

SB 390 INTRODUCED BY MCCALLUM
REVISE TAXATION OF 20-ACRE OR LARGER PARCELS OF LAND

3/04	INTRODUCED		
3/04	REFERRED TO TAXATION		
3/04	FISCAL NOTE REQUESTED		
3/09	HEARING		
3/12	FISCAL NOTE RECEIVED		
3/13	COMMITTEE REPORT--BILL PASSED AS AMENDED		
3/14	2ND READING PASSED	50	0
3/16	3RD READING PASSED	49	1
	TRANSMITTED TO HOUSE		
3/17	REFERRED TO TAXATION		
4/03	HEARING		
4/10	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
4/13	2ND READING CONCURRED AS AMENDED	76	21
4/14	3RD READING CONCURRED	76	23
	RETURNED TO SENATE WITH AMENDMENTS		
4/17	2ND READING AMENDMENTS NOT CONCURRED	41	0
4/21	CONFERENCE COMMITTEE APPOINTED	50	0
	HOUSE		
4/21	CONFERENCE COMMITTEE APPOINTED		
	DIED IN PROCESS		

1 Senate BILL NO. 390
2 INTRODUCED BY McCallister

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE PROPERTY
5 TAX ASSESSMENT OF PARCELS OF LAND 20 ACRES OR MORE IN SIZE
6 AND ELIMINATE CLASS NINETEEN FOR PROPERTY ASSESSMENT
7 PURPOSES; AMENDING SECTIONS 15-7-202 AND 15-8-111, MCA;
8 REPEALING SECTIONS 15-6-149 AND 15-6-154, MCA; AND
9 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY
10 DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 15-7-202, MCA, is amended to read:

14 "15-7-202. Eligibility of land for valuation as
15 agricultural. (1) Contiguous parcels of land totaling 20
16 acres or more under one ownership shall be eligible for
17 valuation, assessment, and taxation as agricultural land
18 each--year--that--none--of--the--parcels until the ownership
19 changes or the property is reappraised under 15-7-111,
20 provided that none of the parcels is devoted to a commercial
21 or industrial use.

22 (a) For purposes of this section, land meeting the
23 definition of commercial in 15-1-101 must meet the
24 provisions of subsection (2) to qualify as agricultural.

25 (b) The transfer of property between spouses,

1 including former spouses as the result of a divorce or the
2 death of one of the spouses, does not constitute an
3 ownership change for purposes of this section.

4 (c) Upon a change in ownership of the property, the
5 department shall use the actual sales price to determine the
6 value of the property for taxation purposes under 15-7-111
7 unless the property qualifies for agricultural assessment
8 under subsection (2). The actual sales price is the market
9 value as defined in 15-8-111(2)(a). If no actual sales price
10 can be determined for the change in ownership, the
11 department shall value the property based upon comparable
12 sales.

13 (2) Contiguous or noncontiguous parcels of land
14 totaling less than 20 acres under one ownership that are
15 actively devoted to agricultural use shall be eligible for
16 valuation, assessment, and taxation as herein provided each
17 year the parcels meet any of the following qualifications:

18 (a) the parcels produce and the owner or the owner's
19 agent, employee, or lessee markets not less than \$1,500 in
20 annual gross income from the raising of livestock, poultry,
21 field crops, fruit, and other animal and vegetable matter
22 for food or fiber; or

23 (b) the parcels would have met the qualification set
24 out in subsection (2)(a) were it not for independent
25 intervening causes of production failure beyond the control



1 of the producer or marketing delay for economic advantage,
2 in which case proof of qualification in a prior year will
3 suffice.

4 (3) Parcels that do not meet the qualifications set
5 out in subsections (1) and (2) shall not be classified or
6 valued as agricultural if they are part of a platted
7 subdivision that is filed with the county clerk and recorder
8 in compliance with the Montana Subdivision and Platting Act.

9 (4) Land shall not be classified or valued as
10 agricultural if it is subdivided with stated restrictions
11 prohibiting its use for agricultural purposes.

12 (5) The grazing on land by a horse or other animals
13 kept as a hobby and not as a part of a bona fide
14 agricultural enterprise shall not be considered a bona fide
15 agricultural operation.

16 (6) If land has been valued, assessed, and taxed as
17 agricultural land in any year, it shall continue to be so
18 valued, assessed, and taxed until the department
19 reclassifies the property. A reclassification does not mean
20 revaluation pursuant to 15-7-111.

