

SECOND READING, CONCURRED IN AS
AMENDED.

THIRD READING, CONCURRED IN.
AYES, 30; NOES, 20.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

JULY 7, 1989

ON MOTION, CONSIDERATION PASSED
FOR THE DAY.

JULY 8, 1989

ON MOTION, CONSIDERATION PASSED
FOR THE DAY.

JULY 10, 1989

SECOND READING, AMENDMENTS NOT
CONCURRED IN.

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE SENATE

JULY 11, 1989

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

JULY 14, 1989

FREE CONFERENCE COMMITTEE REPORT
ADOPTED.

IN THE HOUSE

JULY 13, 1989

SECOND READING, FREE CONFERENCE
COMMITTEE REPORT ADOPTED.

JULY 14, 1989

THIRD READING, CONFERENCE COMMITTEE
REPORT ADOPTED.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *20*
 2 INTRODUCED BY *Daily Martin Carland Lynch*
 3 *Gene Brown* *Harvey* *Michigan* *Repato* *David*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY AS CLASS
 5 FIVE PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS
 6 *Products* *in* *the* *Mt.* *Edwards* *Play* *ool*
 AND PACKAGE CANOLA SEED OIL; AMENDING SECTION 15-6-135, MCA;
 7 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
 8 *Dustin* *Hay* *Gene* *Imon* *Conj* *Ph* *degr*
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 **Section 1.** Section 15-6-135, MCA, is amended to read:
 11 "15-6-135. Class five property -- description --
 12 taxable percentage. (1) Class five property includes:
 13 (a) all property used and owned by cooperative rural
 14 electrical and cooperative rural telephone associations
 15 organized under the laws of Montana, except property owned
 16 by cooperative organizations described in subsection (1)(b)
 17 of 15-6-137;
 18 (b) air and water pollution control equipment as
 19 defined in this section;
 20 (c) new industrial property as defined in this
 21 section;
 22 (d) any personal or real property used primarily in
 23 the production of gasohol during construction and for the
 24 first 3 years of its operation;
 25 (e) all land and improvements and all personal

1 property owned by a research and development firm, provided
 2 that the property is actively devoted to research and
 3 development;
 4 (f) machinery and equipment used in electrolytic
 5 reduction facilities;
 6 (g) machinery and equipment used in canola seed oil
 7 processing and packaging facilities.
 8 (2) (a) "Air and water pollution equipment" means
 9 facilities, machinery, or equipment used to reduce or
 10 control water or atmospheric pollution or contamination by
 11 removing, reducing, altering, disposing, or storing
 12 pollutants, contaminants, wastes, or heat. The department of
 13 health and environmental sciences shall determine if such
 14 utilization is being made.
 15 (b) The department of health and environmental
 16 sciences' determination as to air and water pollution
 17 equipment may be appealed to the board of health and
 18 environmental sciences and may not be appealed to either a
 19 county tax appeal board or the state tax appeal board.
 20 However, the appraised value of the equipment as determined
 21 by the department of revenue may be appealed to the county
 22 tax appeal board and the state tax appeal board.
 23 (3) "New industrial property" means any new industrial
 24 plant, including land, buildings, machinery, and fixtures,
 25 used by new industries during the first 3 years of their



1 operation. The property may not have been assessed within
2 the state of Montana prior to July 1, 1961.

3 (4) (a) "New industry" means any person, corporation,
4 firm, partnership, association, or other group that
5 establishes a new plant in Montana for the operation of a
6 new industrial endeavor, as distinguished from a mere
7 expansion, reorganization, or merger of an existing
8 industry.

9 (b) New industry includes only those industries that:

10 (i) manufacture, mill, mine, produce, process, or
11 fabricate materials;

12 (ii) do similar work, employing capital and labor, in
13 which materials unserviceable in their natural state are
14 extracted, processed, or made fit for use or are
15 substantially altered or treated so as to create commercial
16 products or materials; or

17 (iii) engage in the mechanical or chemical
18 transformation of materials or substances into new products
19 in the manner defined as manufacturing in the 1972 Standard
20 Industrial Classification Manual prepared by the United
21 States office of management and budget.

22 (5) New industrial property does not include:

23 (a) property used by retail or wholesale merchants,
24 commercial services of any type, agriculture, trades, or
25 professions;

1 (b) a plant that will create adverse impact on
2 existing state, county, or municipal services; or

3 (c) property used or employed in any industrial plant
4 that has been in operation in this state for 3 years or
5 longer; or

6 (d) property otherwise classified as class five
7 property.

8 (6) "Canola seed oil processing and packaging
9 facility" means a facility that:

10 (a) extracts oil from canola seeds, refines the crude
11 oil to produce edible oil, and formulates and packages the
12 edible oil into food products;

13 (b) refines crude canola oil to produce edible oil and
14 formulates and packages the edible oil into food products;

15 (c) refines crude canola oil to produce edible oil; or

16 (d) formulates and packages edible canola oil into
17 food products.

18 ~~(6)(7)~~ Class five property is taxed at 3% of its
19 market value."

20 NEW SECTION. Section 2. Effective date. [This act] is
21 effective on passage and approval.

-End-

APPROVED BY COMMITTEE
ON TAXATION

HOUSE BILL NO. 20

INTRODUCED BY DAILY, QUILICI, PAVLOVICH, LYNCH,
D. BROWN, JACOBSON, HARRINGTON, MENAHAN, KILPATRICK,
DRISCOLL, ADDY, KIMBERLEY, WHALEN, RENBERG, HANNAH,
RAMIREZ, PATTERSON, MCDONOUGH, GLASER, STIMATZ,
BLAYLOCK, KEATING, BISHOP, HAGER, REGAN,
SIMON, COMPTON, ROTH, PHILLIPS

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY AS CLASS
FIVE PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS
AND-PACKAGE CANOLA SEED OIL; AMENDING SECTION 15-6-135, MCA;
AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-6-135, MCA, is amended to read:

"15-6-135. Class five property -- description --
taxable percentage. (1) Class five property includes:

(a) all property used and owned by cooperative rural
electrical and cooperative rural telephone associations
organized under the laws of Montana, except property owned
by cooperative organizations described in subsection (1)(b)
of 15-6-137;

(b) air and water pollution control equipment as
defined in this section;

(c) new industrial property as defined in this

section;

(d) any personal or real property used primarily in
the production of gasohol during construction and for the
first 3 years of its operation;

(e) all land and improvements and all personal
property owned by a research and development firm, provided
that the property is actively devoted to research and
development;

(f) machinery and equipment used in electrolytic
reduction facilities;

(g) machinery and equipment used in canola seed oil
processing and-packaging facilities.

(2) (a) "Air and water pollution equipment" means
facilities, machinery, or equipment used to reduce or
control water or atmospheric pollution or contamination by
removing, reducing, altering, disposing, or storing
pollutants, contaminants, wastes, or heat. The department of
health and environmental sciences shall determine if such
utilization is being made.

(b) The department of health and environmental
sciences' determination as to air and water pollution
equipment may be appealed to the board of health and
environmental sciences and may not be appealed to either a
county tax appeal board or the state tax appeal board.
However, the appraised value of the equipment as determined

1 by the department of revenue may be appealed to the county
2 tax appeal board and the state tax appeal board.

3 (3) "New industrial property" means any new industrial
4 plant, including land, buildings, machinery, and fixtures,
5 used by new industries during the first 3 years of their
6 operation. The property may not have been assessed within
7 the state of Montana prior to July 1, 1961.

8 (4) (a) "New industry" means any person, corporation,
9 firm, partnership, association, or other group that
10 establishes a new plant in Montana for the operation of a
11 new industrial endeavor, as distinguished from a mere
12 expansion, reorganization, or merger of an existing
13 industry.

14 (b) New industry includes only those industries that:

15 (i) manufacture, mill, mine, produce, process, or
16 fabricate materials;

17 (ii) do similar work, employing capital and labor, in
18 which materials unserviceable in their natural state are
19 extracted, processed, or made fit for use or are
20 substantially altered or treated so as to create commercial
21 products or materials; or

22 (iii) engage in the mechanical or chemical
23 transformation of materials or substances into new products
24 in the manner defined as manufacturing in the 1972 Standard
25 Industrial Classification Manual prepared by the United

1 States office of management and budget.

2 (5) New industrial property does not include:

3 (a) property used by retail or wholesale merchants,
4 commercial services of any type, agriculture, trades, or
5 professions;

6 (b) a plant that will create adverse impact on
7 existing state, county, or municipal services; or

8 (c) property used or employed in any industrial plant
9 that has been in operation in this state for 3 years or
10 longer; or

11 (d) property otherwise classified as class five
12 property.

13 (6) "Canola seed oil processing and--packaging
14 facility" means a facility that:

15 {a} extracts oil from canola seeds, refines the crude
16 oil to produce edible oil, and formulates and packages the
17 edible oil into food products, OR ENGAGES IN ANY ONE OR
18 MORE OF THOSE PROCESSES.

19 {b)--refines-crude-canola-oil-to-produce-edible-oil-and
20 formulates--and--packages-the-edible-oil-into-food-products;

21 {c)--refines-crude-canola-oil-to-produce-edible-oil--or

22 {d)--formulates-and-packages--edible--canola--oil--into
23 food-products;

24 {6}{7} Class five property is taxed at 3% of its
25 market value."

1 NEW SECTION. **Section 2.** Effective date. [This act] is
2 effective on passage and approval.

-End-

1 HOUSE BILL NO. 20

2 INTRODUCED BY DAILY, QUILICI, PAVLOVICH, LYNCH,
3 D. BROWN, JACOBSON, HARRINGTON, MENAHAN, KILPATRICK,
4 DRISCOLL, ADDY, KIMBERLEY, WHALEN, REHBERG, HANNAH,
5 RAMIREZ, PATTERSON, MCDONOUGH, GLASER, STIMATZ,
6 BLAYLOCK, KEATING, BISHOP, HAGER, REGAN,
7 SIMON, COMPTON, ROTH, PHILLIPS
8

9 A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY AS CLASS
10 FIVE PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS
11 ~~AND-PACKAGE~~ CANOLA SEED OIL; AMENDING SECTION 15-6-135, MCA;
12 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 **Section 1.** Section 15-6-135, MCA, is amended to read:

16 "15-6-135. Class five property -- description --
17 taxable percentage. (1) Class five property includes:

18 (a) all property used and owned by cooperative rural
19 electrical and cooperative rural telephone associations
20 organized under the laws of Montana, except property owned
21 by cooperative organizations described in subsection (1)(b)
22 of 15-6-137;

23 (b) air and water pollution control equipment as
24 defined in this section;

25 (c) new industrial property as defined in this

1 section;

2 (d) any personal or real property used primarily in
3 the production of gasohol during construction and for the
4 first 3 years of its operation;

5 (e) all land and improvements and all personal
6 property owned by a research and development firm, provided
7 that the property is actively devoted to research and
8 development;

9 (f) machinery and equipment used in electrolytic
10 reduction facilities;

11 (g) machinery and equipment used in canola seed oil
12 processing ~~and--packaging~~ facilities PROVIDED THAT THE
13 OPERATORS OF SUCH FACILITIES EMPLOY A MINIMUM OF 25
14 FULL-TIME EMPLOYEES AND LOCATE IN THE STATE OF MONTANA AFTER
15 [THE EFFECTIVE DATE OF THIS ACT].

16 (2) (a) "Air and water pollution equipment" means
17 facilities, machinery, or equipment used to reduce or
18 control water or atmospheric pollution or contamination by
19 removing, reducing, altering, disposing, or storing
20 pollutants, contaminants, wastes, or heat. The department of
21 health and environmental sciences shall determine if such
22 utilization is being made.

23 (b) The department of health and environmental
24 sciences' determination as to air and water pollution
25 equipment may be appealed to the board of health and

1 environmental sciences and may not be appealed to either a
 2 county tax appeal board or the state tax appeal board.
 3 However, the appraised value of the equipment as determined
 4 by the department of revenue may be appealed to the county
 5 tax appeal board and the state tax appeal board.

6 (3) "New industrial property" means any new industrial
 7 plant, including land, buildings, machinery, and fixtures,
 8 used by new industries during the first 3 years of their
 9 operation. The property may not have been assessed within
 10 the state of Montana prior to July 1, 1961.

11 (4) (a) "New industry" means any person, corporation,
 12 firm, partnership, association, or other group that
 13 establishes a new plant in Montana for the operation of a
 14 new industrial endeavor, as distinguished from a mere
 15 expansion, reorganization, or merger of an existing
 16 industry.

17 (b) New industry includes only those industries that:

18 (i) manufacture, mill, mine, produce, process, or
 19 fabricate materials;

20 (ii) do similar work, employing capital and labor, in
 21 which materials unserviceable in their natural state are
 22 extracted, processed, or made fit for use or are
 23 substantially altered or treated so as to create commercial
 24 products or materials; or

25 (iii) engage in the mechanical or chemical

1 transformation of materials or substances into new products
 2 in the manner defined as manufacturing in the 1972 Standard
 3 Industrial Classification Manual prepared by the United
 4 States office of management and budget.

5 (5) New industrial property does not include:

6 (a) property used by retail or wholesale merchants,
 7 commercial services of any type, agriculture, trades, or
 8 professions;

9 (b) a plant that will create adverse impact on
 10 existing state, county, or municipal services; or

11 (c) property used or employed in any industrial plant
 12 that has been in operation in this state for 3 years or
 13 longer; or

14 (d) property otherwise classified as class five
 15 property.

