

SENATE BILL 197

Introduced by Aklestad, et al.

1/20	Introduced
1/20	Referred to Taxation
1/21	Fiscal Note Requested
1/27	Fiscal Note Printed
1/27	Fiscal Note Received
	Died in Committee

JAN 11 1997

1 *Senate* BILL NO. *197*
 2 INTRODUCED BY *MALESIAD Farnell* *Rep. Bob Brown*
 3 *Anderson* *Tracy* *Walt* *Sams* *Ed* *Stamm* *Heating*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO COMBINE IN CLASS SIX
 5 ALL PERSONAL PROPERTY CURRENTLY IN CLASSES EIGHT, NINE, TEN,
 6 AND SIXTEEN; REDESIGNATING PROPERTY CLASSES ELEVEN, TWELVE,
 7 THIRTEEN, FOURTEEN, FIFTEEN, SEVENTEEN, EIGHTEEN, AND
 8 NINETEEN AS EIGHT, NINE, TEN, ELEVEN, TWELVE, THIRTEEN,
 9 FOURTEEN, AND FIFTEEN, RESPECTIVELY; AMENDING SECTIONS
 10 15-1-101, 15-6-136, 15-6-141 THROUGH 15-6-145, 15-6-147
 11 THROUGH 15-6-149, 15-6-153, 15-6-154, 15-8-111, 15-8-205,
 12 15-10-402, 15-16-613, 15-24-301, 15-24-1102, 15-24-1103,
 13 MCA; REPEALING SECTIONS 15-6-138 THROUGH 15-6-140 AND
 14 15-6-146, MCA; AND PROVIDING AN APPLICABILITY DATE."

15
 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17 **Section 1.** Section 15-1-101, MCA, is amended to read:

18 "15-1-101. Definitions. (1) Except as otherwise
 19 specifically provided, when terms mentioned in this section
 20 are used in connection with taxation, they are defined in
 21 the following manner:

22 (a) The term "agricultural" ~~refers--to~~ means the
 23 raising of livestock, poultry, bees, and other species of
 24 domestic animals and wildlife in domestication or a captive
 25 environment, and the raising of field crops, fruit, and

1 other animal and vegetable matter for food or fiber.

2 (b) The term "assessed value" means the value of
 3 property as defined in 15-8-111.

4 (c) The term "average wholesale value" means the value
 5 to a dealer prior to reconditioning and profit margin shown
 6 in national appraisal guides and manuals or the valuation
 7 schedules of the department of revenue.

8 (d) (i) The term "commercial", when used to describe
 9 property, means any property used or owned by a business, a
 10 trade, or a nonprofit corporation as defined in 35-2-102 or
 11 used for the production of income, except that property
 12 described in subsection (ii).

13 (ii) The following types of property are not
 14 commercial:

15 (A) agricultural lands;

16 (B) timberlands;

17 (C) single-family residences and ancillary
 18 improvements and improvements necessary to the function of a
 19 bona fide farm, ranch, or stock operation;

20 (D) mobile homes used exclusively as a residence
 21 except when held by a distributor or dealer of trailers or
 22 mobile homes as his stock in trade; and

23 (E) all property described in 15-6-135;

24 ~~(F)--all property described in 15-6-136; and~~

25 ~~(G)--all property described in 15-6-146.~~

1 (e) The term "comparable property" means property that
 2 has similar use, function, and utility; that is influenced
 3 by the same set of economic trends and physical,
 4 governmental, and social factors; and that has the potential
 5 of a similar highest and best use.

6 (f) The term "credit" means solvent debts, secured or
 7 unsecured, owing to a person.

8 (g) The term "improvements" ~~includes~~ means all
 9 buildings, structures, fences, and improvements situated
 10 upon, erected upon, or affixed to land. When the department
 11 of revenue or its agent determines that the permanency of
 12 location of a mobile home or housetrailer has been
 13 established, the mobile home or housetrailer is presumed to
 14 be an improvement to real property. A mobile home or
 15 housetrailer may be determined to be permanently located
 16 only when it is attached to a foundation which cannot
 17 feasibly be relocated and only when the wheels are removed.