21 (7) For the purposes of this part, growing timber is
22 not an agricultural use. (Subsection (6) (now (7))
23 terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

24 Section 2. Section 15-8-111, MCA, is amended to read:
25 "15-8-111. Assessment -- market value standard --

1 exceptions. (1) All taxable property must be assessed at
2 100% of its market value except as provided in subsection
3 (5) of this section and in 15-7-111 through 15-7-114.

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

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

17 (3) The department of revenue or its agents may not
18 adopt a lower or different standard of value from market
19 value in making the official assessment and appraisal of the
20 value of property in 15-6-134 through 15-6-140 and 15-6-145
21 through ~~15-6-149~~ 15-6-148, except:

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

1 Missouri; and

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

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

8 (5) The taxable value for all property in classes four
9 through eleven and fifteen through nineteen is the
10 percentage of market value established for each class of
11 property in 15-6-134 through 15-6-141 and 15-6-145 through
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13 (6) The assessed value of properties in 15-6-131
14 through 15-6-133 is as follows:

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

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

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

25 (d) Properties in 15-6-143, under class thirteen, are

1 assessed at 100% of the combined appraised value of the
2 standing timber and grazing productivity of the land when
3 valued as timberland.

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

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

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

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

10 (8) The taxable value of all property in 15-6-131 and
11 classes two, three, and thirteen is the percentage of
12 assessed value established in 15-6-131(2), 15-6-132,
13 15-6-133, and 15-6-143 for each class of property.
14 (Subsections (3)(a) and (3)(b) applicable to tax years
15 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
16 Subsection (6)(d) and references in (8) to class thirteen
17 and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L.
18 1985.)"

19 NEW SECTION. Section 3. Repealer. Sections 15-6-149
20 and 15-6-154, MCA, are repealed.

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

25 NEW SECTION. Section 5. Effective date --

LC 1693/01

1 applicability. (1) This act is effective on passage and
2 approval.

3 (2) This act applies to taxable years beginning after
4 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 SB390, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to revise the property tax assessment of parcels of land 20 acres or more in size and eliminate class 19 for property assessment purposes; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$2,024,661,000 in FY89 (REAC).
2. Total undeveloped bare land acreage (over 20 acres per tract) is 357,477. The market value of this property is \$276,546,575.
3. Total developed parcel acreage (over 20 acres per tract) is 91,561 (excluding 2,519 one acre homesteads which have been subtracted to avoid double counting). The total market value of these developed parcels is \$117,541,251.
4. The total improvement value of developed parcels is \$137,406,909.
5. The improvements on land previously granted agricultural or timber land status (by SB020) would lose their 20% rate reductions under the proposed law.
6. Average taxable value of agricultural land is \$2.66 per acre.
7. The proposed law will ultimately affect 449,038 acres. 10% of this acreage and 10% of improvements on developed parcels will change ownership each year.
8. The university mill levy will be 6 mills; the school equalization mill levy will be 45 mills; the average levy for local governments will be 189 mills.
9. The proposal applies to taxable years beginning after December 31, 1987, so there is no effect in FY88.

FISCAL IMPACT:

	FY88	FY89		
<u>Revenues:</u>		<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
University Levy	No Impact	\$ 11,983,158	\$ 11,992,205	\$ 9,047
School Equalization		89,873,685	89,941,537	67,852
TOTAL		\$101,856,843	\$101,933,742	\$ 76,899

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would increase local revenue by approximately \$284,973 in FY89.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The positive revenue impact of the proposed law would be cumulative. As affected land changes ownership, it would lose eligibility for valuation as agricultural land. Hence, its taxable value would appreciate. When the affected property is reappraised, as required under 15-7-111, MCA, it would cease to be eligible for valuation as agricultural land.

David L. Hunter DATE 3/10/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

George McCallum DATE 3-12-87
 GEORGE MCCALLUM, PRIMARY SPONSOR

Fiscal Note for SB390, as introduced.

SB 390

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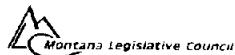
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22 existing authority of the department of revenue to make
23 rules on the subject of the provisions of this act is
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25 NEW SECTION. Section 5. Effective date --

1 applicability. (1) This act is effective on passage and
2 approval.

3 (2) ~~This~~ EXCEPT AS PROVIDED IN SUBSECTION (3), THIS
4 act applies to taxable years beginning after December 31,
5 1987.

6 (3) SECTION 1(1)(A) OF THIS ACT APPLIES RETROACTIVELY,
7 WITHIN THE MEANING OF 1-2-109, TO TAXABLE YEARS BEGINNING
8 AFTER DECEMBER 31, 1986.