16 (6) "Canola seed oil processing and--packaging
 17 facility" means a facility that:

18 {a} (A) extracts oil from canola seeds, refines the
 19 crude oil to produce edible oil, and formulates and packages
 20 the edible oil into food products; OR ENGAGES IN ANY ONE OR
 21 MORE OF THOSE PROCESSES; AND

22 (B) EMPLOYS AT LEAST 25 EMPLOYEES IN A FULL-TIME
 23 CAPACITY.

24 {b}--refines-crude-canola-oil-to-produce-edible-oil-and
 25 formulates-and-packages-the-edible-oil-into--food-products;

1 ~~{c)--refines-crude-canola-oil-to-produce-edible-oil;-or~~
2 ~~{d)--formulates--and--packages--edible--canola-oil-into~~
3 ~~food-products.~~

4 {6}{7) Class five property is taxed at 3% of its
5 market value."

6 NEW SECTION. SECTION 2. SEVERABILITY. IT IS THE
7 INTENT OF THE LEGISLATURE THAT [THIS ACT] IS VOID UNLESS A
8 NEW FACILITY EMPLOYING AT LEAST 25 EMPLOYEES IN THE
9 PROCESSING OF CANOLA SEED OIL LOCATES IN THE STATE OF
10 MONTANA AFTER [THE EFFECTIVE DATE OF THIS ACT].

11 NEW SECTION. Section 3. Effective date. [This act] is
12 effective on passage and approval.

-End-

HOUSE BILL NO. 20

INTRODUCED BY DAILY, QUILICI, PAVLOVICH, LYNCH,
D. BROWN, JACOBSON, HARRINGTON, MENAHAN, KILPATRICK,
DRISCOLL, ADDY, KIMBERLEY, WHALEN, REHBERG, HANNAH,
RAMIREZ, PATTERSON, MCDONOUGH, GLASER, STIMATZ,
BLAYLOCK, KEATING, BISHOP, HAGER, REGAN,
SIMON, COMPTON, ROTH, PHILLIPS

A BILL FOR AN ACT ENTITLED: ~~"AN ACT TO CLASSIFY AS CLASS FIVE PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS AND PACKAGE CANOLA SEED OIL; AMENDING SECTION 15-6-135, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."~~ "AN ACT REDUCING TO A SINGLE RATE THE PROPERTY TAX RATE ON CERTAIN PERSONAL PROPERTY; COMBINING PERSONAL PROPERTY CLASSES; REVISING COUNTY CLASSIFICATIONS AND DEBT AND LEVY LIMITATIONS OF LOCAL GOVERNMENTS, INCLUDING SCHOOL DISTRICTS; CLASSIFYING AS CLASS FIVE PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS CANOLA SEED OIL; IMPOSING A PRIVILEGE TAX ON THE EXTRACTION OF COAL AND ALLOCATING THE MONEY; PROVIDING A PRIVILEGE TAX CREDIT; PROVIDING WATER BOND BACKING; REDUCING THE SEVERANCE TAX ON COAL TO 1 PERCENT; AMENDING SECTIONS 7-1-2111, 7-3-1321, 7-6-2211, 7-6-4121, 7-6-4254, 7-7-107, 7-7-108, 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 7-13-4103, 7-14-236, 7-14-2524, 7-14-2525, 7-14-4402, 7-16-2327, 7-16-4104, 7-31-106, 7-31-107, 7-34-2131, 15-1-101,

15-6-135, 15-6-137, 15-6-138, 15-10-402, 15-24-1102, 15-24-1103, 15-35-103, 19-11-503, 19-11-504, 20-9-343, 20-9-406, 20-9-407, AND 20-9-502, MCA; REPEALING SECTIONS 15-6-139, 15-6-140, AND 15-6-146, MCA; AND PROVIDING AN EFFECTIVE DATE AND APPLICABILITY DATES."

STATEMENT OF INTENT

A statement of intent is required for this bill because [section 12] requires the department of revenue to adopt rules to implement a privilege tax on extraction of coal. It is the intent of the legislature that the department adopt rules that address, at a minimum, reporting forms to be used by persons required to pay the privilege tax on coal and other rules as may be necessary to implement and administer the tax on coal.

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

(Refer to Third Reading Bill)

Strike everything after the enacting clause and insert:

NEW SECTION. Section 1. Imposition and rate of privilege tax on coal. The rate of the privilege tax on coal is as follows:

(1) After June 30, 1989, and before July 1, 1990:

1	Heating quality	Surface	Underground
2	(Btu per pound	Mining	Mining
3	of coal):		
4	Under 7,000	16% of contract	2% of contract
5		sales price	sales price
6	7,000 and over	24% of contract	3% of contract
7		sales price	sales price

(2) After June 30, 1990, and before July 1, 1991:

9	Heating quality	Surface	Underground
10	(Btu per pound	Mining	Mining
11	of coal):		
12	Under 7,000	12% of contract	2% of contract
13		sales price	sales price
14	7,000 and over	19% of contract	3% of contract
15		sales price	sales price

(3) After June 30, 1991:

17	Heating quality	Surface	Underground
18	(Btu per pound	Mining	Mining
19	of coal):		
20	Under 7,000	9% of contract	2% of contract
21		sales price	sales price
22	7,000 and over	14% of contract	3% of contract
23		sales price	sales price

24 NEW SECTION. **Section 2.** Definitions. As used in
 25 [sections 1 through 18], the following definitions apply:

1 (1) "Agreement" means a signed contract that is valid
 2 under Montana law between a coal mine operator and a
 3 purchaser or broker for the sale of coal that is produced in
 4 Montana.

5 (2)(a) "Base consumption level" for a purchaser, except
 6 as provided in subsection (2)(b), applies only for the term
 7 of an agreement in effect as of December 31, 1984, and means
 8 the lesser of:

9 (i) the volume of coal purchased during calendar year
 10 1986 from all Montana coal mine operators; or

11 (ii) the greater of:

12 (A) the arithmetic average volume of coal purchased
 13 during calendar years 1983 and 1984 from all Montana coal
 14 mine operators; or

15 (B) 90% of the maximum tonnage provided for in any
 16 agreement executed prior to January 1, 1985, for which the
 17 highest scheduled minimum quantity of coal stipulated by the
 18 terms of the agreement as they existed on January 1, 1985,
 19 has not been purchased at any time during the term of the
 20 agreement, plus the arithmetic average volume of coal
 21 purchased during calendar years 1983 and 1984 from all
 22 Montana coal mine operators under all other agreements.

23 (b) If the volume calculated in subsection (2)(a)(i)
 24 is less than one-third of the volume calculated in
 25 subsection (2)(a)(ii), the base consumption level is the

1 volume calculated in subsection (2)(a)(ii).

2 (3) (a) Except as provided in subsection (3)(b), "base
3 production level" for a coal mine operator applies only for
4 the term of an agreement in effect as of December 31, 1984,
5 and means the lesser of:

6 (i) the arithmetic average volume of coal produced in
7 Montana and sold to a purchaser in calendar years 1983 and
8 1984; or

9 (ii) the volume of coal produced in Montana and sold to
10 a purchaser in 1986.

11 (b) If the amount calculated in subsection (3)(a)(ii)
12 is less than one-third of the amount calculated in
13 subsection (3)(a)(i), the base production level is the
14 amount calculated in subsection (3)(a)(i).

15 (4) "Broker" means any person who resells Montana
16 coal.

17 (5) "Contract sales price" means either the price of
18 coal extracted and prepared for shipment f.o.b. mine,
19 excluding that amount charged by the seller to pay taxes
20 paid on production, or a price imputed by the department
21 under [section 6]. Contract sales price includes all
22 royalties paid on production, no matter how such royalties
23 are calculated. However, with respect to royalties paid to
24 the government of the United States, the state of Montana,
25 or a federally recognized Indian tribe, the contract sales

1 price includes only:

2 (a) for quarterly periods ending on and after
3 September 30, 1984, 15 cents per ton plus 75% of the
4 difference between 15 cents per ton and the amount of such
5 federal, state, and tribal government royalties actually
6 paid;

7 (b) for quarterly periods ending on and after
8 September 30, 1985, 15 cents per ton plus 50% of the
9 difference between 15 cents per ton and the amount of such
10 federal, state, and tribal government royalties actually
11 paid;

12 (c) for quarterly periods ending on and after
13 September 30, 1986, 15 cents per ton plus 25% of the
14 difference between 15 cents per ton and the amount of such
15 federal, state, and tribal government royalties actually
16 paid; and

17 (d) for quarterly periods ending on and after
18 September 30, 1987, 15 cents per ton.

19 (6) "Department" means the department of revenue.

20 (7) "Energy conversion process" includes any process
21 by which coal in the solid state is transformed into slurry,
22 gas, electric energy, or any other form of energy.

23 (8) "Incremental production" means that quantity of
24 coal produced annually by a coal mine operator and sold to a
25 qualified purchaser that exceeds the base production level

1 of the coal mine operator for that purchaser, but only to
2 the extent the quantity of coal exceeds that purchaser's
3 base consumption level from all Montana producers.

4 (9) "Produced" means extracted from the earth.

5 (10) "Purchaser" means a person who purchases or
6 contracts to purchase Montana coal directly from a coal mine
7 operator or indirectly from a broker and who utilizes that
8 coal in any industrial, commercial, or energy conversion
9 process. A coal broker or any other third party intermediary
10 is not a purchaser under the provisions of [sections 1
11 through 18].

12 (11) "Qualified purchaser" means a purchaser whose
13 purchases of Montana coal in any given year exceed his base
14 consumption level. A purchaser of Montana coal who enters
15 into a coal agreement with another purchaser or a broker
16 that causes a reduction in the base consumption level of a
17 purchaser is not a qualified purchaser.

18 (12) "Strip mining" is defined in 82-4-203 and includes
19 "surface mining".

20 (13) "Taxes paid on production" includes any tax paid
21 to the federal, state, or local governments upon the
22 quantity of coal produced as a function of either the volume
23 or the value of production and does not include any tax upon
24 the value of mining equipment, machinery, or buildings and
25 lands, any tax upon a person's net income derived in whole

1 or in part from the sale of coal, or any license fee.

2 (14) "Ton" means 2,000 pounds.

3 (15) "Underground mining" means a coal mining method
4 utilizing shafts and tunnels and as further defined in
5 82-4-203.

6 NEW SECTION. **Section 3.** Quarterly statement and
7 payment of tax. Each coal mine operator shall compute the
8 privilege tax due on each quarter-year's worth of production
9 on forms prescribed by the department. The statement shall
10 indicate the tonnage produced, the average Btu value of the
11 production, the contract sales price received for the
12 production, and such other information as the department may
13 require. Each coal mine operator shall provide a statement
14 of the tons of coal sold to each purchaser for the quarter.
15 The completed form in duplicate, with the tax payment, must
16 be delivered to the department not later than 30 days
17 following the close of the quarter. The form must be signed
18 by the operator if the operator is an individual or by an
19 officer of the coal mine operator if the operator is a
20 business entity. A person operating more than one coal mine
21 in this state may include all of his mines in one statement.
22 The department may grant a reasonable extension of time for
23 filing statements and payment of taxes due upon good cause
24 shown therefor.

25 NEW SECTION. **Section 4.** Penalty for delinquent tax.

1 The department shall add to the amount of all delinquent
 2 privilege taxes a penalty of 10% of the delinquent amount
 3 plus interest at the rate of 1% per month or fraction
 4 thereof computed on the total amount of privilege tax and
 5 penalty. Interest must be computed from the date the
 6 privilege tax was due to the date of payment. The department
 7 shall mail to the person required to file a quarterly report
 8 and pay any privilege tax, a letter setting forth the amount
 9 of tax, penalty, and interest due, and the letter must
 10 further contain a statement that if payment is not made, a
 11 warrant for distraint may be filed. The penalty amount may
 12 be waived by the department if reasonable cause for the
 13 failure or neglect to file the quarterly statement is
 14 provided to the department.

15 NEW SECTION. Section 5. Annual testing of samples.
 16 The Montana state bureau of mines and geology shall test
 17 coal production subject to [sections 1 through 18] and may
 18 make rules governing the collection of test data. A person
 19 subject to [sections 1 through 18] shall submit to the
 20 bureau on or before August 1 each year a sample of mine-run,
 21 "as is" coal from each mine producing that year. Additional
 22 samples must be submitted at the request of the bureau. The
 23 bureau shall compute the Btu per pound of each sample
 24 received and forward this information to the department
 25 prior to September 1 each year.

1 NEW SECTION. Section 6. When value of coal may be
 2 imputed -- procedure. (1) The department may or shall at the
 3 request of the taxpayer impute a value to the coal that
 4 approximates market value f.o.b. mine in a case where:

5 (a) the operator of a coal mine is using the produced
 6 coal in an energy-conversion or other manufacturing process;

7 (b) the operator of a coal mine refines the coal by
 8 drying, cleaning, or other processing designed to improve
 9 the quality of the coal;

10 (c) a person sells coal under a contract that is not
 11 an arm's-length agreement; or

12 (d) a person neglects or refuses to file a statement
 13 under 15-23-701 or a statement and tax return under
 14 [sections 1 through 18].

