

HOUSE BILL NO. 415

INTRODUCED BY PATTERSON, HANNAH, DRISCOLL, SMITH,
KEATING, CAMPBELL, WESTLAKE, GIACOMETTO, KOEHNKE,
D. BROWN, GLASER, DEVLIN, NATHE, HARP, DEBRUYCKER,
DEMARS, HALLIGAN, FARRELL, JENKINS, BENGTSON,
WILLIAMS, SIMON, STEPPLER, PIPINICH, BOYLAN

IN THE HOUSE

JANUARY 25, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
JANUARY 26, 1989	FIRST READING.
FEBRUARY 28, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 1, 1989	PRINTING REPORT.
MARCH 2, 1989	SECOND READING, DO PASS AS AMENDED.
MARCH 3, 1989	ENGROSSING REPORT.
MARCH 4, 1989	THIRD READING, PASSED. AYES, 89; NOES, 5.

IN THE SENATE

MARCH 6, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION. FIRST READING.
MARCH 31, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
APRIL 1, 1989	SECOND READING, CONCURRED IN.
APRIL 4, 1989	THIRD READING, CONCURRED IN. AYES, 47; NOES, 0. RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 6, 1989

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

APRIL 7, 1989

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL 414

Introduced by Spaeth

1/25	Introduced
1/26	Referred to Judiciary
1/26	Fiscal Note Requested
1/31	Fiscal Note Received
2/01	Fiscal Note Printed
2/07	Hearing
2/13	Tabled in Committee

1 *House* BILL NO. *415*
 2 INTRODUCED BY *Paterson* *Heard* *David Smith*
 3 *Wright* *Wright* *Wright* *Wright* *Wright* *Wright* *Wright* *Wright* *Wright* *Wright*
 4 A BILL FOR AN ACT ENTITLED, "AN ACT TO EXEMPT CERTAIN
 5 HANDHELD TOOLS FROM PROPERTY TAXATION; AMENDING SECTIONS
 6 15-6-137 AND 15-6-201, MCA; AND PROVIDING AN IMMEDIATE
 7 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 **Section 1.** Section 15-6-137, MCA, is amended to read:

11 "15-6-137. Class seven property -- description --
 12 taxable percentage. (1) Class seven property includes:

13 (a) all property used and owned by persons, firms,
 14 corporations, or other organizations that are engaged in the
 15 business of furnishing telephone communications exclusively
 16 to rural areas or to rural areas and cities and towns of 800
 17 persons or less;

18 (b) all property owned by cooperative rural electrical
 19 and cooperative rural telephone associations that serve less
 20 than 95% of the electricity consumers or telephone users
 21 within the incorporated limits of a city or town;

22 (c) electric transformers and meters; electric light
 23 and power substation machinery; natural gas measuring and
 24 regulating station equipment, meters, and compressor station
 25 machinery owned by noncentrally assessed public utilities;

1 and tools used in the repair and maintenance of this
 2 property; and

3 (d) any tool that is not hand-held; and

4 (e) tools, implements, and machinery used to repair
 5 and maintain machinery not used for manufacturing and mining
 6 purposes.

7 (2) To qualify for this classification, the average
 8 circuit miles for each station on the telephone
 9 communication system described in subsection (1)(b) must be
 10 more than 1 mile.

11 (3) Class seven property is taxed at 8% of its market
 12 value."

13 **Section 2.** Section 15-6-201, MCA, is amended to read:

14 "15-6-201. Exempt categories. (1) The following
 15 categories of property are exempt from taxation:

16 (a) the property of:

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

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3, is not exempt.

(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 This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

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

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) land, 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;

(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; and

(q) property owned by a nonprofit corporation organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act; and

(r) any tool that is customarily hand-held and that is used to:

(i) construct, repair, and maintain improvements to

real property; or

(ii) repair and maintain machinery, equipment, appliances, or other personal property.

(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. (Subsection (1)(c) applicable to taxable years beginning after December 31, 1987--sec. 4, Ch. 455, L. 1987.)"

NEW SECTION. Section 3. Extension of authority. Any existing authority to make rules on the subject of the

LC 1150/01

1 provisions of [this act] is extended to the provisions of
2 [this act].

