a trailer or mobile home used as a residence
 25 except when:

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

3 (ii) specifically included in another class;

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

11 (2) Class twelve property is taxed as follows:

12 (a) Property described in subsection (1)(a) that is
 13 not of the type described in subsection (1)(b) is taxed at
 14 ~~the taxable percentage rate "P", described in 15-6-134,~~
 15 4.630% of its market assessed value.

16 (b) Property described in subsection (1)(b) is taxed
 17 ~~at the taxable percentage rate "P", described in 15-6-134,~~
 18 4.630% of its market value multiplied by a percentage figure
 19 based on income and determined from the table established in
 20 subsection (2)(b) of 15-6-134."

21 Section 3. Section 15-6-144, MCA, is amended to read:

22 "15-6-144. Class fourteen property -- description --
 23 taxable percentage. (1) Class fourteen property includes all
 24 improvements on land that is eligible for valuation,
 25 assessment, and taxation as agricultural land under

1 15-7-202(2). Class fourteen property includes 1 acre of real
 2 property beneath the agricultural improvements. The 1 acre
 3 shall be valued ~~at---market---value~~ as provided in
 4 15-8-111(3)(c).

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

7 Section 4. Section 15-8-111, MCA, is amended to read:

8 "15-8-111. Assessment -- market value standard --
 9 exceptions. (1) All taxable property must be assessed at
 10 100% of its market value except as otherwise provided in
 11 ~~subsection (5) of this section and in 15-7-111 through~~
 12 ~~15-7-114.~~

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

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

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

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

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

15 (c) property in class four, class twelve, and class
 16 fourteen is assessed at 80% of the market value.

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

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

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

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

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

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

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

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

17 (a) ownership of the improvements is different from
18 ownership of the land;

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

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

21 ~~(8) The taxable value of all property in 15-6-131 and~~
22 ~~classes two, three, and thirteen is the percentage of~~
23 ~~assessed value established in 15-6-131(2), 15-6-132,~~
24 ~~15-6-133, and 15-6-143 for each class of property.~~
25 (Subsections (3)(a) and (3)(b) applicable to tax years

1 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
2 Subsection (6)(d) and references in (8) [now deleted] to
3 class thirteen and 15-6-143 terminate January 1, 1991--sec.
4 10, Ch. 681, L. 1985.)"

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

9 NEW SECTION. Section 6. Applicability. This act
10 applies to taxable years beginning after December 31, 1987.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB859, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring the department of revenue to assess property in class four, class twelve, and class fourteen at 80 percent of market value; adjusting the tax rate on such property; and providing an applicability date.

ASSUMPTIONS:

1. 1986 property tax data for counties and cities/towns was used to assess the potential impact of the proposal. Average 1986 county mill levies are used for counties; actual city levies are used for the cities. These assessed values and mill levies are assumed to apply to tax year 1988.
2. The proposal will require sending 388,845 more assessment notices than under current policy at a total cost of \$112,282 in FY89.
3. The proposal will require computer modifications at state and local levels at a total cost of \$58,911 in FY89.
4. The proposal applies to taxable years beginning after December 31, 1987, so there is no impact in FY88.

FISCAL IMPACT:

	FY88	FY89		
	No Impact	Current Law	Proposed Law	Difference
<u>Revenues:</u>				
University Levy		\$ 12,147,966	\$ 11,984,740	(\$ 163,226)
<u>School Equalization</u>		91,109,745	89,885,249	(1,224,496)
<u>Total</u>		<u>\$103,257,711</u>	<u>\$101,869,989</u>	<u>(\$1,387,722)</u>

Expenditures:


The proposal will cost \$171,193 in FY89. (General Fund)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

County revenues will decrease \$2,100,000 in FY89. In addition to the loss in the school foundation program, school district revenues will decrease \$4,000,000 in FY89. City/Town revenues will decrease \$1,400,000.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The proposal does not amend section 15-6-134 (2) (b) and 15-6-142 (2) (b) to reflect the proposed change in assessed value. These taxpayers will face a greater tax as a result of the proposed tax rate without an amendment.


 DATE 3/11/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE _____
 JOHN MERCER, PRIMARY SPONSOR
 Fiscal Note for HB859, as introduced.

HB 859