18 (h) The term "leasehold improvements" means
 19 improvements to mobile homes and mobile homes located on
 20 land owned by another person. This property is assessed
 21 under the appropriate classification and the taxes are due
 22 and payable in two payments as provided in 15-24-202.
 23 Delinquent taxes on ~~such~~ leasehold improvements are a lien
 24 only on such leasehold improvements.

25 (i) The term "livestock" means cattle, sheep, swine,

1 goats, horses, mules, and asses.

2 (j) The term "mobile home" means forms of housing
 3 known as "trailers", "housetrainers", or "trailer coaches"
 4 exceeding 8 feet in width or 45 feet in length, designed to
 5 be moved from one place to another by an independent power
 6 connected to them, or any "trailer", "housetrailer", or
 7 "trailer coach" up to 8 feet in width or 45 feet in length
 8 used as a principal residence.

9 (k) The term "personal property" ~~includes~~ means
 10 everything that is the subject of ownership but that is not
 11 included within the meaning of the terms "real estate" and
 12 "improvements".

13 (l) The term "poultry" ~~includes~~ means all chickens,
 14 turkeys, geese, ducks, and other birds raised in
 15 domestication to produce food or feathers.

16 (m) The term "property" ~~includes-moneys~~ means money,
 17 credits, bonds, stocks, franchises, and all other matters
 18 and things, real, personal, and mixed, capable of private
 19 ownership. This definition ~~must~~ may not be construed to
 20 authorize the taxation of the stocks of any company or
 21 corporation when the property of ~~such~~ the company or
 22 corporation represented by the stocks is within the state
 23 and has been taxed.

24 (n) The term "real estate" ~~includes~~ means:

25 (i) the possession of, claim to, ownership of, or

1 right to the possession of land;

2 (ii) all mines, minerals, and quarries in and under the
3 land subject to the provisions of 15-23-501 and Title 15,
4 chapter 23, part 8; all timber belonging to individuals or
5 corporations growing or being on the lands of the United
6 States; and all rights and privileges appertaining thereto.

7 (c) "Research and development firm" means an entity
8 incorporated under the laws of this state or a foreign
9 corporation authorized to do business in this state whose
10 principal purpose is to engage in theoretical analysis,
11 exploration, and experimentation and the extension of
12 investigative findings and theories of a scientific and
13 technical nature into practical application for experimental
14 and demonstration purposes, including the experimental
15 production and testing of models, devices, equipment,
16 materials, and processes.

17 (p) The term "taxable value" means the percentage of
18 market or assessed value as provided for in 15-6-131 through
19 15-6-149 Title 15, chapter 6, part 1.

20 (q) The term "weighted mean assessment ratio" means
21 the total of the assessed values divided by the total of the
22 selling prices of all area sales in the stratum.

23 (2) The phrase term "municipal corporation" or
24 "municipality" or "taxing unit" ~~shall be deemed to include~~
25 means a county, city, incorporated town, township, school

1 district, irrigation district, drainage district, or any
2 person, persons, or organized body authorized by law to
3 establish tax levies for the purpose of raising public
4 revenue.

5 (3) The term "state board" or "board" when used
6 without other qualification ~~shall mean~~ means the state tax
7 appeal board."