3 NEW SECTION. **Section 4.** Effective date -- retroactive
4 applicability. [This act] is effective on passage and
5 approval and applies retroactively, within the meaning of
6 1-2-109, to taxable years beginning after December 31, 1988.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB415, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exempt certain hand held tools from property taxation; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,899,969,000 in FY90 and \$1,869,831,000 in FY91 (REAC).
2. The taxable value of hand held tools is \$4,373,945 in tax year 1988 and is assumed constant in future years under current law. This total does not include hand held tools used to repair and maintain manufacturing and mining machinery (class 8), or hand held tools owned by utilities.
3. Data is not available to estimate the taxable value of hand held tools used to repair and maintain manufacturing and mining machinery, or owned by utilities. This note addresses only the known taxable value loss (assumption 2). Thus the fiscal impacts are understated.
4. Mill levies are 6 mills for universities and 45 mills for the school foundation program. Average county and local school levies are 77.53 and 139.06 mills, respectively.

FISCAL IMPACT:Revenue Impact:

	FY90			FY91		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
University Levy	11,400,000	11,373,756	(26,244)	11,219,000	11,192,756	(26,244)
School Equalization	85,499,000	85,302,172	(196,828)	84,142,000	83,945,172	(196,828)
Total	96,899,000	96,675,928	(223,072)	95,361,000	95,137,928	(223,072)

Due to the retroactive applicability date, the proposal also reduces FY 89 revenues. The proposal would reduce university revenues by \$26,244 and school equalization revenues by \$196,828.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Due to the retroactive applicability date, beginning in FY 89 and each subsequent fiscal year, the proposal is estimated to reduce county and local school district revenues by \$339,116 and \$608,254, respectively. Cities and towns are expected to have a reduction of \$182,438.

Ray Shackelford 2/2/89.
 RAY SHACKLEFORD, BUDGET DIRECTOR DATE
 OFFICE OF BUDGET AND PROGRAM PLANNING

John W. Patterson 2/04/89
 JOHN W. PATTERSON, PRIMARY SPONSOR DATE

Fiscal Note for HB415, as introduced

HB 415

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a revised Fiscal Note for HB415, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to exempt certain hand held tools from property taxation; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be \$1,899,969,000 in FY90 and \$1,869,831,000 in FY91 (REAC).
2. The taxable value of hand held tools is \$4,373,945 in tax year 1988 and is assumed constant in future years under current law. This total does not include hand held tools used to repair and maintain manufacturing and mining machinery (class 8), or hand held tools owned by utilities.
3. Data is not available to estimate the taxable value of hand held tools used to repair and maintain manufacturing and mining machinery, or owned by utilities. This note addresses only the known taxable value loss (assumption 2). Thus the fiscal impacts are understated.
4. Mill levies are 6 mills for universities and 45 mills for the school foundation program. Average county and local school levies are 77.53 and 139.06 mills, respectively.

FISCAL IMPACT:Revenue Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	11,400,000	11,373,756	(26,244)	11,219,000	11,192,756	(26,244)
School Equalization	85,499,000	85,302,172	(196,828)	84,142,000	83,945,172	(196,828)
Total	96,899,000	96,675,928	(223,072)	95,361,000	95,137,928	(223,072)

Due to the retroactive applicability date, the proposal also reduces FY 89 revenues. The proposal would reduce university revenues by \$26,244 and school equalization revenues by \$196,828.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Due to the retroactive applicability date, beginning in FY 89 and each subsequent fiscal year, the proposal is estimated to reduce county and local school district revenues by \$339,116 and \$608,254, respectively. Cities and towns are expected to have a reduction of \$201,209.

