

SB 391 INTRODUCED BY CRIPPEN
SET MAXIMUM ASSESSMENT OF PROPERTY IN CLASS FOUR,
TWELVE, AND FOURTEEN BASED ON 1985 VALUES

3/06 INTRODUCED
3/06 REFERRED TO TAXATION
3/06 FISCAL NOTE REQUESTED
3/10 HEARING
3/13 FISCAL NOTE RECEIVED
3/13 TABLED IN COMMITTEE

1 *Alvord* BILL NO. *391*
2 INTRODUCED BY *Copper*

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR A
5 MAXIMUM ASSESSMENT OF PROPERTY IN CLASS FOUR, CLASS TWELVE,
6 AND CLASS FOURTEEN BASED ON ASSESSMENTS FOR THE 1985 TAX
7 YEAR; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN
8 IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY
9 DATE."

10
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 otherwise provided in
16 ~~subsection (5) of this section and in 15-7-111 through~~
17 ~~15-7-114.~~

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

22 (b) Except as provided in subsection (3), the market
23 value of all motor trucks; agricultural tools, implements,
24 and machinery; and vehicles of all kinds, including but not
25 limited to aircraft and boats and all watercraft, is the

1 average wholesale value shown in national appraisal guides
2 and manuals or the value of the vehicle before
3 reconditioning and profit margin. The department of revenue
4 shall prepare valuation schedules showing the average
5 wholesale value when no national appraisal guide exists.

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

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

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

20 (c) as otherwise authorized in Title 15 and Title 61.

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

23 (5) The taxable value for all property ~~in classes four~~
24 ~~through eleven and fifteen through nineteen~~ is the
25 percentage of market or assessed value established for each



1 class of property ~~in 15-6-134 through 15-6-141 and 15-6-145~~
2 ~~through 15-6-149.~~

3 (6) The assessed value of properties in 15-6-131
4 through ~~15-6-133~~ 15-6-134, 15-6-142, and 15-6-144 is as
5 follows:

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

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

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

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

20 (e) Properties in 15-6-134, 15-6-142, and 15-6-144 are
21 assessed at 100% of market value or an amount represented by
22 200% of the assessed value for the 1985 tax year, whichever
23 is less.

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

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

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

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

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

14 NEW SECTION. Section 2. Implementation of maximum
15 assessment for 1986 tax year. (1) The maximum assessment
16 provision in 15-8-111(6)(e) must be implemented for the 1986
17 tax year by adjustments in 1987 taxes. Each property
18 classification and assessment notice mailed in 1987 for
19 property retroactively affected in the 1986 tax year by
20 [this act] must contain:

21 (a) the 1986 assessed value;

22 (b) the assessed value of the property for 1986 under
23 the maximum assessment provision in 15-8-111(6)(e);

24 (c) the difference between the amounts set forth under
25 subsections (1)(a) and (1)(b); and

1 (d) a reduction in the 1987 assessed value that
2 corresponds to the amount set forth under subsection (1)(c).

3 (2) The taxable valuation of counties for the 1986 tax
4 year may not be recalculated as a result of [this act] for
5 purposes of determining county classifications and salaries
6 of county or other local government officers or for any
7 other local government financing purposes.

8 NEW SECTION. Section 3. Extension of authority. Any
9 existing authority of the department of revenue to make
10 rules on the subject of the provisions of this act is
11 extended to the provisions of this act.

12 NEW SECTION. Section 4. Effective date --
13 applicability. (1) This act is effective on passage and
14 approval.

15 (2) This act applies retroactively, within the meaning
16 of 1-2-109, to taxable years beginning after December 31,
17 1985.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB391, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide for a maximum assessment of property in class four, class twelve, and class fourteen based on assessments for the 1985 tax year; 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. Market value as the term is used in the proposed law, is market value for the base year established when property is revalued as provided in 15-7-111, MCA.
3. The university mill levy is 6 mills; the school equalization mill levy is 45 mills; the average local mill levy is 189 mills.
4. The taxable and market values of classes 4, 12, and 14 in FY88 and FY89 will be proportional to the actual values for each class of property in 1986 (FY87).
5. The total taxable value of classes 4, 12, and 14 will be approximately \$710,289,000 in FY88 and \$738,700,000 in FY89 (REAC).
6. Under the proposed law the central and county computers would have to be modified. Assessment lists would also have to be revised. Total operating expenses would be \$231,193 in FY88 and \$131,193 in FY89 (Property Assessment Division estimate).
7. Under the proposed law, assessed values for 1985 (FY86) would have to be reviewed to comply with section 1(6)e. This would require 50 FTE at grade 8, step 2 for one month in FY88. Total salary and benefits would be \$69,500 (Property Assessment Division estimate).
8. It is the intent of this bill to include property that has changed in its classification as a result of legislative action.

FISCAL IMPACT:

	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Revenues:						
University Levy	\$ 11,983,158	\$10,779,851	(\$ 1,203,307)	\$ 12,147,966	\$11,272,066	(\$ 875,900)
School Equalization	89,873,685	80,848,879	(9,024,806)	91,109,745	84,540,497	(6,569,248)
TOTAL	\$101,856,843	\$91,628,730	(\$10,228,113)	\$103,257,711	\$95,812,563	(\$7,445,148)

Expenditure Impact: (General Fund)

Personal Services	\$ 0	\$ 69,500	\$ 69,500	\$ 0	\$ 0	\$ 0
Operating Expenses	0	231,193	231,193	0	131,193	131,193
TOTAL	\$ 0	\$ 300,693	\$ 300,693	\$ 0	\$ 131,193	\$ 131,193

David L. Hunter DATE 3/13/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

DATE 3/13/87
 BRUCE CRIPPEN, PRIMARY SPONSOR

Fiscal Note for SB391, as introduced.

SB 391

Fiscal Note Request, SB391, as introduced.

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EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposed law would result in local property tax revenue losses of approximately \$37,904,186 in FY88 and \$27,590,842 in FY89.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The language in section 1(6)e is confusing. There was no class 14 property classification in 1985.

If estimates of the impact of the proposed law were based on individual property assessments the loss in property tax revenue would be lower.

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