SB 90 INTRODUCED BY HAMMOND, THAYER, MCCALLUM, ET AL.
PROVIDE TAX BENEFITS TO SINGLE FAMILY RESIDENTIAL
PROPERTY AND OTHER IMPROVEMENTS

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Senate BILL NO. 90

INTRODUCED BY [illegible] AKLESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE CERTAIN TAX BENEFITS FOR NEW SINGLE FAMILY RESIDENTIAL PROPERTY AND FOR REMODELING, RECONSTRUCTION, OR EXPANSION OF CLASS FOUR, CLASS TWELVE, OR CLASS FOURTEEN PROPERTY; AMENDING SECTIONS 15-6-201, 15-8-111, AND 15-24-1501, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 15-6-201, MCA, is amended to read:

"15-6-201. Exempt categories. (1) The following categories of property are exempt from taxation:

(a) the property of:

(i) the United States, the state, counties, cities, towns, school districts, except, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, the property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

(ii) irrigation districts organized under the laws of Montana and not operating for profit;

(iii) municipal corporations; and

(iv) public libraries;

(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of such buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for hospitals;

(d) property that meets the following conditions:

(i) is owned and held by any association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) is not maintained and operated for private or corporate profit;

(e) institutions of purely public charity;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public art galleries and public observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. Such property is also exempt from the fee in lieu of tax.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) automobiles and trucks having a rated capacity of three-quarters of a ton or less;

(l) motorcycles and quadricycles;

(m) fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property owned and used by a corporation or

association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit; and

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit.

(b) The terms "public art galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

(4) Up to $75,000 of the appraised value of any new single family residential property, exclusive of the land on which it is situated, which property would otherwise be classified as class four, class twelve, or class fourteen property, is exempt from taxation for the year in which the new construction is begun or, in the case of class twelve property, original purchase is made and for the 2 following taxable years if:

(a) special assessments and taxes on the property upon which the residence is situated are not delinquent; and

(b) the builder still owns the property or the original purchaser still resides on the property. (Subsection (1)(p) applicable to taxable years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.)"

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

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

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

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

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

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

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

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

(c) the assessed value of improvements, as set forth in 15-24-1501, may be limited to a percentage of market value upon application by the taxpayer.

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

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

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

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

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

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

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

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

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

(b) the taxpayer makes a written request; or

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

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

Section 3. Section 15-24-1501, MCA, is amended to read:

"15-24-1501. Remodeling, reconstruction, or expansion of buildings or structures -- assessment provisions ----~~levy limitations~~. (1) Remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2 1/2% as determined by the department of revenue or its agents, ~~may~~ must receive tax benefits during the ~~construction~~ remodeling, reconstruction, or expansion period and for ~~the-following~~ 5 years thereafter in accordance with subsections (2) and (3) and the following schedule. The percentages ~~shall-be-applied-only-as--provided~~

~~in-subsection-(3)-and~~ are limited to the increase in ~~taxable~~ assessed value caused by remodeling, reconstruction, or expansion:

~~Construction~~ Remodeling, reconstruction, or expansion period	0%
First year ~~following--construction~~ thereafter	~~20%~~ 0%
Second year ~~following-construction~~ thereafter	~~40%~~ 0%
Third year ~~following--construction~~ thereafter	~~60%~~ 25%
Fourth year ~~following-construction~~ thereafter	~~80%~~ 50%
Fifth year ~~following--construction~~ thereafter	~~100%~~ 75%
Following years	100%

(2) The increase in assessed value of improvements attributable to remodeling, reconstruction, or expansion of existing buildings or structures is limited to the percentage increases as set forth in the schedule in subsection (1) and is limited to property classified as class four, class twelve, and class fourteen property.

~~(2)~~(3) In order to ~~confer~~ receive the tax benefits described in subsection (1), ~~the--governing--body--of--the affected-county-or,-if-the-construction-will-occur-within-an~~

~~incorporated--city--or--town,--the--governing--body--of-such incorporated--city--or--town~~ a taxpayer must ~~approve--by resolution~~ apply for the tax benefits for each remodeling, reconstruction, or expansion project ~~the-use-of-the-schedule provided-for-in-subsection-(1)~~ to the department before the end of the remodeling, reconstruction, or expansion period.

~~(3)--The--tax--benefit--described--in--subsection---(1) applies--only-to-the-number-of-mills-levied-and-assessed-for high-school-district-and-elementary-school-district-purposes and-to-the-number-of-mills-levied-and-assessed-by-the--local governing--body--approving--the--benefit.--In-no-case-may-the benefit-described--in--subsection--(1)--apply--to--statewide levies.~~"

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

NEW SECTION. Section 5. Effective date -- applicability. This act is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to 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 SB090, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide certain tax benefits for new single family residential property and for remodeling, reconstruction, or expansion of Class Four, Class Twelve, or Class Fourteen Property; amending sections 15-6-201, 15-8-111, and 15-24-1501, MCA; 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 loss in taxable value attributable to new construction or remodeling of residential improvements would be $11,025,000 in FY88 and $22,050,000 in FY89. (Based on 1986 property tax data).
3. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average mill levy for the state is 240 mills. These levies apply to both years of the FY88-89 biennium.
4. The proposal would result in additional administration costs to the Property Assessment Division of the Department of Revenue to track these pieces of property.

FISCAL IMPACT:

Expenditures:

The Property Assessment Division would require $51,320 per year for administrative costs to track these pieces of property.

Revenues:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	$ 11,983,158	$ 11,917,008	($ 66,150)	$ 12,147,966	$ 12,015,666	($ 132,300)
School Equalization	89,873,685	89,377,560	(496,125)	91,109,745	90,117,495	(992,250)
Total	$101,856,843	$101,294,568	($562,275)	$103,257,711	$102,133,161	($1,124,550)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Passage of this proposal would result in a loss of local government property tax revenue of $2,084,000 in FY88 and $4,167,450 in FY89.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The fiscal impact in FY89 would continue for each fiscal year in the future.

David L Hunter DATE 1/19/87

DAVID L. HUNTER, BUDGET DIRECTOR

Office of Budget and Program Planning

H W Hammond DATE 1-20-87

SWEDE HAMMOND, PRIMARY SPONSOR

Fiscal Note for SB090, as introduced.

SB-90

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:
This proposal applies to taxable years beginning after December 31, 1986. If the property assessment cycle were far enough along when this proposal became effective it would be necessary to revise current year assessments. These revisions would be costly and time consuming. Changing the applicability date, to taxable years beginning after December 31, 1987, would alleviate this problem.