15 (2) For purposes of subsection (1)(b), "market value
 16 f.o.b. mine" means the value of the coal subsequent to
 17 primary and secondary crushing but prior to drying,
 18 cleaning, or other processing.

19 (3) When imputing value, the department may apply the
 20 factors used by the federal government under 26 U.S.C.,
 21 section 613, or that provision as it may be labeled or
 22 amended, in determining gross income from mining or the
 23 department may apply any other or additional criteria it
 24 considers appropriate. Each subject taxpayer shall upon
 25 request by the department furnish a copy of its federal

1 income tax return, with any amendments, filed for the year
 2 in which the value of coal is being imputed and copies of
 3 the contracts under which it is selling coal at the time.
 4 When the department's estimate of market value is contested
 5 in any proceeding, the burden of proof is on the contesting
 6 party.

7 NEW SECTION. **Section 7.** Disposal of privilege taxes.

8 (1) Privilege taxes collected under [sections 1 through 12]
 9 must be allocated according to the provisions in effect on
 10 the date the tax is due.

11 (2) Privilege taxes collected under the provisions of
 12 [sections 1 through 12] are allocated as follows:

13 (a) 12% to the highway reconstruction trust fund
 14 account in the state special revenue fund;

15 (b) 7.6% to the state special revenue fund to the
 16 credit of the education trust fund account;

17 (c) 6.65% to the credit of the local impact account;

18 (d) 3.8% to the state special revenue fund for state
 19 equalization aid to public schools of the state;

20 (e) 0.38% to the state special revenue fund to the
 21 credit of the county land planning account;

22 (f) 0.475% to the credit of the renewable resource
 23 development bond fund;

24 (g) 1.9% to a nonexpendable trust fund for the purpose
 25 of parks acquisition or management, protection of works of

1 art in the state capitol, and other cultural and aesthetic
 2 projects. Income from this trust fund must be appropriated
 3 as follows:

4 (i) one-third for protection of works of art in the
 5 state capitol and other cultural and aesthetic projects; and
 6 (ii) two-thirds for the acquisition, development,
 7 operation, and maintenance of any sites and areas described
 8 in 23-1-102;

9 (h) 0.38% to the state special revenue fund to the
 10 credit of the state library commission for the purposes of
 11 providing basic library services for the residents of all
 12 counties through library federations and for payment of the
 13 costs of participating in regional and national networking;

14 (i) 0.19% to the state special revenue fund for
 15 conservation districts;

16 (j) 0.475% to the debt service fund type to the credit
 17 of the water development debt service fund;

18 (k) 0.76% to the state special revenue fund for the
 19 Montana Growth Through Agriculture Act;

20 (l) to the coal privilege tax bond fund created by
 21 [section 17], 50% of the total privilege tax collections.
 22 The state treasurer shall from time to time transfer to the
 23 general fund all money in the coal privilege tax bond fund
 24 in excess of the amount necessary to meet all principal and
 25 interest payments on bonds payable from the coal privilege

1 tax bond fund and to satisfy the requirements of the general
2 resolution pursuant to which the bonds were issued.

3 (m) all other revenues from privilege taxes collected
4 under the provisions of [sections 1 through 12] to the
5 credit of the general fund of the state.

6 NEW SECTION. **Section 8. Deficiency assessment --**
7 **hearing -- interest.** (1) When the department determines that
8 the amount of tax due is greater than the amount disclosed
9 by a return, it shall mail to the taxpayer a notice of the
10 additional tax proposed to be assessed. Within 30 days after
11 mailing of the notice, the taxpayer may file with the
12 department a written protest against the proposed additional
13 tax, setting forth the grounds upon which the protest is
14 based, and may request in his protest an oral hearing or an
15 opportunity to present additional evidence relating to his
16 tax liability. If no protest is filed, the amount of the
17 additional tax proposed to be assessed becomes final upon
18 the expiration of the 30-day period. If a protest is filed,
19 the department shall reconsider the proposed assessment and,
20 if the taxpayer has so requested, shall grant the taxpayer
21 an oral hearing. After consideration of the protest and the
22 evidence presented at any oral hearing, the department's
23 action upon the protest is final when it mails notice of its
24 action to the taxpayer.

25 (2) When a deficiency is determined and the tax

1 becomes final, the department shall mail a notice and demand
2 for payment to the taxpayer. The tax is due and payable at
3 the expiration of 10 days from the date of the notice and
4 demand. Interest on any deficiency assessment bears interest
5 until paid at the rate of 1% a month or fraction thereof,
6 computed from the original due date of the return.

7 NEW SECTION. **Section 9. Credit for overpayment --**
8 **interest on overpayment.** (1) If the department determines
9 that the amount of tax, penalty, or interest due for any
10 year is less than the amount paid, the amount of the
11 overpayment must be credited against any tax, penalty, or
12 interest then due from the taxpayer and the balance refunded
13 to the taxpayer or its successor through reorganization,
14 merger, or consolidation or to its shareholders upon
15 dissolution.

16 (2) Except as provided in subsection (3), interest
17 must be allowed on overpayments at the same rate as is
18 charged on deficiency assessments provided in [section 8]
19 due from the due date of the return or from the date of
20 overpayment (whichever date is later) to the date the
21 department approves refunding or crediting of the
22 overpayment.

23 (3) (a) Interest may not accrue during any period the
24 processing of a claim for refund is delayed more than 30
25 days by reason of failure of the taxpayer to furnish

1 information requested by the department for the purpose of
2 verifying the amount of the overpayment.

3 (b) No interest may be allowed:

4 (i) if the overpayment is refunded within 6 months
5 from the date the return is due or from the date the return
6 is filed, whichever is later; or

7 (ii) if the amount of interest is less than \$1.

8 (c) A payment not made incident to a bona fide and
9 orderly discharge of an actual tax liability or one
10 reasonably assumed to be imposed by this law may not be
11 considered an overpayment with respect to which interest is
12 allowable.

13 NEW SECTION. Section 10. Statute of limitations. (1)
14 Except as otherwise provided in this section, no deficiency
15 may be assessed or collected with respect to the year for
16 which a return is filed unless the notice of additional tax
17 proposed to be assessed is mailed within 5 years from the
18 date the return was filed. For the purposes of this section,
19 a return filed before the last day prescribed for filing is
20 considered as filed on the last day. If the taxpayer, before
21 the expiration of the period prescribed for assessment of
22 the tax, consents in writing to an assessment after that
23 time, the tax may be assessed at any time prior to the
24 expiration of the period agreed upon.

25 (2) No refund or credit may be allowed or paid with

1 respect to the year for which a return is filed after 5
2 years from the last day prescribed for filing the return or
3 after 1 year from the date of the overpayment, whichever
4 period expires later, unless before the expiration of the
5 period the taxpayer files a claim therefor or the department
6 has determined the existence of the overpayment and has
7 approved the refund or credit thereof. If the taxpayer has
8 agreed in writing under the provisions of subsection (1) to
9 extend the time within which the department may propose an
10 additional assessment, the period within which a claim for
11 refund or credit may be filed or a credit or refund allowed
12 if no claim is filed is automatically extended.

13 (3) If a return is required to be filed and the
14 taxpayer fails to file the return, the tax may be assessed
15 or an action to collect the tax may be brought at any time.
16 If a return is required to be filed and the taxpayer files a
17 fraudulent return, the 5-year period provided for in
18 subsection (1) does not begin until discovery of the fraud
19 by the department.

20 NEW SECTION. Section 11. Penalties for neglect or
21 false statement. A person who fails, neglects, or refuses to
22 file any statement required under [sections 1 through 18] or
23 who makes a false statement commits a misdemeanor. A person
24 convicted under this section shall be fined not to exceed
25 \$1,000 or be imprisoned in the county jail for any term not

1 to exceed 6 months, or both.

2 NEW SECTION. Section 12. Rulemaking authority. The
3 department may adopt rules necessary for the taxation of
4 property under [sections 1 through 18].

5 NEW SECTION. Section 13. New coal production
6 incentive tax credit allowed -- application limited. (1) A
7 coal mine operator is entitled to a new coal production
8 incentive tax credit against the tax imposed under [section
9 1] of:

10 (a) 40% for incremental production sold after June 30,
11 1988, and before July 1, 1990; and

12 (b) 25% for incremental production sold after June 30,
13 1990, and before July 1, 1991.

14 (2) A coal mine operator is entitled to a new coal
15 production incentive tax credit against the tax imposed
16 under [section 1] on incremental production for the entire
17 term of an agreement, except as provided in subsection (3),
18 and is entitled to adjustment of the base consumption level
19 and the base production level, as defined in [section 2], if
20 the incremental production resulted from coal purchases
21 under:

22 (a) an existing agreement that was extended after
23 December 31, 1984, and before July 1, 1991, for at least a
24 5-year period; or

25 (b) a new agreement that was executed after December

1 31, 1984, and before July 1, 1991.

2 (3) No credit may be claimed for coal produced prior
3 to January 1, 1985.

4 NEW SECTION. Section 14. Calculation and application
5 of credit. (1) The amount of new coal production incentive
6 tax credit that a coal mine operator may claim against the
7 tax imposed in [section 1] is calculated by:

8 (a) determining the incremental production for each of
9 his qualified purchasers that was produced during a calendar
10 year;

11 (b) distributing the incremental production among the
12 quarters in the calendar year in the same proportion as the
13 total volume of coal sold each quarter to each respective
14 purchaser and summing the amounts for all purchasers to
15 determine the coal mine operator's incremental production
16 for each quarter;

17 (c) determining the arithmetic average privilege tax
18 per ton calculated prior to application of the credit on
19 coal sold to each qualified purchaser each quarter during
20 the calendar year;

21 (d) multiplying the incremental production for a
22 quarter for a purchaser by the average privilege tax per ton
23 for that purchaser and multiplying the total by the
24 appropriate percentage as provided in [section 13] for each
25 quarter; and

1 (e) totaling the amount so calculated for all
2 qualified purchasers for all four quarters of the calendar
3 year.

4 (2) When filing the quarterly statement required in
5 [section 3], a coal mine operator may claim against the coal
6 privilege tax calculated for that quarter an amount equal to
7 25% of the new coal production incentive tax credit allowed
8 on incremental production that occurred during the previous
9 calendar year.

10 (3) If in any calendar year a purchaser exceeds his
11 base consumption level and he has purchased from more than
12 one Montana coal mine operator during the year, the credit
13 on the incremental production must be divided among the
14 operators on a pro rata basis. To determine each coal mine
15 operator's pro rata share of the tax credit, each operator
16 shall divide his incremental production by the sum of all
17 coal mine operators' incremental production for that
18 purchaser and multiply the quotient by the purchases in
19 excess of the base consumption level for that purchaser.

20 (4) Neither a coal mine operator nor a purchaser is
21 entitled to a direct payment for the credit allowed in
22 [section 13]. A credit terminates if not taken during the
23 year following the year in which the incremental production
24 occurred.

25 (5) Each coal mine operator shall reduce the delivered

1 price of coal sold to each qualified purchaser by an amount
2 equal to the credit received on incremental production sold
3 to that purchaser.

4 NEW SECTION. **Section 15. Reporting requirements for**
5 **credit -- duty of department.** (1) Every Montana coal mine
6 operator shall provide to the department:

7 (a) on or before September 30, 1989, a list showing
8 the amount of coal produced and sold in calendar years 1983
9 and 1984 to every purchaser, including purchasers who
10 obtained coal from the coal mine operator through a broker;
11 and

12 (b) with the quarterly statement required by [section
13 3], a list of the number of tons produced and sold to every
14 purchaser during the quarter and the privilege tax
15 calculated prior to the application of the credit on these
16 tons.

17 (2) To be eligible for the tax credit provided for in
18 [section 13], a coal mine operator shall furnish to the
19 department:

20 (a) on or before September 30, 1989, copies of all
21 existing coal sales agreements;

22 (b) with the quarterly statement required by [section
23 3], a copy of any new coal sales agreements or extensions of
24 existing agreements executed during the quarter;

25 (c) on or before January 31 of each year:

1 (i) a list of incremental production for all qualified
2 purchasers during the previous calendar year;

3 (ii) a written statement from each qualified purchaser
4 verifying the volume of coal purchased in that year from all
5 Montana coal mine operators; and

6 (iii) the necessary information on incremental
7 production purchased through a broker to verify that the
8 incremental production did not cause a reduction in the base
9 consumption level of any other purchaser of Montana coal;
10 and

11 (d) any other data, reports, evidence, or production
12 data that may be necessary for the department to determine
13 whether a purchaser is a qualified purchaser and the base
14 consumption level for each purchaser.

15 (3) By January 1, 1990, the department shall prepare
16 and publish for informational purposes only an unaudited
17 compilation of the base production level for each coal mine
18 operator and a compilation of the base consumption level for
19 each purchaser.

20 (4) Any coal mine operator or purchaser may, for the
21 purpose of determining the eligibility of coal production
22 for the new production incentive tax credit, file with the
23 department a petition for a declaratory ruling as provided
24 in 2-4-501. The department shall issue a ruling on the
25 petition within 90 days of the date the petition was filed

1 with the department.

2 NEW SECTION. **Section 16. Returns and taxpayer**
3 **information open to public inspection -- certain exceptions.**

4 (1) All information filed with the department in accordance
5 with [section 15] is public record and open to public
6 inspection, except the information required under [section
7 15(1)(b)] and the coal sales agreements specified in
8 [section 15(2)(a) and (2)(b)].