8 **Section 2.** Section 15-6-136, MCA, is amended to read:

9 "15-6-136. Class six property -- description --
10 taxable percentage. (1) Class six property includes:

11 ~~(a) --livestock and other species--of--domestic--animals~~
12 ~~and--wildlife--raised--in--domestication--or--a--captive~~
13 ~~environment; except for cats, dogs, and other household pets~~
14 ~~not raised for profit; and the unprocessed products of--such~~
15 ~~animals and wildlife;~~

16 ~~(b) --all--unprocessed agricultural products on the farm~~
17 ~~or in storage except:~~

18 ~~(i) --all--perishable--fruits--and--vegetables--in--farm~~
19 ~~storage and owned by the producer; and~~

20 ~~(ii) --all--producer-held grain in storage;~~

21 ~~(c) --items--of--personal property intended for lease in~~
22 ~~the ordinary course--of--business; provided each--item--of~~
23 ~~personal property satisfies all of the following:~~

24 ~~(i) --the--full--and--true--value--of--the personal property~~
25 ~~is less than \$5,000;~~

1 ~~{ii}-the-personal-property-is-owned-by-a-business-whose~~
 2 ~~primary-business-income-is-from-rental-or-lease-of--personal~~
 3 ~~property--to--individuals--wherein--no--one--customer-of-the~~
 4 ~~business-accounts-for-more-than-10%-of-the-total-rentals--or~~
 5 ~~leases-during-a-calendar-year--and~~

6 ~~{iii}-the--lease--of-the-personal-property-is-generally~~
 7 ~~on-an-hourly--daily--or-weekly-basis~~ all personal property
 8 ~~not included in another class and not subject to a fee in~~
 9 ~~lieu of property tax.~~

10 (2) Class six property is taxed at 4% of its market
 11 value."

12 **Section 3.** Section 15-6-141, MCA, is amended to read:

13 "15-6-141. Class eleven eight property -- description
 14 -- taxable percentage. (1) Class eleven eight property
 15 includes:

16 (a) centrally assessed electric power companies'
 17 allocations, including, if congress passes legislation that
 18 allows the state to tax property owned by an agency created
 19 by congress to transmit or distribute electrical energy,
 20 allocations of properties constructed, owned, or operated by
 21 a public agency created by the congress to transmit or
 22 distribute electric energy produced at privately owned
 23 generating facilities (not including rural electric
 24 cooperatives);

25 (b) allocations for centrally assessed natural gas

1 companies having a major distribution system in this state;
 2 and

3 (c) centrally assessed companies' allocations except:
 4 (i) electric power and natural gas companies'
 5 property;

6 (ii) property owned by cooperative rural electric and
 7 cooperative rural telephone associations and classified in
 8 class five;

9 (iii) property owned by organizations providing
 10 telephone communications to rural areas and classified in
 11 class seven;

12 (iv) railroad transportation property included in class
 13 fifteen twelve; and

14 (v) airline transportation property included in class
 15 seventeen thirteen.

16 (2) Class eleven eight property is taxed at 12% of
 17 market value."

18 **Section 4.** Section 15-6-142, MCA, is amended to read:

19 "15-6-142. Class twelve nine property -- description
 20 -- taxable percentage. (1) Class twelve nine property
 21 includes:

22 (a) a trailer or mobile home used as a residence
 23 except when:

24 (i) held by a distributor or dealer of trailers or
 25 mobile homes as his stock in trade; or

(ii) specifically included in another class;

(b) the first \$80,000 or less of the market value of a trailer or mobile home used as a residence and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than \$10,000 for a single person or \$12,000 for a married couple, as adjusted according to 15-6-134(2)(b)(ii).

(2) Class twelve nine property is taxed as follows:

(a) Property described in subsection (1)(a) that is not of the type described in subsection (1)(b) is taxed at 3.86% of its market value.

(b) Property described in subsection (1)(b) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the table established in subsection (2)(b)(i) of 15-6-134."

Section 5. Section 15-6-143, MCA, is amended to read:

"15-6-143. (Temporary) Class thirteen ten property -- description -- taxable percentage. (1) Class thirteen ten property includes all timberland.

(2) Timberland is contiguous land exceeding 15 acres in one ownership that is capable of producing timber that can be harvested in commercial quantity.