Ray Shackleford 2/7/89
 RAY SHACKLEFORD, BUDGET DIRECTOR DATE
 OFFICE OF BUDGET AND PROGRAM PLANNING

John W. Patterson 8 FEB 89
 JOHN W. PATTERSON, PRIMARY SPONSOR DATE

Revised Fiscal Note for HB415, as introduced

HB 415 - Revised

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 415

INTRODUCED BY PATTERSON, HANNAH, DRISCOLL, SMITH,
KEATING, CAMPBELL, WESTLAKE, GIACOMETTO, KOEHNKE,
D. BROWN, GLASER, DEVLIN, NATHE, HARP, DEBRUYCKER,
DEMARS, HALLIGAN, FARRELL, JENKINS, BENGTON,
WILLIAMS, SIMON, STEPLER, PIPINICH, BOYLAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN
HAND-HELD TOOLS FROM PROPERTY TAXATION; AMENDING SECTIONS
15-6-137, 15-6-138, AND 15-6-201, 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 15-6-137, MCA, is amended to read:

"15-6-137. Class seven property -- description --
taxable percentage. (1) Class seven property includes:

(a) all property used and owned by persons, firms,
corporations, or other organizations that are engaged in the
business of furnishing telephone communications exclusively
to rural areas or to rural areas and cities and towns of 800
persons or less;

(b) all property owned by cooperative rural electrical
and cooperative rural telephone associations that serve less
than 95% of the electricity consumers or telephone users

within the incorporated limits of a city or town;

(c) electric transformers and meters; electric light
and power substation machinery; natural gas measuring and
regulating station equipment, meters, and compressor station
machinery owned by noncentrally assessed public utilities;
and tools used in the repair and maintenance of this
property; and

(d) any tool TOOLS that is ARE not hand-held, and,
~~(d) tools,~~ implements, and machinery used to
repair and maintain machinery not used for manufacturing and
mining purposes.

(2) To qualify for this classification, the average
circuit miles for each station on the telephone
communication system described in subsection (1)(b) must be
more than 1 mile.

(3) Class seven property is taxed at 8% of its market
value."

SECTION 2. SECTION 15-6-138, MCA, IS AMENDED TO READ:

"15-6-138. Class eight property -- description --
taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools
that are not hand-held, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

1 (c) all manufacturing machinery, fixtures, equipment,
2 tools that are not hand-held, and supplies except those
3 included in class five;

4 (d) all trailers, including those prorated under
5 15-24-102, except those subject to taxation under
6 61-3-504(2);

7 (e) all goods and equipment intended for rent or
8 lease, except goods and equipment specifically included and
9 taxed in another class;

10 (f) trucks having a rated capacity of more than 1 1/2
11 tons, including those prorated under 15-24-102; and

12 (g) all other machinery except that specifically
13 included in another class.

14 (2) Class eight property is taxed at 11% of its market
15 value."

16 **Section 3.** Section 15-6-201, MCA, is amended to read:

17 "15-6-201. **Exempt categories.** (1) The following
18 categories of property are exempt from taxation:

19 (a) the property of:

20 (i) the United States, the state, counties, cities,
21 towns, school districts, except, if congress passes
22 legislation that allows the state to tax property owned by
23 an agency created by congress to transmit or distribute
24 electrical energy, the property constructed, owned, or
25 operated by a public agency created by the congress to

1 transmit or distribute electric energy produced at privately
2 owned generating facilities (not including rural electric
3 cooperatives);

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

6 (iii) municipal corporations; and

7 (iv) public libraries;

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

13 (c) property used exclusively for agricultural and
14 horticultural societies, for educational purposes, and for
15 nonprofit health care facilities, as defined in 50-5-101,
16 licensed by the department of health and environmental
17 sciences and organized under Title 35, chapter 2 or 3. A
18 health care facility that is not licensed by the department
19 of health and environmental sciences and organized under
20 Title 35, chapter 2 or 3, is not exempt.

21 (d) property that meets the following conditions:

22 (i) is owned and held by any association or
23 corporation organized under Title 35, chapter 2, 3, 20, or
24 21;

25 (ii) is devoted exclusively to use in connection with a

1 cemetery or cemeteries for which a permanent care and
2 improvement fund has been established as provided for in
3 Title 35, chapter 20, part 3; and

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

6 (e) institutions of purely public charity;

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

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

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

16 (i) a truck canopy cover or topper weighing less than
17 300 pounds and having no accommodations attached. Such This
18 property is also exempt from taxation under 61-3-504(2) and
19 61-3-537.

