

HOUSE BILL 586

Introduced by Mercer, et al.

2/06	Introduced
2/07	Referred to Taxation
2/08	Fiscal Note Requested
2/13	Fiscal Note Received
2/16	Fiscal Note Printed
3/01	Hearing
3/09	Tabled in Committee

1 HOUSE BILL NO. 586  
 2 INTRODUCED BY MARCO MARIAN  
 3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND EXPAND  
 5 THE PROPERTY TAX EXEMPTION FOR FRATERNAL ORGANIZATIONS;  
 6 AMENDING SECTIONS 15-6-203, 15-6-209, AND 33-7-407, MCA; AND  
 7 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
 8 APPLICABILITY DATE."

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

11 **Section 1.** Section 15-6-203, MCA, is amended to read:

12 "~~15-6-203. Veterans' clubhouse exemption---incompetent~~  
 13 Incompetent veterans' trusts -- exemption. (1) When a  
 14 clubhouse or building erected by or belonging to any society  
 15 or organization of honorably discharged United States  
 16 military personnel is used exclusively for educational,  
 17 fraternal, benevolent, or purely public charitable purposes  
 18 rather than for gain or profit, together with the library  
 19 and furniture necessarily used in any such building, such  
 20 property is exempt from taxation.

21 (2) All property, real or personal, in the possession  
 22 of legal guardians of incompetent veterans of U.S. military  
 23 service or minor dependents of such incompetent veterans,  
 24 where such the property is funds or is derived from funds  
 25 received from the United States as pension, compensation,

1 insurance, adjusted compensation, or gratuity, ~~shall be is~~  
 2 exempt from all taxation as property of the United States  
 3 while held by the guardian, but not after title passes to  
 4 the veteran or minor in his or her own right on account of  
 5 removal of legal disability."

6 **Section 2.** Section 15-6-209, MCA, is amended to read:

7 "15-6-209. Community services buildings exempt. (1) The  
 8 building and appurtenant land, not exceeding 1 acre, owned  
 9 by a nonprofit community service organization is exempt from  
 10 property taxation, except as provided in subsections (3) and  
 11 (4), if such the organization:

12 (a) ~~is a lodge of a nationally recognized fraternal~~  
 13 ~~organization and does not sell food or beverages under~~  
 14 ~~license from the state of Montana;~~

15 (b) (a) furnishes services to senior citizens in the  
 16 form of daytime or evening educational or recreational  
 17 activities and does not furnish living accommodations to  
 18 ~~such senior~~ citizens or sell food or beverages under license  
 19 from the state of Montana; services qualifying under this  
 20 provision must be recognized in the state plan on aging  
 21 adopted by the department of family services; or

22 (c) (b) primarily furnishes facilities without charge,  
 23 except that a minimal fee may be charged for janitorial  
 24 services, for public meetings and entertainments.

25 (2) An applicant for exemption under this section shall

1 demonstrate that it has been an active community service  
2 organization continuously from January 1, 1981.

3 (3) A building and lot exempted under this section  
4 shall be appraised, assessed, and subject to levies for any  
5 special improvement district if the special improvement  
6 directly benefits the building or lot.

7 (4) The exemption provided under this section may not  
8 be extended to any property owned by a community service  
9 organization described herein-which in this section that is  
10 leased in whole or in part to any person for business or  
11 profitmaking purposes."

12 **Section 3.** Section 33-7-407, MCA, is amended to read:

13 "33-7-407. **Taxes.** Every society organized or licensed  
14 under this chapter is hereby declared to be a charitable and  
15 benevolent institution, and all of its funds ~~shall--be~~ are  
16 exempt from all and every state, county, district,  
17 municipal, and school tax ~~other-than-taxes--on--real--estate~~  
18 ~~and-office-equipment."~~

19 **NEW SECTION. Section 4.** Property of fraternal  
20 organization exempt. The following property owned by a  
21 fraternal organization, as defined in [section 5], is exempt  
22 from taxation:

23 (1) all real and personal property or any portion of  
24 the real and personal property that is actually occupied and  
25 used in fraternal or lodge work or for entertainment and

1 recreational purposes by one or more fraternal  
2 organizations, except that property or portions of property  
3 of a fraternal organization rented or leased at any time to  
4 other persons for sums greater than out-of-pocket expenses  
5 for heat, light, water, and janitorial services and supplies  
6 is subject to taxation; and

7 (2) parking lots used for parking or any other use as  
8 long as the parking or other use is permitted without  
9 charge.

10 **NEW SECTION. Section 5.** Definition of fraternal  
11 organization. (1) For purposes of [section 4], "fraternal  
12 organization" means a corporation:

13 (a) organized as a nonprofit corporation under the laws  
14 of a state or national government;

15 (b) that is not solely a social club but is established  
16 under the lodge system, with ritualistic forms of work and a  
17 representative form of government;

18 (c) that regularly engages in or provides financial  
19 support for some form of benevolent or charitable activity  
20 with the purpose of doing good for others rather than for  
21 the convenience of its members;

22 (d) no part of the income of which is distributable to  
23 its members, directors, or officers;

24 (e) in which no member, officer, agent, or employee is  
25 paid directly or indirectly receives, in the form of salary

or other compensation, an amount beyond that which is just and reasonable compensation commonly paid for the services rendered and in which any compensation is fixed and approved by the members, directors, or other governing body of the corporation; and

(f) that is not a college fraternity or sorority.

(2) For the purposes of [section 4], fraternal organization includes but is not limited to the grand and subordinate lodges of the masons, the grand and subordinate lodges of the knights of Pythias, the knights of Columbus, the benevolent and protective order of elks, the fraternal order of eagles, the loyal order of moose, the independent order of odd fellows, the Montana state grange, the American legion, the veterans of foreign wars, and every society organized or licensed under Title 33, chapter 7.

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

**NEW SECTION. Section 7. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1988.

**NEW SECTION. Section 8. Codification instruction.** [Sections 4 and 5] are intended to be codified as an integral part of Title 15, chapter 6, and the provisions of

Title 15, chapter 6, apply to [sections 4 and 5]].

**NEW SECTION. Section 9. Effective date.** [This act] is effective on passage and approval.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB586, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to revise and expand the property tax exemption for fraternal organizations; 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 FY 90 and \$1,869,831,000 in FY 91 (REAC).
2. The taxable value in tax year 1985 of the affected property was estimated to be \$1,216,666 and is assumed to be the same for future years.
3. Levies are 6 mills for the universities and 45 for school equalization. Average levies of local governments is 249 mills.

FISCAL IMPACT:Revenue Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	\$11,400,000	\$ 11,392,700	(\$ 7,300)	\$11,219,000	\$ 11,211,700	(\$ 7,300)
School Equalization	85,499,000	85,444,250	(54,750)	84,142,000	84,087,250	(54,750)
Total	\$96,899,000	\$ 96,836,950	(\$ 62,050)	\$95,361,000	\$95,298,950	(\$ 62,050)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

It is estimated the proposal will reduce local government revenues by \$302,950 each year.

Ray Shackleford DATE 2/13/89  
RAY/SHACKLEFORD, BUDGET DIRECTOR  
Office of Budget and Program Planning

MERCER DATE 2/15/89  
JOHN A. MERCER, PRIMARY SPONSOR

Fiscal Note for HB 586, Introduced **HB 586**