(3) Class thirteen ten property is taxed at the

percentage-rate-"P" 3.84% of the combined appraised value of the standing timber and grazing productivity of the property.

{4}--For-taxable-years-beginning-January-17--19867--and thereafter7--the--taxable--percentage-rate-"P"--applicable-to class-thirteen-property-is-30%/B7--where-B-is--the--certified statewide--percentage--increase--to--be--determined--by--the department-of-revenue-as-provided--in--subsection--{5}7--The taxable-percentage-rate-"P"--shall-be-rounded-downward-to-the nearest--0.01%--and--shall-be-calculated-by-the-department before-July-17-19867

{5}--(a)-Prior-to-July-17-19867--the--department--shall determine--the--certified--statewide-percentage-increase-for class-thirteen-property-using-the-formula-B=X/Y7--where:

{i}-X-is-the-appraised-value7-as-of-January--17--19867 of--all--property--in--the--state7--excluding--use--changes occurring-during-the-preceding-year7-classified-under--class thirteen-as-class-thirteen-is-described-in-this-section7-and {ii}-Y--is--the-appraised-value7-as-of-January-17-19857 of-all-property-in-the-state-that7-as-of--January--17--19867 would--be--classified-under-class-thirteen-as-class-thirteen is-described-in-this-section7

{b}-B--shall--be--rounded--downward--to--the--nearest 0.0001%7

{6}--After--July--17-19867--no-adjustment-may-be-made-by

the-department-to-the-taxable-percentage-rate--"P"--until--a
valuation-has-been-made-as-provided-in-15-7-111: (Terminates
January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 6. Section 15-6-144, MCA, is amended to read:

"15-6-144. Class fourteen eleven property --
description -- taxable percentage. (1) Class fourteen eleven
property includes all improvements on land that is eligible
for valuation, assessment, and taxation as agricultural land
under 15-7-202(2). Class fourteen eleven property includes 1
acre of real property beneath the agricultural improvements.
The 1 acre shall be valued at market value.

(2) Class fourteen eleven property is taxed at 80% of
the taxable percentage applicable to class four property."

Section 7. Section 15-6-145, MCA, is amended to read:

"15-6-145. Class fifteen twelve property --
description -- taxable percentage. (1) Class fifteen twelve
property includes all railroad transportation property as
described in the Railroad Revitalization and Regulatory
Reform Act of 1976 as it read on January 1, 1986.

(2) For the taxable year beginning January 1, 1986,
and for each taxable year thereafter, class fifteen twelve
property is taxed at the percentage rate "R", to be
determined by the department as provided in subsection (3),
or 12%, whichever is less.

(3) $R = A/B$ where:

(a) A is the total statewide taxable value of all
commercial property, except class fifteen twelve property,
as commercial property is described in 15-1-101(1)(d),
including class 1 and class 2 property; and

(b) B is the total statewide market value of all
commercial property, except class fifteen twelve property,
as commercial property is described in 15-1-101(1)(d),
including class 1 and class 2 property.

(4) (a) For the taxable year beginning January 1,
1986, and for every taxable year thereafter, the department
shall conduct a sales assessment ratio study of all
commercial and industrial real property and improvements.
The study must be based on:

(i) assessments of such property as of January 1 of
the year for which the study is being conducted; and

(ii) a statistically valid sample of sales using data
from realty transfer certificates filed during the same
taxable year or from the immediately preceding taxable year,
but only if a sufficient number of certificates is
unavailable from the current taxable year to provide a
statistically valid sample.

(b) The department shall determine the value-weighted
mean sales assessment ratio "M" for all such property
referred to in subsection (4)(a) and reduce the taxable
value of property described in subsection (4) only, by

1 multiplying the total statewide taxable value of property
2 described in subsection (4) by "M" prior to calculating "A"
3 in subsection (3).

4 (c) The adjustment referred to in subsection (4)(b)
5 will be made beginning January 1, 1986, and in each
6 subsequent tax year to equalize the railroad taxable values.