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

22 (k) motor homes, travel trailers, and campers;

23 (l) all watercraft;

24 (m) land, fixtures, buildings, and improvements owned
25 by a cooperative association or nonprofit corporation

1 organized to furnish potable water to its members or
2 customers for uses other than the irrigation of agricultural
3 land;

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

9 (o) property owned and used by a corporation or
10 association organized and operated exclusively for the care
11 of the developmentally disabled, mentally ill, or
12 vocationally handicapped as defined in 18-5-101, which is
13 not operated for gain or profit;

14 (p) all farm buildings with a market value of less
15 than \$500 and all agricultural implements and machinery with
16 a market value of less than \$100; and

17 (q) property owned by a nonprofit corporation
18 organized to provide facilities primarily for training and
19 practice for or competition in international sports and
20 athletic events and not held or used for private or
21 corporate gain or profit. For purposes of this subsection
22 (l)(q), "nonprofit corporation" means an organization exempt
23 from taxation under section 501(c) of the Internal Revenue
24 Code and incorporated and admitted under the Montana
25 Nonprofit Corporation Act; and

1 (r) any tool that is customarily hand-held and that is
2 used to:

3 (i) construct, repair, and maintain improvements to
4 real property; or

5 (ii) repair and maintain machinery, equipment,
6 appliances, or other personal property.

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

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

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

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

23 (b) \$100,000 in the case of a multifamily residential
24 dwelling or a nonresidential structure. (Subsection (1)(c)
25 applicable to taxable years beginning after December 31,

1 1987--sec. 4, Ch. 455, L. 1987.)"

2 NEW SECTION. Section 4. Extension of authority. Any
3 existing authority to make rules on the subject of the
4 provisions of [this act] is extended to the provisions of
5 [this act].

6 NEW SECTION. Section 5. Effective date -- retroactive
7 applicability. [This act] is effective on passage and
8 approval and applies retroactively, within the meaning of
9 1-2-109, to taxable years beginning after December 31, 1988.

-End-

HOUSE BILL NO. 415

INTRODUCED BY PATTERSON, HANNAH, DRISCOLL, SMITH,
KEATING, CAMPBELL, WESTLAKE, GIACOMETTO, KOEHNKE,
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DEMARS, HALLIGAN, FARRELL, JENKINS, BENGTSON,
WILLIAMS, SIMON, STEPPLER, PIPINICH, BOYLAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN THE
FIRST \$5,000 OR LESS OF VALUE OF HAND-HELD TOOLS FROM
PROPERTY TAXATION; AMENDING SECTIONS 15-6-137, 15-6-138, AND
15-6-201, 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 15-6-137, MCA, is amended to read:

"15-6-137. Class seven property -- description --
taxable percentage. (1) Class seven property includes:

(a) all property used and owned by persons, firms,
corporations, or other organizations that are engaged in the
business of furnishing telephone communications exclusively
to rural areas or to rural areas and cities and towns of 800
persons or less;

(b) all property owned by cooperative rural electrical
and cooperative rural telephone associations that serve less
than 95% of the electricity consumers or telephone users

within the incorporated limits of a city or town;

(c) electric transformers and meters; electric light
and power substation machinery; natural gas measuring and
regulating station equipment, meters, and compressor station
machinery owned by noncentrally assessed public utilities;
and tools used in the repair and maintenance of this
property; and

(d) ~~any tool~~ TOOLS that is ARE not hand-held; and,
~~{d}{e}~~ tools, implements, and machinery used to
repair and maintain machinery not used for manufacturing and
mining purposes.

(2) To qualify for this classification, the average
circuit miles for each station on the telephone
communication system described in subsection (1)(b) must be
more than 1 mile.

(3) Class seven property is taxed at 8% of its market
value."