-End-

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SENATE BILL NO. 390
INTRODUCED BY MCCALLUM

A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE THE PROPERTY TAX ASSESSMENT OF PARCELS OF LAND 20 ACRES OR MORE IN SIZE AND ~~ELIMINATE~~ REVISE CLASS NINETEEN FOR PROPERTY ASSESSMENT PURPOSES; AMENDING SECTIONS 15-7-202 AND 15-8-111, MCA; REPEALING SECTIONS 15-6-149 AND 15-6-154, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY ~~DATE DATES.~~"

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

Section 1. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Contiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land ~~each year that none of the parcels until the ownership changes or the property is reappraised under 15-7-111,~~ provided that none of the parcels is devoted to a commercial or industrial use.

(a) For purposes of this section, land meeting the definition of commercial in 15-1-101 must meet the provisions of subsection (2) to qualify as agricultural.

(b) The transfer of property between spouses,

including former spouses as the result of a divorce or the death of one of the spouses TRANSFER OF PROPERTY UPON DEATH, does not constitute an ownership change for purposes of this section.

(c) Upon a change in ownership of the property, the department shall use the actual sales price MARKET VALUE to determine the value of the property for taxation purposes under 15-7-111 unless the property qualifies for agricultural assessment under subsection (2). The actual sales price is the market value IS as defined in 15-8-111(2)(a). If no actual sales price can be determined for the change in ownership, the department shall value the property based upon comparable sales.

(2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that are actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than \$1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal and vegetable matter for food or fiber; or

(b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent



1 intervening causes of production failure beyond the control
2 of the producer or marketing delay for economic advantage,
3 in which case proof of qualification in a prior year will
4 suffice.

5 (3) Parcels that do not meet the qualifications set
6 out in subsections (1) and (2) shall not be classified or
7 valued as agricultural if they are part of a platted
8 subdivision that is filed with the county clerk and recorder
9 in compliance with the Montana Subdivision and Platting Act.

10 (4) Land shall not be classified or valued as
11 agricultural if it is subdivided with stated restrictions
12 prohibiting its use for agricultural purposes.

13 (5) The grazing on land by a horse or other animals
14 kept as a hobby and not as a part of a bona fide
15 agricultural enterprise shall not be considered a bona fide
16 agricultural operation.

17 (6) If land has been valued, assessed, and taxed as
18 agricultural land in any year, it shall continue to be so
19 valued, assessed, and taxed until the department
20 reclassifies the property. A reclassification does not mean
21 revaluation pursuant to 15-7-111.

22 (7) For the purposes of this part, growing timber is
23 not an agricultural use. (Subsection (6) (now (7))
24 terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

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

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

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

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

18 (3) The department of revenue or its agents may not
19 adopt a lower or different standard of value from market
20 value in making the official assessment and appraisal of the
21 value of property in 15-6-134 through 15-6-140 and 15-6-145
22 through ~~15-6-149~~ 15-6-148, except:

23 (a) the wholesale value for agricultural implements
24 and machinery is the loan value as shown in the Official
25 Guide, Tractor and Farm Equipment, published by the national

1 farm and power equipment dealers association, St. Louis,
2 Missouri; and

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

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

9 (5) The taxable value for all property in classes four
10 through eleven and fifteen through nineteen is the
11 percentage of market value established for each class of
12 property in 15-6-134 through 15-6-141 and 15-6-145 through
13 ~~15-6-149~~ 15-6-148.

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

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

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

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

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

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

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

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

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

11 (8) The taxable value of all property in 15-6-131 and
12 classes two, three, and thirteen is the percentage of
13 assessed value established in 15-6-131(2), 15-6-132,
14 15-6-133, and 15-6-143 for each class of property.
15 (Subsections (3)(a) and (3)(b) applicable to tax years
16 beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985.
17 Subsection (6)(d) and references in (8) to class thirteen
18 and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L.
19 1985.)"

20 NEW SECTION. SECTION 3. CLASS NINETEEN PROPERTY --
21 UNDEVELOPED LAND. CLASS NINETEEN PROPERTY INCLUDES
22 UNDEVELOPED PARCELS OF LAND IN EXCESS OF 5--ACRES THAT ARE
23 UNDER ONE OWNERSHIP. CLASS NINETEEN PROPERTY IS TAXED AT 2%
24 OF ITS MARKET VALUE.

25 NEW SECTION. Section 4. Repealer. Sections 15-6-149

1 and 15-6-154, MCA, are repealed.