9 (2) Except during proceedings before the state tax
10 appeal board pursuant to 15-2-201, the information required
11 under [section 15(1)(b)] and the coal sales agreements
12 specified in [section 15(2)(a) and (2)(b)] are open to
13 inspection only upon the order of the governor, under rules
14 to be prescribed by the department, or upon order of a court
15 of competent jurisdiction.

16 NEW SECTION. **Section 17. Creation of coal privilege**
17 **tax bond fund -- pledge of tax -- authorization of coal**
18 **privilege tax bonds.** (1) There is a coal privilege tax bond
19 fund in which must be deposited the amount set forth in
20 [section 7(2)(1)].

21 (2) The money deposited in the coal privilege tax bond
22 fund is pledged to and secures the payment of principal of
23 and interest on all state of Montana coal severance tax
24 bonds issued pursuant to Title 17, chapter 5, part 7, and
25 coal privilege tax bonds authorized by this section.

1 (3) The board of examiners, upon approval of the
2 legislature as provided in Title 17, chapter 5, part 7, may
3 issue and sell coal privilege tax bonds for the purposes and
4 subject to the terms and conditions for the issuance of coal
5 severance tax bonds set forth in Title 17, chapter 5, part
6 7.

7 (4) All bonds issued pursuant to Title 17, chapter 5,
8 part 7, after [the effective date of this section],
9 including those bonds authorized to be issued by House Bill
10 778, Laws of 1989, are called "state of Montana coal
11 privilege tax bonds", and the money in the coal privilege
12 tax bond fund is pledged to pay the principal of and
13 interest on the bonds.

14 (5) For the purposes of Title 17, chapter 5, part 7,
15 deposits into the coal privilege tax bond fund must be
16 treated as deposits into the coal severance tax bond fund.

17 NEW SECTION. **Section 18.** Continued tax deposit. The
18 legislature shall provide for the continued assessment,
19 levy, and collection of the privilege tax and for the
20 deposit of that revenue into the coal privilege tax bond
21 fund that, together with other revenue, assets, and money as
22 may be deposited to one or more special bond funds pledged
23 for the benefit of the coal severance tax bonds or the coal
24 privilege tax bonds, will be sufficient to produce an amount
25 that is necessary to pay, when due, the annual debt service

1 charges on all outstanding bonds payable from the coal
2 privilege tax bond fund.

3 **Section 19.** Section 7-1-2111, MCA, is amended to read:

4 **"7-1-2111. Classification of counties.** (1) For the
5 purpose of regulating the compensation and salaries of all
6 county officers, not otherwise provided for, and for fixing
7 the penalties of officers' bonds, the several counties of
8 this state shall be classified according to that percentage
9 of the true and full valuation of the property therein upon
10 which the tax levy is made, except for vehicles subject to
11 taxation under 61-3-504(2), as follows:

12 (a) first class--all counties having such a taxable
13 valuation of \$50 million or over;

14 (b) second class--all counties having such a taxable
15 valuation of more than \$30 million and less than \$50
16 million;

17 (c) third class--all counties having such a taxable
18 valuation of more than \$20 million and less than \$30
19 million;

20 (d) fourth class--all counties having such a taxable
21 valuation of more than \$15 million and less than \$20
22 million;

23 (e) fifth class--all counties having such a taxable
24 valuation of more than \$10 million and less than \$15
25 million;

1 (f) sixth class--all counties having such a taxable
2 valuation of more than \$5 million and less than \$10 million;

3 (g) seventh class--all counties having such a taxable
4 valuation of less than \$5 million.

5 (2) As used in this section, taxable valuation means
6 the taxable value of taxable property in the county as of
7 the time of determination plus:

8 (a) that portion of the taxable value of the county on
9 December 31, 1981, attributable to automobiles and trucks
10 having a rated capacity of three-quarters of a ton or less;

11 (b) that portion of the taxable value of the county on
12 December 31, 1989, attributable to automobiles and trucks
13 having a rated capacity of more than three-quarters of a ton
14 but less than or equal to 1 ton;

15 (c) the amount of interim production and new
16 production taxes levied, as provided in 15-23-607, divided
17 by the appropriate tax rates described in 15-23-607(2)(a) or
18 (2)(b) and multiplied by 60%; and

19 (d) the amount of value represented by new production
20 exempted from tax as provided in 15-23-612; and

21 {e} 6% of the total taxable value of the county on
22 December 31, 1990."

23 **Section 20.** Section 7-3-1321, MCA, is amended to read:

24 "7-3-1321. Authorization to incur indebtedness --
25 limitation. (1) The consolidated municipality may borrow

1 money or issue bonds for any municipal purpose to the extent
2 and in the manner provided by the constitution and laws of
3 Montana for the borrowing of money or issuing of bonds by
4 counties and cities and towns.

5 (2) The municipality may not become indebted in any
6 manner or for any purpose to an amount, including existing
7 indebtedness, in the aggregate exceeding ~~28%~~ 29.8% of the
8 taxable value of the taxable property therein, as
9 ascertained by the last assessment for state and county
10 taxes prior to incurring such indebtedness. All warrants,
11 bonds, or obligations in excess of such amount given by or
12 on behalf of the municipality shall be void."

13 **Section 21.** Section 7-6-2211, MCA, is amended to read:

14 "7-6-2211. Authorization to conduct county business on
15 a cash basis. (1) In case the total indebtedness of a
16 county, lawful when incurred, exceeds the limit of ~~23%~~ 24.5%
17 established in 7-7-2101 by reason of great diminution of
18 taxable value, the county may conduct its business affairs
19 on a cash basis and pay the reasonable and necessary current
20 expenses of the county out of the cash in the county
21 treasury derived from its current revenue and under such
22 restrictions and regulations as may be imposed by the board
23 of county commissioners of the county by a resolution duly
24 adopted and included in the minutes of the board.

25 (2) Nothing in this section restricts the right of the

1 board to make the necessary tax levies for interest and
 2 sinking fund purposes, and nothing in this section affects
 3 the right of any creditor of the county to pursue any remedy
 4 now given him by law to obtain payment of his claim."

5 **Section 22.** Section 7-6-4121, MCA, is amended to read:

6 "**7-6-4121. Authorization to conduct municipal business**
 7 **on a cash basis.** (1) In case the total indebtedness of a
 8 city or town has reached ~~17%~~ 18.1% of the total taxable
 9 value of the property of the city or town subject to
 10 taxation, as ascertained by the last assessment for state
 11 and county taxes, the city or town may conduct its affairs
 12 and business on a cash basis as provided by subsection (2).

13 (2) (a) Whenever a city or town is conducting its
 14 business affairs on a cash basis, the reasonable and
 15 necessary current expenses of the city or town may be paid
 16 out of the cash in the city or town treasury and derived
 17 from its current revenues, under such restrictions and
 18 regulations as the city or town council may by ordinance
 19 prescribe.

20 (b) In the event that payment is made in advance, the
 21 city or town may require a cash deposit as collateral
 22 security and indemnity, equal in amount to such payment, and
 23 may hold the same as a special deposit with the city
 24 treasurer or town clerk, in package form, as a pledge for
 25 the fulfillment and performance of the contract or

1 obligation for which the advance is made.

2 (c) Before the payment of the current expenses
 3 mentioned above, the city or town council shall first set
 4 apart sufficient money to pay the interest upon its legal,
 5 valid, and outstanding bonded indebtedness and any sinking
 6 funds therein provided for and shall be authorized to pay
 7 all valid claims against funds raised by tax especially
 8 authorized by law for the purpose of paying such claims."

9 **Section 23.** Section 7-6-4254, MCA, is amended to read:

10 "**7-6-4254. Limitation on amount of emergency budgets**
 11 **and appropriations.** (1) The total of all emergency budgets
 12 and appropriations made therein in any one year and to be
 13 paid from any city fund may not exceed ~~38%~~ 39.6% of the
 14 total amount which could be produced for such city fund by a
 15 maximum levy authorized by law to be made for such fund, as
 16 shown by the last completed assessment roll of the county.

17 (2) The term "taxable property", as used herein, means
 18 the percentage of the value at which such property is
 19 assessed and which percentage is used for the purposes of
 20 computing taxes and does not mean the assessed value of such
 21 property as the same appears on the assessment roll."

22 **Section 24.** Section 7-7-107, MCA, is amended to read:

23 "**7-7-107. Limitation on amount of bonds for**
 24 **city-county consolidated units.** (1) Except as provided in
 25 7-7-108, no city-county consolidated local government may

1 issue bonds for any purpose which, with all outstanding
2 indebtedness, may exceed 39% 41.5% of the taxable value of
3 the property therein subject to taxation as ascertained by
4 the last assessment for state and county taxes.

5 (2) The issuing of bonds for the purpose of funding or
6 refunding outstanding warrants or bonds is not the incurring
7 of a new or additional indebtedness but is merely the
8 changing of the evidence of outstanding indebtedness."

9 **Section 25.** Section 7-7-108, MCA, is amended to read:

10 "7-7-108. Authorization for additional indebtedness
11 for water or sewer systems. (1) For the purpose of
12 constructing a sewer system or procuring a water supply or
13 constructing or acquiring a water system for a city-county
14 consolidated government which shall own and control such
15 water supply and water system and devote the revenues
16 therefrom to the payment of the debt, a city-county
17 consolidated government may incur an additional indebtedness
18 by borrowing money or issuing bonds.

19 (2) The additional indebtedness which may be incurred
20 by borrowing money or issuing bonds for the construction of
21 a sewer system or for the procurement of a water supply or
22 for both such purposes may not in the aggregate exceed 10%
23 over and above the 39% 41.5% referred to in 7-7-107 of the
24 taxable value of the property therein subject to taxation as
25 ascertained by the last assessment for state and county

1 taxes."

2 **Section 26.** Section 7-7-2101, MCA, is amended to read:

3 "7-7-2101. Limitation on amount of county
4 indebtedness. (1) No county may become indebted in any
5 manner or for any purpose to an amount, including existing
6 indebtedness, in the aggregate exceeding 23% 24.5% of the
7 total of the taxable value of the property therein subject
8 to taxation, plus the amount of interim production and new
9 production taxes levied divided by the appropriate tax rates
10 described in 15-23-607(2)(a) or (2)(b) and multiplied by
11 60%, plus the amount of value represented by new production
12 exempted from tax as provided in 15-23-612, as ascertained
13 by the last assessment for state and county taxes previous
14 to the incurring of such indebtedness.

15 (2) No county may incur indebtedness or liability for
16 any single purpose to an amount exceeding \$500,000 without
17 the approval of a majority of the electors thereof voting at
18 an election to be provided by law, except as provided in
19 7-21-3413 and 7-21-3414.

20 (3) Nothing in this section shall apply to the
21 acquisition of conservation easements as set forth in Title
22 76, chapter 6."

23 **Section 27.** Section 7-7-2203, MCA, is amended to read:

24 "7-7-2203. Limitation on amount of bonded
25 indebtedness. (1) Except as provided in subsections (2)

1 through (4), no county may issue general obligation bonds
 2 for any purpose which, with all outstanding bonds and
 3 warrants except county high school bonds and emergency
 4 bonds, will exceed ~~11.25%~~ 12% of the total of the taxable
 5 value of the property therein, plus the amount of interim
 6 production and new production taxes levied divided by the
 7 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
 8 and multiplied by 60%, plus the amount of value represented
 9 by new production exempted from tax as provided in
 10 15-23-612, to be ascertained by the last assessment for
 11 state and county taxes prior to the proposed issuance of
 12 bonds.

13 (2) In addition to the bonds allowed by subsection
 14 (1), a county may issue bonds which, with all outstanding
 15 bonds and warrants, will not exceed ~~27.75%~~ 29.5% of the
 16 total of the taxable value of the property in the county
 17 subject to taxation, plus the amount of interim production
 18 and new production taxes levied divided by the appropriate
 19 tax rates described in 15-23-607(2)(a) or (2)(b) and
 20 multiplied by 60%, plus the amount of value represented by
 21 new production exempted from tax as provided in 15-23-612,
 22 when necessary to do so, for the purpose of acquiring land
 23 for a site for county high school buildings and for erecting
 24 or acquiring buildings thereon and furnishing and equipping
 25 the same for county high school purposes.

1 (3) In addition to the bonds allowed by subsections
 2 (1) and (2), a county may issue bonds for the construction
 3 or improvement of a jail which will not exceed ~~12.5%~~ 13.3%
 4 of the taxable value of the property in the county subject
 5 to taxation.

6 (4) The limitation in subsection (1) does not apply to
 7 refunding bonds issued for the purpose of paying or retiring
 8 county bonds lawfully issued prior to January 1, 1932, or to
 9 bonds issued for the repayment of tax protests lost by the
 10 county."

11 **Section 28.** Section 7-7-4201, MCA, is amended to read:

12 "7-7-4201. Limitation on amount of bonded
 13 indebtedness. (1) Except as otherwise provided, no city or
 14 town may issue bonds or incur other indebtedness for any
 15 purpose in an amount which with all outstanding and unpaid
 16 indebtedness will exceed ~~28%~~ 29.8% of the taxable value of
 17 the property therein subject to taxation, to be ascertained
 18 by the last assessment for state and county taxes.