SECTION 2. SECTION 15-6-138, MCA, IS AMENDED TO READ:

"15-6-138. Class eight property -- description --
taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment;
(b) all mining machinery, fixtures, equipment, tools
that are not hand-held INCLUDED IN CLASS SEVEN PROPERTY OR
THAT ARE EXEMPT UNDER 15-6-201(1)(R), and supplies except:
(i) those included in class five; and

1 (ii) coal and ore haulers;
 2 (c) all manufacturing machinery, fixtures, equipment,
 3 tools that are not hand-held INCLUDED IN CLASS SEVEN
 4 PROPERTY OR THAT ARE EXEMPT UNDER 15-6-201(1)(R), and
 5 supplies except those included in class five;
 6 (d) all trailers, including those prorated under
 7 15-24-102, except those subject to taxation under
 8 61-3-504(2);
 9 (e) all goods and equipment intended for rent or
 10 lease, except goods and equipment specifically included and
 11 taxed in another class;
 12 (f) trucks having a rated capacity of more than 1 1/2
 13 tons, including those prorated under 15-24-102; and
 14 (g) all other machinery except that specifically
 15 included in another class.
 16 (2) Class eight property is taxed at 11% of its market
 17 value."

18 **Section 3.** Section 15-6-201, MCA, is amended to read:

19 "15-6-201. **Exempt categories.** (1) The following
 20 categories of property are exempt from taxation:

21 (a) the property of:

22 (i) the United States, the state, counties, cities,
 23 towns, school districts, except, if congress passes
 24 legislation that allows the state to tax property owned by
 25 an agency created by congress to transmit or distribute

1 electrical energy, the property constructed, owned, or
 2 operated by a public agency created by the congress to
 3 transmit or distribute electric energy produced at privately
 4 owned generating facilities (not including rural electric
 5 cooperatives);

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

8 (iii) municipal corporations; and

9 (iv) public libraries;

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

15 (c) property used exclusively for agricultural and
 16 horticultural societies, for educational purposes, and for
 17 nonprofit health care facilities, as defined in 50-5-101,
 18 licensed by the department of health and environmental
 19 sciences and organized under Title 35, chapter 2 or 3. A
 20 health care facility that is not licensed by the department
 21 of health and environmental sciences and organized under
 22 Title 35, chapter 2 or 3, is not exempt.

23 (d) property that meets the following conditions:

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

1 21;

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

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

8 (e) institutions of purely public charity;

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

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

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

18 (i) a truck canopy cover or topper weighing less than
19 300 pounds and having no accommodations attached. Such This
20 property is also exempt from taxation under 61-3-504(2) and
21 61-3-537.

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

24 (k) motor homes, travel trailers, and campers;

25 (l) all watercraft;

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

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

11 (o) property owned and used by a corporation or
12 association organized and operated exclusively for the care
13 of the developmentally disabled, mentally ill, or
14 vocationally handicapped as defined in 18-5-101, which is
15 not operated for gain or profit;

16 (p) all farm buildings with a market value of less
17 than \$500 and all agricultural implements and machinery with
18 a market value of less than \$100; and

19 (q) property owned by a nonprofit corporation
20 organized to provide facilities primarily for training and
21 practice for or competition in international sports and
22 athletic events and not held or used for private or
23 corporate gain or profit. For purposes of this subsection
24 (l)(q), "nonprofit corporation" means an organization exempt
25 from taxation under section 501(c) of the Internal Revenue

1 Code and incorporated and admitted under the Montana
2 Nonprofit Corporation Act, ~~and.~~

3 ~~(r) any tool~~ PROVIDED THE TOOLS ARE OWNED BY THE
4 TAXPAYER, THE FIRST \$5,000 OR LESS OF MARKET VALUE OF TOOLS
5 that ~~is~~ ARE customarily hand-held and that ~~is~~ ARE used to:

6 (i) construct, repair, and maintain improvements to
7 real property; or

8 (ii) repair and maintain machinery, equipment,
9 appliances, or other personal property.

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

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

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

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

1 (b) \$100,000 in the case of a multifamily residential
2 dwelling or a nonresidential structure. (Subsection (1)(c)
3 applicable to taxable years beginning after December 31,
4 1987--sec. 4, Ch. 455, L. 1987.)"

5 NEW SECTION. **Section 4.** Extension of authority. Any
6 existing authority to make rules on the subject of the
7 provisions of [this act] is extended to the provisions of
8 [this act].