2 NEW SECTION. SECTION 5. CODIFICATION INSTRUCTION.
3 SECTION 3 IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF
4 TITLE 15, CHAPTER 6, AND THE PROVISIONS OF TITLE 15, CHAPTER
5 6, APPLY TO SECTION 3.

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

10 NEW SECTION. Section 7. Effective date --
11 applicability. (1) This act is effective on passage and
12 approval.

13 (2) This EXCEPT AS PROVIDED IN SUBSECTION (3), THIS
14 act applies to taxable years beginning after December 31,
15 1987.

16 (3) SECTION 1(1)(A) OF THIS ACT APPLIES RETROACTIVELY,
17 WITHIN THE MEANING OF 1-2-109, TO TAXABLE YEARS BEGINNING
18 AFTER DECEMBER 31, 1986.

-End-

STANDING COMMITTEE REPORT

HOUSE

APRIL 10 1987

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 390

- do pass
- be concurred in
- was amended
- do not pass
- be not concurred in
- statement of intent attached

Be amended as follows:

Ramirez
 Representative Jack Ramirez, Chairman

1. Title, line 6.
Strike: "ELIMINATE"
Insert: "REVISE"
2. Page 1, line 19.
Following: "changes"
Strike: remainder of line 19 through "15-7-111"
3. Page 2, line 2.
Following: line 1
Strike: "death of one of the spouses"
Insert: "transfer of property upon death"
4. Page 2, line 5.
Following: "use"
Strike: "the actual sales price"
Insert: "market value"
5. Page 2, line 8.
Following: "The"
Strike: "actual sales price is the"
6. Page 2, line 9.
Following: "value"
Insert: "is"
Following: "(a)."
Strike: remainder of line 9 through "sales." on line 12
7. Page 6, line 19.
Following: line 18
Insert: "NEW SECTION. Section 3. Class nineteen property -- undeveloped land. Class nineteen property includes undeveloped parcels of land in excess of 5 acres that are under one ownership. Class nineteen property is taxed at 2% of its market value."
Renumber: subsequent sections

APRIL 10 1987

8. Page 6, line 21.
Following: line 20
Insert: "NEW SECTION. Section 5. Codification instruction. Section 3 is intended to be codified as an integral part of Title 15, chapter 6, and the provisions of Title 15, chapter 6, apply to section 3."

Renumber subsequent sections.
 Amendments SB 390
 7100a(C:JEANNE\WP:JJ)

MAS
 THIRD reading copy (BLUE) color

MAS
 STATE PUB. CO.
 Helena, Mont.

Ramirez
 Representative Jack Ramirez
 Chairman

COMMITTEE OF THE WHOLE AMENDMENT

HOUSE

4-13-87
DATE
15:45
TIME

MR. CHAIRMAN: I MOVE TO AMEND SB 390

3rd reading copy (blue) as follows:
Color

AMENDING THE SWIFT AMENDMENT DATED 4-13-87 (11:00)

- 1) Strip the Swift amendment in its entirety

COMMITTEE OF THE WHOLE AMENDMENT

4-13-87
DATE
15:30
TIME

MR. CHAIRMAN: I MOVE TO AMEND SB 390

3rd reading copy (blue) as follows:
Color

AMENDING THE HOUSE TAXATION STANDING COMMITTEE REPORT
DATED 4-10-87, WHICH AMENDED SB 390.

- 1) Amending Instruction No. 7, line 5.
Following: "undeveloped parcels of land"
Strike: "in excess of 5 acres"

ADOPT

REJECT

4131545T.CW

Mercer

Rep. Mercer

ADOPT

REJECT

4131530T.CW

Hannah

Rep. Hannah

COMMITTEE OF THE WHOLE AMENDMENT

HOUSE

4-13-87

DATE
11:00

TIME

MR. CHAIRMAN: I MOVE TO AMEND SB 390

3rd reading copy (blue) as follows:
Color

AMENDING THE HOUSE TAXATION COMMITTEE REPORT DATED 4-10-87.

1) Amending Instruction No. 7, line 4.

Following: "undeveloped land."

Insert: "(1)"

Following: "property includes"

Insert: ": (a)"

2) Amending Instruction No. 7, line ~~4~~⁶.

Following: "under one ownership"

Strike: "."

Insert: "; and (b) undeveloped parcels of land 5 acres or less that are under one ownership that are precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or that are precluded from being so developed for other reasons. (2)"

ADOPT

REJECT

4131100S.CW

Swift
Rep. Swift