19 (2) The issuing of bonds for the purpose of funding or
 20 refunding outstanding warrants or bonds is not the incurring
 21 of a new or additional indebtedness but is merely the
 22 changing of the evidence of outstanding indebtedness.

23 (3) The limitation in subsection (1) does not apply to
 24 bonds issued for the repayment of tax protests lost by the
 25 city or town."

1 **Section 29.** Section 7-7-4202, MCA, is amended to read:

2 "7-7-4202. **Special provisions relating to water and**
3 **sewer systems.** (1) Notwithstanding the provisions of
4 7-7-4201, for the purpose of constructing a sewer system,
5 procuring a water supply, or constructing or acquiring a
6 water system for a city or town which owns and controls the
7 water supply and water system and devotes the revenues
8 therefrom to the payment of the debt, a city or town may
9 incur an additional indebtedness by borrowing money or
10 issuing bonds.

11 (2) The additional total indebtedness that may be
12 incurred by borrowing money or issuing bonds for the
13 construction of a sewer system, for the procurement of a
14 water supply, or for both such purposes, including all
15 indebtedness theretofore contracted which is unpaid or
16 outstanding, may not in the aggregate exceed 55% over and
17 above the ~~28%~~ 29.8%, referred to in 7-7-4201, of the taxable
18 value of the property therein subject to taxation as
19 ascertained by the last assessment for state and county
20 taxes."

21 **Section 30.** Section 7-13-4103, MCA, is amended to
22 read:

23 "7-13-4103. **Limitation on indebtedness for acquisition**
24 **of natural gas system.** The total amount of indebtedness
25 authorized to be contracted in any form, including the

1 then-existing indebtedness, must not at any time exceed ~~17%~~
2 18.1% of the total taxable value of the property of the city
3 or town subject to taxation as ascertained by the last
4 assessment for state and county taxes."

5 **Section 31.** Section 7-14-236, MCA, is amended to read:

6 "7-14-236. **Limitation on bonded indebtedness.** The
7 amount of bonds issued to provide funds for the district and
8 outstanding at any time shall not exceed ~~28%~~ 29.8% of the
9 taxable value of taxable property therein as ascertained by
10 the last assessment for state and county taxes previous to
11 the issuance of such bonds."

12 **Section 32.** Section 7-14-2524, MCA, is amended to
13 read:

14 "7-14-2524. **Limitation on amount of bonds issued --**
15 **excess void.** (1) Except as otherwise provided hereafter and
16 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
17 with all outstanding bonds and warrants except county high
18 school bonds and emergency bonds, will exceed ~~11.25%~~ 12%
19 of the total of the taxable value of the property therein, plus
20 the amount of interim production and new production taxes
21 levied divided by the appropriate tax rates described in
22 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
23 amount of value represented by new production exempted from
24 tax as provided in 15-23-612. The taxable property and the
25 amount of interim production and new production taxes levied

1 shall be ascertained by the last assessment for state and
2 county taxes prior to the issuance of such bonds.

3 (2) A county may issue bonds which, with all
4 outstanding bonds and warrants except county high school
5 bonds, will exceed ~~11-25% 12%~~ but will not exceed ~~22-5% 24%~~
6 of the total of the taxable value of such property, plus the
7 amount of interim production and new production taxes levied
8 divided by the appropriate tax rates described in
9 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
10 amount of value represented by new production exempted from
11 tax as provided in 15-23-612, when necessary for the purpose
12 of replacing, rebuilding, or repairing county buildings,
13 bridges, or highways which have been destroyed or damaged by
14 an act of God, disaster, catastrophe, or accident.

15 (3) The value of the bonds issued and all other
16 outstanding indebtedness of the county, except county high
17 school bonds, shall not exceed ~~22-5% 24%~~ of the total of the
18 taxable value of the property within the county, plus the
19 amount of interim production and new production taxes levied
20 divided by the appropriate tax rates described in
21 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the
22 amount of value represented by new production exempted from
23 tax as provided in 15-23-612, as ascertained by the last
24 preceding general assessment."

25 **Section 33.** Section 7-14-2525, MCA, is amended to

1 read:

2 **"7-14-2525. Refunding agreements and refunding bonds**
3 **authorized.** (1) Whenever the total indebtedness of a county
4 exceeds ~~22-5% 24%~~ of the total of the taxable value of the
5 property therein, plus the amount of interim production and
6 new production taxes levied divided by the appropriate tax
7 rates described in 15-23-607(2)(a) or (2)(b) and multiplied
8 by 60%, plus the amount of value represented by new
9 production exempted from tax as provided in 15-23-612, and
10 the board determines that the county is unable to pay such
11 indebtedness in full, the board may:

12 (a) negotiate with the bondholders for an agreement
13 whereby the bondholders agree to accept less than the full
14 amount of the bonds and the accrued unpaid interest thereon
15 in satisfaction thereof;

16 (b) enter into such agreement;

17 (c) issue refunding bonds for the amount agreed upon.

18 (2) These bonds may be issued in more than one series,
19 and each series may be either amortization or serial bonds.

20 (3) The plan agreed upon between the board and the
21 bondholders shall be embodied in full in the resolution
22 providing for the issue of the bonds."

23 **Section 34.** Section 7-14-4402, MCA, is amended to
24 read:

25 **"7-14-4402. Limit on indebtedness to provide bus**

1 service. The total amount of indebtedness authorized under
 2 7-14-4401(1) to be contracted in any form, including the
 3 then-existing indebtedness, may not at any time exceed 28%
 4 29.8% of the total taxable value of the property of the city
 5 or town subject to taxation as ascertained by the last
 6 assessment for state and county taxes. No money may be
 7 borrowed or bonds issued for the purposes specified in
 8 7-14-4401(1) until the proposition has been submitted to the
 9 vote of the taxpayers of the city or town and the majority
 10 vote cast in its favor."

11 **Section 35.** Section 7-16-2327, MCA, is amended to
 12 read:

13 "7-16-2327. Indebtedness for park purposes. (1)
 14 Subject to the provisions of subsection (2), a county park
 15 board, in addition to powers and duties now given under law,
 16 shall have the power and duty to contract an indebtedness in
 17 behalf of a county, upon the credit thereof, for the
 18 purposes of 7-16-2321(1) and (2).

19 (2) (a) The total amount of indebtedness authorized to
 20 be contracted in any form, including the then-existing
 21 indebtedness, must not at any time exceed ~~13%~~ 13.8% of the
 22 total of the taxable value of the taxable property in the
 23 county, plus the amount of interim production and new
 24 production taxes levied divided by the appropriate tax rates
 25 described in 15-23-607(2)(a) or (2)(b) and multiplied by

1 60%, plus the amount of value represented by new production
 2 exempted from tax as provided in 15-23-612, ascertained by
 3 the last assessment for state and county taxes previous to
 4 the incurring of such indebtedness.

5 (b) No money may be borrowed on bonds issued for the
 6 purchase of lands and improving same for any such purpose
 7 until the proposition has been submitted to the vote of
 8 those qualified under the provisions of the state
 9 constitution to vote at such election in the county affected
 10 thereby and a majority vote is cast in favor thereof."

11 **Section 36.** Section 7-16-4104, MCA, is amended to
 12 read:

13 "7-16-4104. Authorization for municipal indebtedness
 14 for various cultural, social, and recreational purposes. (1)
 15 A city or town council or commission may contract an
 16 indebtedness on behalf of the city or town, upon the credit
 17 thereof, by borrowing money or issuing bonds:

18 (a) for the purpose of purchasing and improving lands
 19 for public parks and grounds;

20 (b) for procuring by purchase, construction, or
 21 otherwise swimming pools, athletic fields, skating rinks,
 22 playgrounds, museums, a golf course, a site and building for
 23 a civic center, a youth center, or combination thereof; and

24 (c) for furnishing and equipping the same.

25 (2) The total amount of indebtedness authorized to be

1 contracted in any form, including the then-existing
 2 indebtedness, may not at any time exceed ~~16.5%~~ 17.6% of the
 3 taxable value of the taxable property of the city or town as
 4 ascertained by the last assessment for state and county
 5 taxes previous to the incurring of such indebtedness. No
 6 money may be borrowed on bonds issued for the purchase of
 7 lands and improving the same for any such purpose until the
 8 proposition has been submitted to the vote of the qualified
 9 electors of the city or town and a majority vote is cast in
 10 favor thereof."

11 **Section 37.** Section 7-31-106, MCA, is amended to read:

12 "7-31-106. Authorization for county to issue bonds --
 13 election required. (1) If the petition is presented to the
 14 board of county commissioners, it shall be the duty of the
 15 board, for the purpose of raising money to meet the payments
 16 under the terms and conditions of said contract and other
 17 necessary and proper expenses in and about the same and for
 18 the approval or disapproval thereof:

19 (a) to ascertain, within 30 days after submission of
 20 the petition, the existing indebtedness of the county in the
 21 aggregate; and

22 (b) to submit, within 60 days after ascertaining the
 23 same, to the electors of such county the proposition to
 24 approve or disapprove the contract and the issuance of bonds
 25 necessary to carry out the same.

1 (2) The amount of the bonds authorized by this section
 2 may not exceed ~~22.5%~~ 24% of the taxable value of the taxable
 3 property therein, inclusive of the existing indebtedness
 4 thereof, to be ascertained by the last assessment for state
 5 and county taxes previous to the issuance of said bonds and
 6 incurring of said indebtedness."

7 **Section 38.** Section 7-31-107, MCA, is amended to read:

8 "7-31-107. Authorization for municipality to issue
 9 bonds -- election required. (1) If said petition is
 10 presented to the council of any incorporated city or town,
 11 the council, for the purpose of raising money to meet the
 12 payments under the terms and conditions of said contract and
 13 other necessary and proper expenses in and about the same
 14 and for the approval or disapproval thereof:

15 (a) shall ascertain, within 30 days after submission
 16 of the petition, the aggregate indebtedness of such city or
 17 town; and

18 (b) shall submit, within 60 days after ascertaining
 19 the same, to the electors of such city or town the
 20 proposition to approve or disapprove said contract and the
 21 issuance of bonds necessary to carry out the same.

22 (2) The amount of the bonds authorized by this section
 23 may not exceed ~~16.5%~~ 17.6% of the taxable value of the
 24 taxable property therein, inclusive of the existing
 25 indebtedness thereof, to be ascertained in the manner

1 provided in this part."

2 **Section 39.** Section 7-34-2131, MCA, is amended to
3 read:

4 "7-34-2131. Hospital district bonds authorized. (1) A
5 hospital district may borrow money by the issuance of its
6 bonds to provide funds for payment of part or all of the
7 cost of acquisition, furnishing, equipment, improvement,
8 extension, and betterment of hospital facilities and to
9 provide an adequate working capital for a new hospital.

10 (2) The amount of bonds issued for such purpose and
11 outstanding at any time may not exceed ~~22.5%~~ 24% of the
12 taxable value of the property therein as ascertained by the
13 last assessment for state and county taxes previous to the
14 issuance of such bonds.

15 (3) Such bonds shall be authorized, sold, and issued
16 and provisions made for their payment in the manner and
17 subject to the conditions and limitations prescribed for
18 bonds of school districts by Title 20, chapter 9, part 4.

19 (4) Nothing herein shall be construed to preclude the
20 provisions of Title 50, chapter 6, part 1, allowing the
21 state to apply for and accept federal funds."

22 **Section 40.** Section 15-1-101, MCA, is amended to read:

23 "15-1-101. Definitions. (1) Except as otherwise
24 specifically provided, when terms mentioned in this section
25 are used in connection with taxation, they are defined in

1 the following manner:

2 (a) The term "agricultural" refers to the raising of
3 livestock, poultry, bees, and other species of domestic
4 animals and wildlife in domestication or a captive
5 environment, and the raising of field crops, fruit, and
6 other animal and vegetable matter for food or fiber.

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

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

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

18 (ii) The following types of property are not
19 commercial:

20 (A) agricultural lands;

21 (B) timberlands;

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

25 (D) mobile homes used exclusively as a residence

1 except when held by a distributor or dealer of trailers or
2 mobile homes as his stock in trade;

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

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

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

6 (e) The term "comparable property" means property that
7 has similar use, function, and utility; that is influenced
8 by the same set of economic trends and physical,
9 governmental, and social factors; and that has the potential
10 of a similar highest and best use.

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

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

23 (h) The term "leasehold improvements" means
24 improvements to mobile homes and mobile homes located on
25 land owned by another person. This property is assessed

1 under the appropriate classification and the taxes are due
2 and payable in two payments as provided in 15-24-202.
3 Delinquent taxes on such leasehold improvements are a lien
4 only on such leasehold improvements.

5 (i) The term "livestock" means cattle, sheep, swine,
6 goats, horses, mules, and asses.

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

14 (k) The term "personal property" includes everything
15 that is the subject of ownership but that is not included
16 within the meaning of the terms "real estate" and
17 "improvements".

18 (l) The term "poultry" includes all chickens, turkeys,
19 geese, ducks, and other birds raised in domestication to
20 produce food or feathers.

21 (m) The term "property" includes moneys, credits,
22 bonds, stocks, franchises, and all other matters and things,
23 real, personal, and mixed, capable of private ownership.
24 This definition must not be construed to authorize the
25 taxation of the stocks of any company or corporation when

1 the property of such company or corporation represented by
 2 the stocks is within the state and has been taxed.