9 NEW SECTION. **Section 5.** Effective date -- retroactive
10 applicability. [This act] is effective on passage and
11 approval and applies retroactively, within the meaning of
12 1-2-109, to taxable years beginning after December 31, 1988.

-End-

SENATE STANDING COMMITTEE REPORT

March 31, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration HB 415 (third reading copy -- blue), respectfully report that HB 415 be amended and as so amended be concurred in:

Sponsor: Patterson (Halligan)

1. Title, line 9.

Strike: "\$5,000"

Insert: "\$15,000"

2. Page 2, line 8.

Following: "TOOLS"

Insert: "or implements"

Strike: "hand-held"

Insert: "included in another class or that are exempt under 15-6-201(1)(r)"

3. Page 2, line 9.

Strike: "implements_{7, L}"

4. Page 2, line 23.

Strike: "that" through end of line 23

5. Page 2, line 24.

Following: "ARE"

Insert: "not"

6. Page 3, lines 3 and 4.

Strike: "that" on line 3 through "PROPERTY OR" on line 4

7. Page 3, line 4.

Following: "ARE"

Insert: "not"

8. Page 7, line 4.

Strike: "\$5,000"

Insert: "\$15,000"

AND AS AMENDED BE CONCURRED IN

Signed: _____


Bob Brown, Chairman

SENATE
HB 415

HOUSE BILL NO. 415

INTRODUCED BY PATTERSON, HANNAH, DRISCOLL, SMITH,
KEATING, CAMPBELL, WESTLAKE, GIACOMETTO, KOEHNKE,
D. BROWN, GLASER, DEVLIN, NATHE, HARP, DEBRUYCKER,
DEMARS, HALLIGAN, FARRELL, JENKINS, BENGTEON,
WILLIAMS, SIMON, STEPPLER, PIPINICH, BOYLAN

A BILL FOR AN ACT ENTITLED: "AN ACT TO EXEMPT CERTAIN THE
FIRST \$5,000 \$15,000 OR LESS OF VALUE OF HAND-HELD TOOLS
FROM PROPERTY TAXATION; AMENDING SECTIONS 15-6-137,
15-6-138, AND 15-6-201, 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 15-6-137, MCA, is amended to read:

"15-6-137. Class seven property -- description --
taxable percentage. (1) Class seven property includes:

(a) all property used and owned by persons, firms,
corporations, or other organizations that are engaged in the
business of furnishing telephone communications exclusively
to rural areas or to rural areas and cities and towns of 800
persons or less;

(b) all property owned by cooperative rural electrical
and cooperative rural telephone associations that serve less
than 95% of the electricity consumers or telephone users

within the incorporated limits of a city or town;

(c) electric transformers and meters; electric light
and power substation machinery; natural gas measuring and
regulating station equipment, meters, and compressor station
machinery owned by noncentrally assessed public utilities;
and tools used in the repair and maintenance of this
property; and

(d) any tool TOOLS OR IMPLEMENTS that is ARE not
hand-held; and INCLUDED IN ANOTHER CLASS OR THAT ARE EXEMPT
UNDER 15-6-201(1)(R).

(d)(e) tools, implements, and machinery used to
repair and maintain machinery not used for manufacturing and
mining purposes.

(2) To qualify for this classification, the average
circuit miles for each station on the telephone
communication system described in subsection (1)(b) must be
more than 1 mile.

(3) Class seven property is taxed at 8% of its market
value."

SECTION 2. SECTION 15-6-138, MCA, IS AMENDED TO READ:

"15-6-138. Class eight property -- description --
taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools
that--are--not hand-held INCLUDED IN CLASS SEVEN PROPERTY OR

1 THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R), and supplies
2 except:

- 3 (i) those included in class five; and
4 (ii) coal and ore haulers;
5 (c) all manufacturing machinery, fixtures, equipment,
6 tools ~~that--are--not hand-held INCLUDED--IN--CLASS--SEVEN~~
7 ~~PROPERTY-OR~~ THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R), and
8 supplies except those included in class five;
9 (d) all trailers, including those prorated under
10 15-24-102, except those subject to taxation under
11 61-3-504(2);
12 (e) all goods and equipment intended for rent or
13 lease, except goods and equipment specifically included and
14 taxed in another class;
15 (f) trucks having a rated capacity of more than 1 1/2
16 tons, including those prorated under 15-24-102; and
17 (g) all other machinery except that specifically
18 included in another class.