7 (5) For the purpose of complying with the Railroad
8 Revitalization and Regulatory Reform Act of 1976, as it read
9 on January 1, 1986, the rate "R" referred to in this section
10 is the equalized average tax rate generally applicable to
11 commercial and industrial property, except class fifteen
12 twelve property, as commercial property is defined in
13 15-1-101(1)(d)."

14 **Section 8.** Section 15-6-147, MCA, is amended to read:

15 "15-6-147. Class seventeen thirteen property --
16 description -- taxable percentage. (1) Class seventeen
17 thirteen property includes all airline transportation
18 property as described in the Tax Equity and Fiscal
19 Responsibility Act of 1982 as it read on January 1, 1986.

20 (2) For the taxable years 1986 through 1990, class
21 seventeen thirteen property is taxed at 12%, and for each
22 taxable year thereafter, class seventeen thirteen property
23 is taxed at the lesser of 12% or the percentage rate for
24 class fifteen twelve property without adjustment.

25 (3) For the purpose of complying with the Tax Equity

1 and Fiscal Responsibility Act of 1982, as it read on January
2 1, 1986, the rate "R" referred to in this section is the
3 equalized average tax rate generally applicable to
4 commercial and industrial property, except class seventeen
5 thirteen property, as commercial property is defined in
6 15-1-101(1)(d)."

7 **Section 9.** Section 15-6-148, MCA, is amended to read:

8 "15-6-148. Class eighteen fourteen property --
9 description -- taxable percentage. (1) Class eighteen
10 fourteen property includes all nonproductive patented mining
11 claims outside the limits of an incorporated city or town
12 held by an owner for the ultimate purpose of developing the
13 mineral interests on the property. Class eighteen fourteen
14 does not include any property that is used for residential
15 purposes, recreational purposes as described in 70-16-301,
16 or commercial purposes as defined in 15-1-101~~7~~-purposes, or,
17 if the surface is being used for other than mining purposes
18 or has a separate and independent value for such other
19 purposes.

20 (2) Improvements to class eighteen fourteen property
21 that would not disqualify the parcel from designation as
22 class eighteen fourteen property are taxed as otherwise
23 provided in this title, including that portion of the land
24 upon which such improvements are located and which is
25 reasonably required for the use of such improvements.

(3) Class ~~eighteen~~ fourteen property must be valued as if such land were devoted to agricultural grazing use and is taxed at 30% of its value."

Section 10. Section 15-6-149, MCA, is amended to read:

"15-6-149. Class ~~nineteen~~ fifteen property -- description -- taxable percentage. (1) Class ~~nineteen~~ fifteen property includes parcels of nonproductive real property containing less than 20 acres 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) Improvements to class ~~nineteen~~ fifteen property are taxed as class four property.

(3) Class ~~nineteen~~ fifteen property is taxed at 2% of its market value."

Section 11. Section 15-6-153, MCA, is amended to read:

"15-6-153. Application for classification as class ~~eighteen~~ fourteen property. A person applying for classification of property as class ~~eighteen~~ fourteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) the fact that the mining claim is not presently being used for mining purposes but is being held for that

use;

(2) that the mineral interests of the mining claim have not been depleted; and

(3) such other information as the department may require to determine an applicant's eligibility and to determine if the surface is being used for other than mining purposes or has a separate and independent value for such other purposes."

Section 12. Section 15-6-154, MCA, is amended to read:

"15-6-154. Application for classification as class ~~nineteen~~ fifteen property. A person applying for classification of property as class ~~nineteen~~ fifteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) that the property is precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or for other reasons;

(2) what law, regulation, or ordinance or other reason precludes such use;

(3) what determinations, if any, by a governmental entity have been made to substantiate the application for classification as class ~~nineteen~~ fifteen property; and

(4) ~~such~~ any other information as is relevant to the

1 application or as may be required by the department."