3 (n) The term "real estate" includes:

4 (i) the possession of, claim to, ownership of, or
 5 right to the possession of land;

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

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

21 (p) The term "taxable value" means the percentage of
 22 market or assessed value as provided for in ~~15-6-131~~ through
 23 ~~15-6-149~~ Title 15, chapter 6, part 1.

24 (q) The term "weighted mean assessment ratio" means
 25 the total of the assessed values divided by the total of the

1 selling prices of all area sales in the stratum.

2 (2) The phrase "municipal corporation" or
 3 "municipality" or "taxing unit" shall be deemed to include a
 4 county, city, incorporated town, township, school district,
 5 irrigation district, drainage district, or any person,
 6 persons, or organized body authorized by law to establish
 7 tax levies for the purpose of raising public revenue.

8 (3) The term "state board" or "board" when used
 9 without other qualification shall mean the state tax appeal
 10 board."

11 **Section 41.** Section 15-6-135, MCA, is amended to read:

12 **"15-6-135. Class five property -- description --**
 13 **taxable percentage. (1) Class five property includes:**

14 (a) all property used and owned by cooperative rural
 15 electrical and cooperative rural telephone associations
 16 organized under the laws of Montana, except property owned
 17 by cooperative organizations described in subsection (1)(b)
 18 of 15-6-137;

19 (b) air and water pollution control equipment as
 20 defined in this section;

21 (c) new industrial property as defined in this
 22 section;

23 (d) any personal or real property used primarily in
 24 the production of gasohol during construction and for the
 25 first 3 years of its operation;

1 (e) all land and improvements and all personal
2 property owned by a research and development firm, provided
3 that the property is actively devoted to research and
4 development;

5 (f) machinery and equipment used in electrolytic
6 reduction facilities;

7 (g) machinery and equipment used in canola seed oil
8 processing facilities provided that the operators of such
9 facilities employ a minimum of 25 15 full-time employees and
10 locate in the state of Montana after [the effective date of
11 this act].

12 (2) (a) "Air and water pollution equipment" means
13 facilities, machinery, or equipment used to reduce or
14 control water or atmospheric pollution or contamination by
15 removing, reducing, altering, disposing, or storing
16 pollutants, contaminants, wastes, or heat. The department of
17 health and environmental sciences shall determine if such
18 utilization is being made.

19 (b) The department of health and environmental
20 sciences' determination as to air and water pollution
21 equipment may be appealed to the board of health and
22 environmental sciences and may not be appealed to either a
23 county tax appeal board or the state tax appeal board.
24 However, the appraised value of the equipment as determined
25 by the department of revenue may be appealed to the county

1 tax appeal board and the state tax appeal board.

2 (3) "New industrial property" means any new industrial
3 plant, including land, buildings, machinery, and fixtures,
4 used by new industries during the first 3 years of their
5 operation. The property may not have been assessed within
6 the state of Montana prior to July 1, 1961.

7 (4) (a) "New industry" means any person, corporation,
8 firm, partnership, association, or other group that
9 establishes a new plant in Montana for the operation of a
10 new industrial endeavor, as distinguished from a mere
11 expansion, reorganization, or merger of an existing
12 industry.

13 (b) New industry includes only those industries that:

14 (i) manufacture, mill, mine, produce, process, or
15 fabricate materials;

16 (ii) do similar work, employing capital and labor, in
17 which materials unserviceable in their natural state are
18 extracted, processed, or made fit for use or are
19 substantially altered or treated so as to create commercial
20 products or materials; or

21 (iii) engage in the mechanical or chemical
22 transformation of materials or substances into new products
23 in the manner defined as manufacturing in the 1972 Standard
24 Industrial Classification Manual prepared by the United
25 States office of management and budget.

1 (5) New industrial property does not include:
 2 (a) property used by retail or wholesale merchants,
 3 commercial services of any type, agriculture, trades, or
 4 professions;
 5 (b) a plant that will create adverse impact on
 6 existing state, county, or municipal services; or
 7 (c) property used or employed in any industrial plant
 8 that has been in operation in this state for 3 years or
 9 longer; or
 10 (d) property otherwise classified as class five
 11 property.
 12 (6) "Canola seed oil processing facility" means a
 13 facility that:
 14 (a) extracts oil from canola seeds, refines the crude
 15 oil to produce edible oil, formulates and packages the
 16 edible oil into food products, or engages in any one or more
 17 of those processes; and
 18 (b) employs at least 25 15 employees in a full-time
 19 capacity.
 20 ~~(6)(7)~~ Class five property is taxed at 3% of its
 21 market value."
 22 **NEW SECTION. Section 42. Contingency.** It is the
 23 intent of the legislature that [section 41] is void unless a
 24 new facility employing at least 25 15 employees in the
 25 processing of canola seed oil locates in the state of

1 Montana after [the effective date of this act].
 2 **Section 43.** Section 15-6-137, MCA, is amended to read:
 3 "15-6-137. Class seven property -- description --
 4 taxable percentage. (1) Class seven property includes:
 5 (a) all property used and owned by persons, firms,
 6 corporations, or other organizations that are engaged in the
 7 business of furnishing telephone communications exclusively
 8 to rural areas or to rural areas and cities and towns of 800
 9 persons or less;
 10 (b) all property owned by cooperative rural electrical
 11 and cooperative rural telephone associations that serve less
 12 than 95% of the electricity consumers or telephone users
 13 within the incorporated limits of a city or town;
 14 (c) electric transformers and meters; electric light
 15 and power substation machinery; natural gas measuring and
 16 regulating station equipment, meters, and compressor station
 17 machinery owned by noncentrally assessed public utilities;
 18 and tools used in the repair and maintenance of this
 19 property;
 20 ~~(d) any tools or implements that are not included in~~
 21 ~~another class or that are exempt under 15-6-201(i)(7) and~~
 22 ~~machinery used to repair and maintain machinery not used for~~
 23 ~~manufacturing and mining purposes.~~
 24 (2) To qualify for this classification, the average
 25 circuit miles for each station on the telephone

1 communication system described in subsection (1)(b) must be
2 more than 1 mile.

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

5 **Section 44.** Section 15-6-138, MCA, is amended to read:

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

8 (a) all agricultural implements and equipment;
9 (b) all mining machinery, fixtures, equipment, tools
10 that are not exempt under 15-6-201(1)(r), and supplies
11 except:

12 (i) those included in class five; and

13 (ii) ~~coal and ore haulers;~~

14 (c) all manufacturing machinery, fixtures, equipment,
15 tools that are not exempt under 15-6-201(1)(r), and supplies
16 except those included in class five;

17 (d) all trailers, including those prorated under
18 15-24-102, except those subject to taxation under
19 61-3-504(2);

20 (e) all goods and equipment intended for rent or
21 lease, except goods and equipment specifically included and
22 taxed in another class;

23 (f) buses and trucks having a rated capacity of more
24 than 1 ton, including those prorated under 15-24-102; and

25 (g) ~~all other machinery except that specifically~~

1 ~~included in another class.~~

2 (g) truck toppers weighing more than 300 pounds;

3 (h) furniture, fixtures, and equipment, except that
4 specifically included in another class, used in commercial
5 establishments as defined in this section;

6 (i) x-ray and medical and dental equipment;

7 (j) citizens' band radios and mobile telephones;

8 (k) radio and television broadcasting and transmitting
9 equipment;

10 (l) cable television systems;

11 (m) coal and ore haulers;

12 (n) theater projectors and sound equipment; and

13 (o) all other property not included in any other class
14 in this part, except that property subject to a fee in lieu
15 of a property tax.

16 (2) As used in this section, "coal and ore haulers"
17 means nonhighway vehicles that exceed 18,000 pounds per axle
18 and that are primarily designed and used to transport coal,
19 ore, or other earthen material in a mining or quarrying
20 environment.

21 (3) "Commercial establishment" includes any hotel;
22 motel; office; petroleum marketing station; or service,
23 wholesale, retail, or food-handling business.

24 (4) ~~Class eight property is taxed at 11% 5%~~ of its
25 market value."

1 **Section 45.** Section 15-10-402, MCA, is amended to
2 read:

3 "15-10-402. Property tax limited to 1986 levels. (1)
4 Except as provided in subsections (2) and (3), the amount of
5 taxes levied on property described in 15-6-133, 15-6-134,
6 15-6-136, ~~15-6-139~~, 15-6-142, and 15-6-144 may not, for any
7 taxing jurisdiction, exceed the amount levied for taxable
8 year 1986.

9 (2) The limitation contained in subsection (1) does
10 not apply to levies for rural improvement districts, Title
11 7, chapter 12, part 21; special improvement districts, Title
12 7, chapter 12, part 41; or bonded indebtedness.

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

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

24 **Section 46.** Section 15-24-1102, MCA, is amended to
25 read:

1 "15-24-1102. Federal property held under contract of
2 sale. When the property is held under a contract of sale or
3 other agreement whereby upon payment the legal title is or
4 may be acquired by the person, the real property shall be
5 assessed and taxed as defined in ~~15-6-131 through 15-6-149~~
6 Title 15, chapter 6, part 1, and 15-8-111 without deduction
7 on account of the whole or any part of the purchase price or
8 other sum due on the property remaining unpaid. The lien for
9 the tax may not attach to, impair, or be enforced against
10 any interest of the United States in the real property."

11 **Section 47.** Section 15-24-1103, MCA, is amended to
12 read:

13 "15-24-1103. Federal property held under lease. When
14 the property is held under lease, other interest, or estate
15 therein less than the fee, except under contract of sale,
16 the property shall be assessed and taxed as for the value,
17 as defined in ~~15-6-131 through 15-6-149~~ Title 15, chapter 6,
18 part 1, of such leasehold, interest, or estate in the
19 property and the lien for the tax shall attach to and be
20 enforced against only the leasehold, interest, or estate in
21 the property. When the United States authorizes the taxation
22 of the property for the full assessed value of the fee
23 thereof, the property shall be assessed for full assessed
24 value as defined in 15-8-111."

25 **Section 48.** Section 15-35-103, MCA, is amended to

1 read:

2 *15-35-103. Severance tax -- rates rate imposed. (1)
3 Subject to the provisions of 15-35-202 allowing a new coal
4 production incentive tax credit, a severance tax of 1% of
5 value is imposed on each ton of coal produced in the state,
6 in accordance with the following schedule:

7 (a) -- After June 30, 1987, and before July 1, 1990:

8 Heating-quality	Surface--	Underground
9 (Btu-per-pound	Mining--	Mining---
10 ---of-coal):	-	-
11 Under-7,000	17% of value	3% of value
12 7,000 and-over	25% of value	4% of value

13 (b) -- After June 30, 1990, and before July 1, 1991:

14 Heating-quality	Surface--	Underground
15 (Btu-per-pound	Mining--	Mining---
16 ---of-coal):	-	-
17 Under-7,000	13% of value	3% of value
18 7,000 and-over	20% of value	4% of value

19 (c) -- After June 30, 1991:

20 Heating-quality	Surface--	Underground
21 (Btu-per-pound	Mining--	Mining---
22 ---of-coal):	-	-
23 Under-7,000	10% of value	3% of value
24 7,000 and-over	15% of value	4% of value

25 (2) "Value" means the contract sales price.

1 (3) -- The formula which yields the greater amount of tax
2 in a particular case shall be used at each point on these
3 schedules.

4 (4)(3) A person is not liable for any severance tax
5 upon 50,000 tons of the coal he produces in a calendar year,
6 except that if he produces more than 50,000 tons of coal in
7 a calendar year, he will be liable for severance tax upon
8 all coal produced in excess of the first 20,000 tons.

9 (5)(4) A new coal production incentive tax credit may
10 be claimed on certain coal as provided in 15-35-202."

11 **Section 49.** Section 19-11-503, MCA, is amended to
12 read:

13 "19-11-503. Special tax levy for fund required. (1)
14 The purpose of this section is to provide a means by which
15 each disability and pension fund may be maintained at a
16 level equal to ~~4%~~ 4.26% of the taxable valuation of all
17 taxable property within the limits of the city or town.

18 (2) Whenever the fund contains less than ~~4%~~ 4.26% of
19 the taxable valuation of all taxable property within the
20 limits of the city or town, the governing body of the city
21 or town shall, at the time of the levy of the annual tax,
22 levy a special tax as provided in 19-11-504. The special tax
23 must be collected as other taxes are collected and, when so
24 collected, must be paid into the disability and pension
25 fund.

1 (3) If a special tax for the disability and pension
2 fund is levied by a third-class city or town using the
3 all-purpose mill levy, the special tax levy must be made in
4 addition to the all-purpose levy."

5 **Section 50.** Section 19-11-504, MCA, is amended to
6 read:

7 "19-11-504. Amount of special tax levy. Whenever the
8 fund contains an amount which is less than ~~4%~~ 4.26% of the
9 taxable valuation of all taxable property in the city or
10 town, the city council shall levy an annual special tax of
11 not less than 1 mill and not more than 4 mills on each
12 dollar of taxable valuation of all taxable property within
13 the city or town."

14 **Section 51.** Section 20-9-343, MCA, is amended to read:

15 "20-9-343. Definition of and revenue for state
16 equalization aid. (1) As used in this title, the term "state
17 equalization aid" means ~~those moneys~~ the money deposited in
18 the state special revenue fund as required in this section
19 plus any legislative appropriation of money from other
20 sources for distribution to the public schools for the
21 purpose of equalization of the foundation program.