19 (2) Class eight property is taxed at 11% of its market
20 value."

21 **Section 3.** Section 15-6-201, MCA, is amended to read:

22 **"15-6-201. Exempt categories.** (1) The following
23 categories of property are exempt from taxation:

- 24 (a) the property of:
25 (i) the United States, the state, counties, cities,

1 towns, school districts, except, if congress passes
2 legislation that allows the state to tax property owned by
3 an agency created by congress to transmit or distribute
4 electrical energy, the property constructed, owned, or
5 operated by a public agency created by the congress to
6 transmit or distribute electric energy produced at privately
7 owned generating facilities (not including rural electric
8 cooperatives);

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

11 (iii) municipal corporations; and

12 (iv) public libraries;

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

18 (c) property used exclusively for agricultural and
19 horticultural societies, for educational purposes, and for
20 nonprofit health care facilities, as defined in 50-5-101,
21 licensed by the department of health and environmental
22 sciences and organized under Title 35, chapter 2 or 3. A
23 health care facility that is not licensed by the department
24 of health and environmental sciences and organized under
25 Title 35, chapter 2 or 3, is not exempt.

1 (d) property that meets the following conditions:
 2 (i) is owned and held by any association or
 3 corporation organized under Title 35, chapter 2, 3, 20, or
 4 21;
 5 (ii) is devoted exclusively to use in connection with a
 6 cemetery or cemeteries for which a permanent care and
 7 improvement fund has been established as provided for in
 8 Title 35, chapter 20, part 3; and
 9 (iii) is not maintained and operated for private or
 10 corporate profit;
 11 (e) institutions of purely public charity;
 12 (f) evidence of debt secured by mortgages of record
 13 upon real or personal property in the state of Montana;
 14 (g) public art galleries and public observatories not
 15 used or held for private or corporate profit;
 16 (h) all household goods and furniture, including but
 17 not limited to clocks, musical instruments, sewing machines,
 18 and wearing apparel of members of the family, used by the
 19 owner for personal and domestic purposes or for furnishing
 20 or equipping the family residence;
 21 (i) a truck canopy cover or topper weighing less than
 22 300 pounds and having no accommodations attached. Such This
 23 property is also exempt from taxation under 61-3-504(2) and
 24 61-3-537.
 25 (j) a bicycle, as defined in 61-1-123, used by the

1 owner for personal transportation purposes;
 2 (k) motor homes, travel trailers, and campers;
 3 (l) all watercraft;
 4 (m) land, fixtures, buildings, and improvements owned
 5 by a cooperative association or nonprofit corporation
 6 organized to furnish potable water to its members or
 7 customers for uses other than the irrigation of agricultural
 8 land;
 9 (n) the right of entry that is a property right
 10 reserved in land or received by mesne conveyance (exclusive
 11 of leasehold interests), devise, or succession to enter land
 12 whose surface title is held by another to explore, prospect,
 13 or dig for oil, gas, coal, or minerals;
 14 (o) property owned and used by a corporation or
 15 association organized and operated exclusively for the care
 16 of the developmentally disabled, mentally ill, or
 17 vocationally handicapped as defined in 18-5-101, which is
 18 not operated for gain or profit;
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 20 than \$500 and all agricultural implements and machinery with
 21 a market value of less than \$100; and
 22 (q) property owned by a nonprofit corporation
 23 organized to provide facilities primarily for training and
 24 practice for or competition in international sports and
 25 athletic events and not held or used for private or

1 corporate gain or profit. For purposes of this subsection
 2 (1)(g), "nonprofit corporation" means an organization exempt
 3 from taxation under section 501(c) of the Internal Revenue
 4 Code and incorporated and admitted under the Montana
 5 Nonprofit Corporation Act, ~~and.~~

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 6 dwelling or a nonresidential structure. (Subsection (1)(c)
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