2 **Section 13.** Section 15-8-111, MCA, is amended to read:

3 "15-8-111. **Assessment -- market value standard --**
4 **exceptions.** (1) All taxable property must be assessed at
5 100% of its market value except as otherwise provided.

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

10 (b) If the department uses construction cost as one
11 approximation of market value, the department shall fully
12 consider reduction in value caused by depreciation, whether
13 through physical depreciation, functional obsolescence, or
14 economic obsolescence.

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

24 (3) The department of revenue or its agents may not
25 adopt a lower or different standard of value from market

1 value in making the official assessment and appraisal of the
2 value of property, except:

3 (a) the wholesale value for agricultural implements
4 and machinery is the loan value as shown in the Official
5 Guide, Tractor and Farm Equipment, published by the national
6 farm and power equipment dealers association, St. Louis,
7 Missouri;

8 (b) for agricultural implements and machinery not
9 listed in the official guide, the department shall prepare a
10 supplemental manual where the values reflect the same
11 depreciation as those found in the official guide; and

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

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

15 (5) The taxable value for all property is the
16 percentage of market or assessed value established for each
17 class of property.

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

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

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

25 (c) Properties in 15-6-133, under class three, are

assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

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

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

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

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection (6)(d) terminates January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

Section 14. Section 15-8-205, MCA, is amended to read:

"15-8-205. Initial assessment of class twelve nine property -- when. The county assessor shall assess all class twelve nine property immediately upon arrival in the county if the taxes have not been previously paid for that year in another county in Montana."

Section 15. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to 1986 levels. (1)

Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, 15-6-136, 15-6-139, 15-6-142, and 15-6-144 may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.

(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."

Section 16. Section 15-16-613, MCA, is amended to read:

"15-16-613. Refund of certain taxes paid in other states. Subject to the provisions of 15-16-601 and upon proof that tax was paid in another state, a taxpayer is

entitled to a refund equal to the amount of tax paid in another state on a helicopter or property that was assessed in Montana under ~~15-6-138(1)(g)~~ 15-6-136 on January 1 of the year for which the refund is due. The refund under this section may not exceed the tax that was paid in Montana on the same property for the same period of time."

Section 17. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state -- assessment -- exceptions -- custom combine equipment. (1) Except as provided in subsections (2) through (5), property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular

assessment date, provided that the property has not been regularly assessed for the year in some other county of the state.

(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer.

(4) Any motor vehicle not subject to a fee in lieu of tax brought, driven, or coming into this state by any nonresident person temporarily employed in Montana and used exclusively for transportation of such person is subject to taxation and assessment for taxes as follows:

(a) The motor vehicle is taxed by the county in which it is located.

(b) One-fourth of the annual tax liability of the motor vehicle must be paid for each quarter or portion of a quarter of the year that the motor vehicle is located in Montana.

(c) The quarterly taxes are due the first day of the quarter.

(5) Agricultural harvesting machinery classified under class eight six, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of \$35 per machine for the calendar year in

1 which the fee is collected. The machines shall be subject to
2 taxation under class eight six only if they are sold in
3 Montana."

4 **Section 18.** Section 15-24-1102, MCA, is amended to
5 read:

6 "15-24-1102. Federal property held under contract of
7 sale. When the property is held under a contract of sale or
8 other agreement whereby upon payment the legal title is or
9 may be acquired by the person, the real property shall be
10 assessed and taxed as ~~defined in 15-6-131 through 15-6-149~~
11 set forth in Title 15, chapter 6, and 15-8-111 without
12 deduction on account of the whole or any part of the
13 purchase price or other sum due on the property remaining
14 unpaid. The lien for the tax may not attach to, impair, or
15 be enforced against any interest of the United States in the
16 real property."

