

SENATE BILL NO. 325
INTRODUCED BY MCCALLUM

IN THE SENATE

FEBRUARY 11, 1987 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

MARCH 7, 1987 COMMITTEE RECOMMEND BILL
 DO PASS. REPORT ADOPTED.

MARCH 9, 1987 PRINTING REPORT.

MARCH 11, 1987 SECOND READING, DO PASS.

MARCH 12, 1987 ENGROSSING REPORT.

MARCH 13, 1987 THIRD READING, PASSED.
 AYES, 49; NOES, 0.

 TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 13, 1987 INTRODUCED AND REFERRED TO COMMITTEE
 ON TAXATION.

APRIL 6, 1987 COMMITTEE RECOMMEND BILL BE
 CONCURRED IN. REPORT ADOPTED.

 STATEMENT OF INTENT ADOPTED.

APRIL 9, 1987 SECOND READING, CONCURRED IN.

APRIL 10, 1987 THIRD READING, CONCURRED IN.
 AYES, 94; NOES, 1.

 RETURNED TO SENATE WITH STATEMENT
 OF INTENT.

IN THE SENATE

APRIL 15, 1987

RECEIVED FROM HOUSE.

SECOND READING, STATEMENT OF
INTENT ADOPTED.

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THIS DAY.

THIRD READING, STATEMENT OF
INTENT ADOPTED.

SENT TO ENROLLING.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB325, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act directing the Department of Revenue to consider reductions from market value for physical depreciation, functional obsolescence, and economic obsolescence when using construction cost to approximate market value for property tax purposes; and providing an applicability date.

FISCAL IMPACT:

This proposal would have no revenue or expenditure impact. Under current law, the Department of Revenue considers reductions from market value for physical depreciation, functional obsolescence, and economic obsolescence when using construction cost to approximate market value.

David L. Hunter DATE 2/16/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

George McCallum DATE 2-17-87
GEORGE McCALLUM, PRIMARY SPONSOR

Fiscal Note for SB325, as introduced.

SB 325

1 Senate BILL NO. 325
2 INTRODUCED BY McCallum

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE
5 DEPARTMENT OF REVENUE TO CONSIDER REDUCTIONS FROM MARKET
6 VALUE FOR PHYSICAL DEPRECIATION, FUNCTIONAL OBSOLESCENCE,
7 AND ECONOMIC OBSOLESCENCE WHEN USING CONSTRUCTION COST TO
8 APPROXIMATE MARKET VALUE FOR PROPERTY TAX PURPOSES; AMENDING
9 SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."
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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 15-8-111, MCA, is amended to read:

13 "15-8-111. Assessment -- market value standard --
14 exceptions. (1) All taxable property must be assessed at
15 100% of its market value except as provided in subsection
16 (5) of this section and in 15-7-111 through 15-7-114.

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

21 (b) If the department uses construction cost as one
22 approximation of market value, the department shall fully
23 consider reduction in value caused by depreciation, whether
24 through physical depreciation, functional obsolescence, or
25 economic obsolescence.

1 (b)(c) Except as provided in subsection (3), the
2 market value of all motor trucks; agricultural tools,
3 implements, and machinery; and vehicles of all kinds,
4 including but not limited to aircraft and boats and all
5 watercraft, is the average wholesale value shown in national
6 appraisal guides and manuals or the value of the vehicle
7 before reconditioning and profit margin. The department of
8 revenue shall prepare valuation schedules showing the
9 average wholesale value when no national appraisal guide
10 exists.

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

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

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

25 (4) For purposes of taxation, assessed value is the



-2- INTRODUCED BILL
SB 325

1 same as appraised value.

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

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

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

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

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

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

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

25 (a) ownership of the improvements is different from

1 ownership of the land;

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

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

4 (8) The taxable value of all property in 15-6-131 and
5 classes two, three, and thirteen is the percentage of
6 assessed value established in 15-6-131(2), 15-6-132,
7 15-6-133, and 15-6-143 for each class of property.
8 (Subsections (3)(a) and (3)(b) applicable to tax years
9 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
10 Subsection (6)(d) and references in (8) to class thirteen
11 and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L.
12 1985.)"

13 NEW SECTION. Section 2. Extension of authority. Any
14 existing authority of the department of revenue to make
15 rules on the subject of the provisions of this act is
16 extended to the provisions of this act.

17 NEW SECTION. Section 3. Applicability date. This act
18 applies to taxable years beginning after December 31, 1987.

-End-

APPROVED BY COMMITTEE
ON TAXATION

1 *Senate* BILL NO. *325*
2 INTRODUCED BY *M. Ball*

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE
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18 would change hands between a willing buyer and a willing
19 seller, neither being under any compulsion to buy or to sell
20 and both having reasonable knowledge of relevant facts.

21 (b) If the department uses construction cost as one
22 approximation of market value, the department shall fully
23 consider reduction in value caused by depreciation, whether
24 through physical depreciation, functional obsolescence, or
25 economic obsolescence.

1 (b)(c) Except as provided in subsection (3), the
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25 (4) For purposes of taxation, assessed value is the

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-End-

1 STATEMENT OF INTENT
2 SENATE BILL 325
3 House Taxation Committee
4

5 It is the intent of this legislation to embody into
6 statute the current practice of the department of revenue in
7 determining depreciation, including functional obsolescence
8 and economic obsolescence. This bill is not intended to
9 change the current practice of the department of revenue.

REFERENCE BILL
SB 325

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-End-

STANDING COMMITTEE REPORT

HOUSE

APRIL 6

1987

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 325

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

Ramirez
 Representative Jack Ramirez, Chairman

STATEMENT OF INTENT

It is the intent of this legislation to embody into statute the current practice of the department of revenue in determining depreciation including functional obsolescence and economic obsolescence. This bill is not intended to change the current practice of the department of revenue.

*to
 MR*