22 (2) The ~~legislative--appropriation~~ legislature shall
23 biennially appropriate money for state equalization aid
24 ~~shall--be--made--in--a--single--sum--for--the--biennium.~~ The
25 superintendent of public instruction ~~has--authority--to~~ may

1 spend ~~such~~ the appropriation, together with the earmarked
2 revenues provided in subsection (3), as required for
3 foundation program purposes throughout the biennium.

4 (3) The following ~~shall~~ must be paid into the state
5 special revenue fund for state equalization aid to public
6 schools of the state:

7 (a) 31.8% of all money received from the collection of
8 income taxes under chapter 30 of Title 15;

9 (b) 25% of all money, except as provided in 15-31-702,
10 received from the collection of corporation license and
11 income taxes under chapter 31 of Title 15, as provided by
12 15-1-501;

13 (c) 100% of the money allocated to state equalization
14 from the collection of the severance tax on coal;

15 (d) 100% of the money received from the treasurer of
16 the United States as the state's shares of oil, gas, and
17 other mineral royalties under the federal Mineral Lands
18 Leasing Act, as amended;

19 (e) interest and income money described in 20-9-341
20 and 20-9-342;

21 (f) income from the education trust fund account; and

22 (g) in addition to these revenues, the surplus
23 revenues collected by the counties for foundation program
24 support according to 20-9-331 and 20-9-333; and

25 (h) money allocated from the privilege tax on coal as

1 provided in [section 7(2)(d)].

2 (4) Any surplus revenue in the state equalization aid
3 account in the second year of a biennium may be used to
4 reduce the appropriation required for the next succeeding
5 biennium."

6 **Section 52.** Section 20-9-406, MCA, is amended to read:

7 "20-9-406. Limitations on amount of bond issue. (1)
8 The maximum amount for which each school district may become
9 indebted by the issuance of bonds, including all
10 indebtedness represented by outstanding bonds of previous
11 issues and registered warrants, is ~~45%~~ 47.9% of the taxable
12 value of the property subject to taxation as ascertained by
13 the last completed assessment for state, county, and school
14 taxes previous to the incurring of such indebtedness. The
15 ~~45%~~ maximum, however, may not pertain to indebtedness
16 imposed by special improvement district obligations or
17 assessments against the school district or to bonds issued
18 for the repayment of tax protests lost by the district. All
19 bonds issued in excess of such amount shall be null and
20 void, except as provided in this section.

21 (2) When the total indebtedness of a school district
22 has reached the ~~45%~~ limitation prescribed in this section,
23 the school district may pay all reasonable and necessary
24 expenses of the school district on a cash basis in
25 accordance with the financial administration provisions of

1 this chapter.

2 (3) Whenever bonds are issued for the purpose of
3 refunding bonds, any moneys to the credit of the debt
4 service fund for the payment of the bonds to be refunded are
5 applied towards the payment of such bonds and the refunding
6 bond issue is decreased accordingly."

7 **Section 53.** Section 20-9-407, MCA, is amended to read:

8 "20-9-407. Industrial facility agreement for bond
9 issue in excess of maximum. (1) In a school district within
10 which a new major industrial facility which seeks to qualify
11 for taxation as class five property under 15-6-135 is being
12 constructed or is about to be constructed, the school
13 district may require, as a precondition of the new major
14 industrial facility qualifying as class five property, that
15 the owners of the proposed industrial facility enter into an
16 agreement with the school district concerning the issuing of
17 bonds in excess of the ~~45%~~ limitation prescribed in
18 20-9-406. Under such an agreement, the school district may,
19 with the approval of the voters, issue bonds which exceed
20 the limitation prescribed in this section by a maximum of
21 ~~45%~~ 47.9% of the estimated taxable value of the property of
22 the new major industrial facility subject to taxation when
23 completed. The estimated taxable value of the property of
24 the new major industrial facility subject to taxation shall
25 be computed by the department of revenue when requested to

1 do so by a resolution of the board of trustees of the school
2 district. A copy of the department's statement of estimated
3 taxable value shall be printed on each ballot used to vote
4 on a bond issue proposed under this section.

5 (2) Pursuant to the agreement between the new major
6 industrial facility and the school district and as a
7 precondition to qualifying as class five property, the new
8 major industrial facility and its owners shall pay, in
9 addition to the taxes imposed by the school district on
10 property owners generally, so much of the principal and
11 interest on the bonds provided for under this section as
12 represents payment on an indebtedness in excess of the
13 limitation prescribed in 20-9-406. After the completion of
14 the new major industrial facility and when the indebtedness
15 of the school district no longer exceeds the limitation
16 prescribed in this section, the new major industrial
17 facility shall be entitled, after all the current
18 indebtedness of the school district has been paid, to a tax
19 credit over a period of no more than 20 years. The credit
20 shall as a total amount be equal to the amount which the
21 facility paid the principal and interest of the school
22 district's bonds in excess of its general liability as a
23 taxpayer within the district.

24 (3) A major industrial facility is a facility subject
25 to the taxing power of the school district, whose

1 construction or operation will increase the population of
2 the district, imposing a significant burden upon the
3 resources of the district and requiring construction of new
4 school facilities. A significant burden is an increase in
5 ANB of at least 20% in a single year."

6 **Section 54.** Section 20-9-502, MCA, is amended to read:

7 "20-9-502. Purpose and authorization of a building
8 reserve fund by an election. (1) The trustees of any
9 district, with the approval of the qualified electors of the
10 district, may establish a building reserve for the purpose
11 of raising money for the future construction, equipping, or
12 enlarging of school buildings or for the purpose of
13 purchasing land needed for school purposes in the district.
14 In order to submit to the qualified electors of the district
15 a building reserve proposition for the establishment of or
16 addition to a building reserve, the trustees shall pass a
17 resolution that specifies:

18 (a) the purpose or purposes for which the new or
19 addition to the building reserve will be used;

20 (b) the duration of time over which the new or
21 addition to the building reserve will be raised in annual,
22 equal installments;

23 (c) the total amount of money that will be raised
24 during the duration of time specified in subsection (1)(b);
25 and

1 (d) any other requirements under 20-20-201 for the
2 calling of an election.

3 (2) The total amount of building reserve when added to
4 the outstanding indebtedness of the district shall not be
5 more than ~~45%~~ 47.9% of the taxable value of the taxable
6 property of the district. Such limitation shall be
7 determined in the manner provided in 20-9-406. A building
8 reserve tax authorization shall not be for more than 20
9 years.

10 (3) The election shall be conducted in accordance with
11 the school election laws of this title, and the electors
12 qualified to vote in the election shall be qualified under
13 the provisions of 20-20-301. The ballot for a building
14 reserve proposition shall be substantially in the following
15 form:

16 OFFICIAL BALLOT

17 SCHOOL DISTRICT BUILDING RESERVE ELECTION

18 INSTRUCTIONS TO VOTERS: Make an X or similar mark in
19 the vacant square before the words "BUILDING RESERVE--YES"
20 if you wish to vote for the establishment of a building
21 reserve (addition to the building reserve); if you are
22 opposed to the establishment of a building reserve (addition
23 to the building reserve) make an X or similar mark in the
24 square before the words "BUILDING RESERVE--NO".

25 Shall the trustees be authorized to impose an

1 additional levy each year for years to establish a
2 building reserve (add to the building reserve) of this
3 school district to raise a total amount of dollars
4 (\$....), for the purpose(s) (here state the purpose or
5 purposes for which the building reserve will be used)?

6 BUILDING RESERVE--YES.

7 BUILDING RESERVE--NO.

8 (4) The building reserve proposition shall be approved
9 if a majority of those electors voting at the election
10 approve the establishment of or addition to such building
11 reserve. The annual budgeting and taxation authority of the
12 trustees for a building reserve shall be computed by
13 dividing the total authorized amount by the specified number
14 of years. The authority of the trustees to budget and
15 impose the taxation for the annual amount to be raised for
16 the building reserve shall lapse when, at a later time, a
17 bond issue is approved by the qualified electors of the
18 district for the same purpose or purposes for which the
19 building reserve fund of the district was established.
20 Whenever a subsequent bond issue is made for the same
21 purpose or purposes of a building reserve, the money in the
22 building reserve shall be used for such purpose or purposes
23 before any money realized by the bond issue is used."

24 NEW SECTION. Section 55. Repealer. Sections 15-6-139,
25 15-6-140, and 15-6-146, MCA, are repealed.

1 NEW SECTION. Section 56. Effective date. (1) Except
2 as provided in subsection (2), [this act] is effective on
3 passage and approval.

4 (2) If [this act] is passed and approved after July 1,
5 1989, [this act] is effective retroactively, within the
6 meaning of 1-2-109, to July 1, 1989.

7 NEW SECTION. Section 57. Applicability --
8 contingency. (1) If [this act] is passed and approved after
9 June 30, 1989, [sections 1 through 18] apply retroactively,
10 within the meaning of 1-2-109, to all coal sold and the
11 receipts from such sales after June 30, 1989. Coal sold
12 prior to July 1, 1989, is not subject to the tax imposed in
13 [section 1], regardless of when the privilege tax is
14 collected.

15 (2) If [this act] is passed and approved prior to July
16 1, 1989, [sections 1 through 18] apply July 1, 1989, to all
17 coal sold after June 30, 1989. Coal sold prior to July 1,
18 1989, is not subject to the tax imposed in [section 1],
19 regardless of when the privilege tax is collected.

20 (3) [Sections 20 through 55] apply to taxable years
21 beginning after December 31, 1989, and to fiscal years
22 beginning after June 30, 1990.

23 NEW SECTION. Section 58. Saving clause. [This act]
24 does not affect rights and duties that matured, penalties
25 that were incurred, or proceedings that were begun before

1 [the effective date of this act].

2 NEW SECTION. Section 59. Nonseverability. It is the
3 intent of the legislature that each part of [this act] is
4 essentially dependent upon every other part, and if one part
5 is held unconstitutional or invalid, all other parts are
6 invalid.

7 NEW SECTION. Section 60. Codification instruction.
8 [Sections 1 through 18] are intended to be codified as an
9 integral part of Title 15, and the provisions of Title 15
10 apply to [sections 1 through 18].

-End-

Mr. Speaker and Mr. President:

We, your Free Conference Committee on HOUSE BILL 20 met and considered:

House Bill 20 in its entirety.

We recommend that HOUSE BILL 20 (reference copy -- salmon) be amended as follows:

1. Title, page 1, lines 14 through 17.
Strike: "REVISING" on line 14 through "DISTRICTS;" on line 16
Insert: "PHASING IN A REDUCTION IN THE TAX RATE FOR CLASS EIGHT PROPERTY;"
Strike: "FIVE" on line 17
Insert: "SIX"
2. Title, page 1, lines 18 through 21.
Strike: "IMPOSING" on line 18 through "PERCENT;" on line 21
Insert: "PROVIDING AN APPROPRIATION TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTS TO REIMBURSE MONEY LOST THROUGH PERSONAL PROPERTY TAX REDUCTIONS;"
3. Title, page 1, lines 22 through 25.
Strike: "7-1-2111," on line 22 through "7-34-2131," on line 25
4. Title, page 2, line 1.
Strike: "15-6-135, 15-6-137,"
Insert: "15-6-136 THROUGH"
Following: "15-24-1102,"
Insert: "AND 17-7-502,"
5. Title, page 2, lines 2 and 3.
Strike: "15-35-103," on line 2 through "20-9-502," on line 3
6. Title, page 2, line 5.
Following: "AND"
Insert: "AN"
Strike: "DATES"
Insert: "DATE"
7. Page 2, lines 7 through 15.
Strike: Statement of intent in its entirety

8. Page 2, line 20 through page 41, line 21.
Strike: sections 1 through 39 in their entirety
Renumber: subsequent sections

9. Page 46, line 11 through page 49, line 21.
Strike: section 41 in its entirety
Insert: "Section 2. Section 15-6-136, MCA, is amended to read:
"15-6-136. Class six property -- description -- taxable percentage. (1) Class six property includes:
(a) livestock and other species of domestic animals and wildlife raised in domestication or a captive environment, except for cats, dogs, and other household pets not raised for profit;
(b) items of personal property intended for rent or lease in the ordinary course of business, provided each item of personal property satisfies all of the following:
(i) the full and true value of the personal property is less than \$5,000;
(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals wherein no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and
(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis; and
(c) machinery and equipment used in a malting barley facility; and
(d) machinery and equipment used in canola seed oil processing facilities if:
(i) the operators of such facilities employ a minimum of 15 full-time employees; and
(ii) a canola seed oil processing facility locates in the state of Montana after [the effective date of this act].
(2) "Malting barley facility" means a facility the principal purpose of which is to malt malting barley. The term does not apply to a facility the principal purpose of which is to store, mix, blend, transport, transfer, or otherwise do anything with malting barley, except malt malting barley. However, any machinery or equipment the principal purpose of which is to store, mix, blend, transport, transfer, or otherwise handle malting barley or other machinery or equipment that is used in or is otherwise an integral part of a facility that malts malting barley is machinery or equipment of a malting barley facility for the purposes of this section.
(3) "Canola seed oil processing facility" means a facility that:
(a) extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the

ADOPT
REJECT

edible oil into food products, or engages in any one or more of those processes; and

(b) employs at least 15 employees in a full-time capacity.