17 **Section 19.** Section 15-24-1103, MCA, is amended to
18 read:

19 "15-24-1103. Federal property held under lease. When
20 the property is held under lease, other interest, or estate
21 therein less than the fee, except under contract of sale,
22 the property shall be assessed and taxed as for the value,
23 as ~~defined in 15-6-131 through 15-6-149~~ set forth in Title
24 15, chapter 6, of such the leasehold, interest, or estate in
25 the property and the lien for the tax shall attach to and be

1 enforced against only the leasehold, interest, or estate in
2 the property. When the United States authorizes the taxation
3 of the property for the full assessed value of the fee
4 thereof, the property shall be assessed for full assessed
5 value as defined in 15-8-111."

6 NEW SECTION. **Section 20.** Repealer. Sections 15-6-138
7 through 15-6-140 and 15-6-146, MCA, are repealed.

8 NEW SECTION. **Section 21.** Extension of authority. Any
9 existing authority to make rules on the subject of the
10 provisions of [this act] is extended to the provisions of
11 [this act].

12 NEW SECTION. **Section 22.** Applicability. [This act]
13 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 SB197, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to combine in class six all personal property currently in classes eight, nine, ten and sixteen; redesignating property classes eleven, twelve, thirteen, fourteen, fifteen, seventeen, eighteen, and nineteen as eight, nine, ten, eleven, twelve, thirteen, fourteen, and fifteen, respectively; and providing an 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 of personal property in classes eight, nine, ten and sixteen is \$248,244,389 in tax year 1988 and is assumed constant in future years under current law.
3. The taxable valuation of personal property is reduced a total of \$161,238,701 under this proposal.
4. Current taxation of vehicles (61-3-501 through 542, MCA) is not affected by the proposal.
5. Due to the applicability date, the reduced rate for unsecured personal property (30 percent of all personal property) will impact FY 90 revenues.
6. Mill levies are 6 mills for universities and 45 mills for the school foundation program. The average county, local school district, and city and town levies for personal property in classes eight, nine, ten and sixteen are 68.86, 123.25, and 20.29 mills respectively.
7. Operating expenses to reclassify and redesignate the affected property will be \$750 for each of 42 counties in FY 90.

FISCAL IMPACT:

	<u>FY90</u>			<u>FY91</u>		
<u>Revenue Impact:</u>	<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	\$11,109,771	(\$ 290,229)	\$11,219,000	\$10,251,568	(\$ 967,432)
School Equalization	85,499,000	83,322,278	(2,176,722)	84,142,000	76,886,258	(7,255,742)
Total	\$96,899,000	\$94,432,049	(\$ 2,466,951)	\$95,361,000	\$87,137,826	(\$8,223,174)


Expenditure Impact:

(General Fund)

	<u>FY90</u>	<u>FY91</u>
Personal Services	\$ -0-	\$ -0-
Operating Expenses	31,500	-0-
Total	\$31,500	\$ -0-

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

The proposal is expected to reduce county and local school district revenues by \$3,330,634 and \$5,961,901, respectively, in FY90. The proposal is expected to reduce county and local school district revenues by \$11,102,116 and \$19,873,004, respectively, in each subsequent fiscal year. Cities and towns are expected to have a reduction of \$981,417 in FY 90, and a reduction of \$3,271,390 in each subsequent fiscal year.


 RAY SHACKLEFORD, BUDGET DIRECTOR
 OFFICE OF BUDGET AND PROGRAM PLANNING

1/26/89
 DATE


 GARY C. AKLESTAD, PRIMARY SPONSOR
 DATE

1/27/89
 DATE

Fiscal Note for SB197, as introduced

SB 197

Fiscal Note Request, SB197, as introduced

Form BD-15

Page 2

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Section 2 of the proposal redefines class six property to be "all personal property not included in another class and not subject to a fee in lieu of property tax". This conflicts with current taxation of vehicles (61-3-501 through 542, MCA).

The proposal leaves repair tools in class seven taxed at 8%.

SB 197