

HOUSE BILL 745

Introduced by Patterson, et al.

2/20	Introduced
2/22	Referred to Taxation
2/28	Fiscal Note Requested
3/03	Fiscal Note Recieved
3/08	Hearing
3/09	Fiscal Note Printed
3/20	Tabled in Committee

1 *House* BILL NO. *745*
 2 INTRODUCED BY *Paterson*
 3 *DeBrucke*
 4 *Ellison*
 5 A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM TAXATION
 6 FARM MACHINERY AND CONSTRUCTION EQUIPMENT 10 YEARS OLD OR
 7 OLDER THAT ARE INTENDED TO BE DRAWN OR PROPELLED BY OTHER
 8 VEHICLES; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND
 9 PROVIDING AN APPLICABILITY DATE."
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 **Section 1.** Section 15-6-138, MCA, is amended to read:
 12 "15-6-138. Class eight property -- description --
 13 taxable percentage. (1) Class eight property includes:
 14 (a) all agricultural implements and equipment except
 15 those that are 10 years old or older and that are intended
 16 to be attached to and drawn behind or propelled by an
 17 independent propulsion vehicle;
 18 (b) all mining machinery, fixtures, equipment, tools,
 19 and supplies except:
 20 (i) those included in class five; and
 21 (ii) coal and ore haulers;
 22 (c) all manufacturing machinery, fixtures, equipment,
 23 tools, and supplies except those included in class five;
 24 (d) all trailers, including those prorated under
 25 15-24-102, except those subject to taxation under

1 61-3-504(2);
 2 (e) all goods and equipment intended for rent or
 3 lease, except goods and equipment specifically included and
 4 taxed in another class;
 5 (f) trucks having a rated capacity of more than 1 1/2
 6 tons, including those prorated under 15-24-102; and
 7 (g) all other machinery except;
 8 (i) that specifically included in another class; and
 9 (ii) construction equipment that is 10 years old or
 10 older and that is intended to be attached to and drawn
 11 behind or propelled by an independent propulsion vehicle.
 12 (2) Class eight property is taxed at 11% of its market
 13 value."
 14 **Section 2.** Section 15-6-201, MCA, is amended to read:
 15 "15-6-201. Exempt categories. (1) The following
 16 categories of property are exempt from taxation:
 17 (a) the property of:
 18 (i) the United States, the state, counties, cities,
 19 towns, school districts, except, if congress passes
 20 legislation that allows the state to tax property owned by
 21 an agency created by congress to transmit or distribute
 22 electrical energy, the property constructed, owned, or
 23 operated by a public agency created by the congress to
 24 transmit or distribute electric energy produced at privately
 25 owned generating facilities (not including rural electric

1 cooperatives);

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

4 (iii) municipal corporations; and

5 (iv) public libraries;

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

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

19 (d) property that meets the following conditions:

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

23 (ii) is devoted exclusively to use in connection with a
24 cemetery or cemeteries for which a permanent care and
25 improvement fund has been established as provided for in

1 Title 35, chapter 20, part 3; and

2 (iii) is not maintained and operated for private or
3 corporate profit;

4 (e) institutions of purely public charity;

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

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

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

14 (i) a truck canopy cover or topper weighing less than
15 300 pounds and having no accommodations attached. Such
16 property is also exempt from taxation under 61-3-504(2) and
17 61-3-537.

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

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

21 (l) all watercraft;

22 (m) land, fixtures, buildings, and improvements owned
23 by a cooperative association or nonprofit corporation
24 organized to furnish potable water to its members or
25 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:

(i) with a market value of less than \$100; or

(ii) that are 10 years old or older and that are intended to be attached to and drawn behind or propelled by an independent propulsion vehicle; and

(q) construction equipment that is 10 years old or older and that is intended to be attached to and drawn behind or propelled by an independent propulsion vehicle; and

~~(q)(r)~~ 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 ~~(i)(q)~~ (1)(r), "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.

(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--(i)(e) applicable--to--taxable--years--beginning--after--December--31, 1987--sec--47-Ch--4557-E--1987--)~~

LC 1718/01

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

5 NEW SECTION. **Section 4.** Applicability. [This act]
6 applies to taxable years beginning after December 31, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB745, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act exempting from taxation farm machinery and construction equipment 10 years old or older that are intended to be drawn or propelled by other vehicles; and providing an 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. For the purposes of this note it is assumed that mobile equipment that is operated in a stationary position (flood lights, pumps, etc.) would not be tax exempt under the proposal.
3. The taxable value of all agriculture implements in the state was \$55,254,775 in tax year 1988 and is assumed to remain constant in future years.
4. It is assumed that 20% of all agriculture implements in the state would become tax exempt under the proposal (consensus of county assessors).
5. The taxable value of construction equipment becoming tax exempt under the proposal is minimal.
6. Due to the applicability date, the exemption of unsecured personal property (30 percent of the exempted personal property) will impact FY90 revenues.
7. Mill levies are 6 mills for universities and 45 mills for the School Foundation Program. The average county and local school district levies for the affected property are 67.84 and 110.04 mills, respectively.

FISCAL IMPACT:

	<u>FY90</u>			<u>FY91</u>		
	Current	Proposed		Current	Proposed	
<u>Revenue Impact:</u>	Law	Law	Difference	Law	Law	Difference
University Levy	\$11,400,000	\$11,380,108	(\$ 19,892)	\$11,219,000	\$11,152,694	(\$ 66,306)
School Equalization	85,499,000	85,349,812	(149,188)	84,142,000	83,644,707	(497,293)
Total	\$96,899,000	\$96,729,920	(\$169,080)	\$95,361,000	\$94,797,401	(\$563,599)

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposal is expected to reduce county and local school district revenues by \$224,898 and \$364,821, respectively, in FY90. The proposal is expected to reduce county and local school district revenues by \$749,660 and \$1,216,069, respectively, in each subsequent fiscal year.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

It is unclear if equipment operated in a stationary position such as lights, pumps, tanks, etc., yet are attached to and drawn behind an independent propulsion vehicle, is intended to be exempt under the proposal.

Ray Shackelford

DATE 3/3/89

RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

DATE 3/08/89

JOHN W. PATTERSON, PRIMARY SPONSOR

Fiscal Note for HB745, as introduced

HB 745