~~(3)~~ (4) Class six property is taxed at 4% of its market value."

10. Page 52, line 24.

Strike: "61"

Insert: "91"

11. Page 54, line 25 through page 64, line 23.

Strike: sections 48 through 54 in their entirety

Insert: "NEW SECTION. Section 9. Reimbursement to local

governments and schools -- duties of department and county treasurer -- statutory appropriation. (1) (a) On or before May 1, 1990, the department of revenue shall remit to the county treasurer of each county 30% of the reimbursement amount specified in subsection (1)(b), as computed by the department. The department shall base the reimbursement on the reduction in personal property tax revenues due to the reduction in personal property tax rates for class eight property, as provided for in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145 and 15-6-147. The reimbursement basis must also include loss of personal property tax revenue due to the reclassification of new industrial property from class five to class eight with the reduced tax rate. The determination of the reimbursement basis must be made in the year in which the reclassification is made.

(b) The reimbursement revenue must be based on the county's taxable value and mill levies for tax year 1989.

(2) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for taxable year 1989;

(b) the number of mills levied in the jurisdiction for taxable year 1990;

(c) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(3) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies,

due to the annual reduction in personal property tax rates set forth in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145 and 15-6-147. The department shall total the amounts for all taxing jurisdictions within the county.

(4) For taxable year 1990 and for each year thereafter, the department shall remit to the county treasurer the base amount of revenue reimbursable, determined pursuant to subsection (3), as follows:

(a) on or before November 30, 1990, and on or before each November 30 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county; and

(b) on or before May 31, 1991, and on or before each May 31 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county.

(5) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as current year mill levies on personal property taxes are distributed.

(6) For the purposes of this section, "taxing jurisdiction" means local governments and includes school districts, each municipality with tax increment financing, and the state of Montana.

(7) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse school districts and local governments for reductions in tax rates on personal property.

Section 10. Section 17-7-502, MCA, is amended to read: "17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-25-123; 15-

31-702; 15-36-112; 15-37-117; 15-70-101; 16-1-404; 16-1-410;
16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 19-8-504;
19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-
512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406;
20-8-111; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-1016;
23-5-1027; 27-12-206; 37-51-501; 39-71-2504; 53-6-150; 53-
24-206; 61-2-406; 61-5-121; 67-3-205; 75-1-1101; 75-5-1108;
75-11-313; 76-12-123; 80-2-103; 82-11-136; 82-11-161; 90-3-
301; 90-4-215; 90-4-613; 90-6-331; 90-9-306; and section 13,
House Bill No. 861, Laws of 1985; and [section 9].

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments. (In subsection (3), pursuant to sec. 10, Ch. 664, L. 1987, the inclusion of 39-71-2504 terminates June 30, 1991.)"

12. Page 65, lines 1 and 2.

Strike: "(1)" on line 1 through "[this" on line 2
Insert: "[This"

13. Page 65, lines 4 through 6.

Strike: subsection (2) in its entirety

14. Page 65, lines 7 and 8.

Strike: "-- contingency"

15. Page 65, lines 8 through 22.

Strike: "(1)" on line 8 through "1990" on line 22

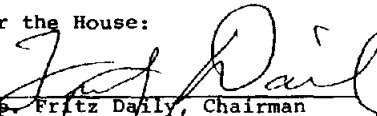
Insert: "[This act] applies to tax years beginning after December 31, 1989"

16. Page 65, line 23 through page 66, line 10.

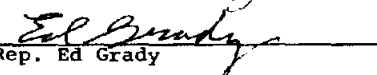
Strike: sections 58 through 60 in their entirety

And that this Free Conference Committee Report be adopted.

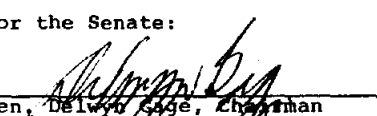
For the House:


Rep. Fritz Daily, Chairman

Rep. Ted Schye


Rep. Ed Grady

For the Senate:


Sen. Delwyn Sage, Chairman

Sen. Gene Thayer


Sen. J.D. Lynch

HOUSE BILL NO. 20

INTRODUCED BY DAILY, QUILICI, PAVLOVICH, LYNCH,
D. BROWN, JACOBSON, HARRINGTON, MENAHAN, KILPATRICK,
DRISCOLL, ADDY, KIMBERLEY, WHALEN, REHBERG, HANNAH,
RAMIREZ, PATTERSON, MCDONOUGH, GLASER, STIMATZ,
BLAYLOCK, KEATING, BISHOP, HAGER, REGAN,
SIMON, COMPTON, ROTH, PHILLIPS

A BILL FOR AN ACT ENTITLED: "AN ACT TO CLASSIFY AS CLASS FIVE SIX PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS AND PACKAGE CANOLA SEED OIL, AMENDING SECTION 15-6-135, MCA, AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
"AN ACT REDUCING TO A SINGLE RATE THE PROPERTY TAX RATE ON CERTAIN PERSONAL PROPERTY; COMBINING PERSONAL PROPERTY CLASSES; REVISING COUNTY CLASSIFICATIONS AND DEBT AND LEVY LIMITATIONS OF LOCAL GOVERNMENTS, INCLUDING SCHOOL DISTRICTS; PHASING IN A REDUCTION IN THE TAX RATE FOR CLASS EIGHT PROPERTY; CLASSIFYING AS CLASS FIVE SIX PROPERTY THE EQUIPMENT AND MACHINERY USED TO PROCESS CANOLA SEED OIL; IMPOSING A PRIVILEGE TAX ON THE EXTRACTION OF COAL AND ALLOCATING THE MONEY; PROVIDING A PRIVILEGE TAX CREDIT; PROVIDING WATER BOND BACKING; REDUCING THE SEVERANCE TAX ON COAL TO 1 PERCENT; PROVIDING AN APPROPRIATION TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTS TO REIMBURSE MONEY LOST THROUGH PERSONAL PROPERTY TAX REDUCTIONS; AMENDING SECTIONS

~~7-1-2111, 7-3-1321, 7-6-2211, 7-6-4121, 7-6-4254, 7-7-107, 7-7-108, 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 7-13-4103, 7-14-236, 7-14-2524, 7-14-2525, 7-14-4402, 7-16-2327, 7-16-4104, 7-31-106, 7-31-107, 7-34-2131, 15-1-101, 15-6-135, 15-6-137, 15-6-136 THROUGH 15-6-138, 15-10-402, 15-24-1102, 15-24-1103, AND 17-7-502, 15-35-103, 19-11-503, 19-11-504, 20-9-343, 20-9-406, 20-9-407, AND 20-9-502, MCA; REPEALING SECTIONS 15-6-139, 15-6-140, AND 15-6-146, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATES DATE."~~

STATEMENT OF INTENT

A statement of intent is required for this bill because {section 12} requires the department of revenue to adopt rules to implement a privilege tax on extraction of coal. It is the intent of the legislature that the department adopt rules that address, at a minimum, reporting forms to be used by persons required to pay the privilege tax on coal and other rules as may be necessary to implement and administer the tax on coal.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
(Refer to Third Reading Bill)
Strike everything after the enacting clause and insert:
NEW SECTION. Section 1. Imposition and rate of



1 privilege--tax--on--coal,---The rate of the privilege tax on
2 coal is as follows:

3 (1)--After June 30, 1989, and before July 1, 1990:
4 Heating-quality Surface-- Underground
5 (Btu-per-pound Mining-- Mining---
6 ---of-coal): -
7 Under-7,000 16% of contract 2% of contract
8 sales-price sales-price
9 7,000-and-over 24% of contract 3% of contract
10 sales-price sales-price

11 (2)--After June 30, 1990, and before July 1, 1991:
12 Heating-quality Surface-- Underground
13 (Btu-per-pound Mining-- Mining---
14 ---of-coal): -
15 Under-7,000 12% of contract 2% of contract
16 sales-price sales-price
17 7,000-and-over 19% of contract 3% of contract
18 sales-price sales-price

19 (3)--After June 30, 1991:

1 Heating-quality Surface-- Underground
2 (Btu-per-pound Mining-- Mining---
3 ---of-coal): -
4 Under-7,000 9% of contract 2% of contract
5 sales-price sales-price
6 7,000-and-over 14% of contract 3% of contract
7 sales-price sales-price

8 NEW SECTION. Section 2. Definitions.---As used in
9 {sections 1 through 18}, the following definitions apply:

10 (1)--"Agreement" means a signed contract that is valid
11 under Montana law between a coal mine operator and a
12 purchaser or broker for the sale of coal that is produced in
13 Montana.

14 (2)(a)--"Base consumption level" for a purchaser, except
15 as provided in subsection (2)(b), applies only for the term
16 of an agreement in effect as of December 31, 1984, and means
17 the lesser of:

18 (i)--the volume of coal purchased during calendar year
19 1986 from all Montana coal mine operators, or

20 (ii)--the greater of:
21 (A)--the arithmetic average volume of coal purchased
22 during calendar years 1983 and 1984 from all Montana coal
23 mine operators, or

24 (B)--90% of the maximum tonnage provided for in any
25 agreement executed prior to January 1, 1985, for which the

1 highest-scheduled-minimum-quantity-of-coal-stipulated-by-the
 2 terms--of--the-agreement-as-they-existed-on-January-17-1985,
 3 has-not-been-purchased-at-any-time-during-the--term--of--the
 4 agreement,--plus--the--arithmetic--average--volume--of--coal
 5 purchased-during-calendar--years--1983--and--1984--from--all
 6 Montana-coal-mine-operators-under-all-other-agreements;

7 (b)--If--the--volume-calculated-in-subsection-(2)(a)(i)
 8 is--less--than--one-third--of--the--volume---calculated---in
 9 subsection--(2)(a)(ii),--the--base--consumption-level-is-the
 10 volume-calculated-in-subsection-(2)(a)(ii);

11 (3)--(a)--Except-as-provided-in-subsection-(3)(b),--"base
 12 production-level"--for-a-coal-mine-operator-applies-only--for
 13 the--term-of-an-agreement-in-effect-as-of-December-31-1984,
 14 and-means-the-lesser-of:

15 (i)--the-arithmetic-average-volume-of-coal-produced--in
 16 Montana--and--sold-to-a-purchaser-in-calendar-years-1983-and
 17 1984;--or

18 (ii)--the-volume-of-coal-produced-in-Montana-and-sold-to
 19 a-purchaser-in-1986;

20 (b)--If-the-amount-calculated-in-subsection--(3)(a)(ii)
 21 is--less--than--one-third--of--the--amount--calculated--in
 22 subsection-(3)(a)(i),--the--base--production--level--is--the
 23 amount-calculated-in-subsection-(3)(a)(i);

24 (4)--"Broker"--means--any--person--who--resells-Montana
 25 coal;

1 (5)--"Contract-sales-price"--means-either-the--price--of
 2 coal--extracted--and--prepared--for--shipment--f.o.b.--mine,
 3 excluding-that-amount-charged-by-the--seller--to--pay--taxes
 4 paid-on--production,--or--a-price-imputed-by-the-department
 5 under--(section--6);--Contract--sales--price--includes--all
 6 royalties--paid--on-production,--no-matter-how-such-royalties
 7 are-calculated;--However,--with-respect-to-royalties--paid--to
 8 the--government--of-the-United-States,--the-state-of-Montana,
 9 or-a-federally-recognized-Indian-tribe,--the--contract--sales
 10 price--includes--only:

11 (a)--for--quarterly--periods--ending--on--and--after
 12 September-30-1984,--15--cents--per--ton--plus--75%--of--the
 13 difference--between--15-cents-per-ton-and-the-amount-of-such
 14 federal,--state,--and--tribal--government--royalties--actually
 15 paid;

16 (b)--for--quarterly--periods--ending--on--and--after
 17 September-30-1985,--15--cents--per--ton--plus--50%--of--the
 18 difference--between--15-cents-per-ton-and-the-amount-of-such
 19 federal,--state,--and--tribal--government--royalties--actually
 20 paid;

21 (c)--for--quarterly--periods--ending--on--and--after
 22 September-30-1986,--15--cents--per--ton--plus--25%--of--the
 23 difference--between--15-cents-per-ton-and-the-amount-of-such
 24 federal,--state,--and--tribal--government--royalties--actually
 25 paid;--and

1 {d}--for--quarterly--periods--ending--on--and--after
 2 September-30,-1987,-15-cents-per-ton;
 3 {6}--"Department"--means--the--department--of--revenue;
 4 {7}--"Energy-conversion-process"--includes--any--process
 5 by--which--coal--in--the--solid--state--is--transformed--into--slurry,
 6 gas,-electric-energy,-or--any--other--form--of--energy;
 7 {8}--"Incremental--production"--means--that--quantity--of
 8 coal--produced--annually--by--a--coal--mine--operator--and--sold--to--a
 9 qualified--purchaser--that--exceeds--the--base--production--level
 10 of--the--coal--mine--operator--for--that--purchaser,-but--only--to
 11 the--extent--the--quantity--of--coal--exceeds--that--purchaser's
 12 base--consumption--level--from--all--Montana--producers;
 13 {9}--"Produced"--means--extracted--from--the--earth;
 14 {10}--"Purchaser"--means--a--person--who--purchases--or
 15 contracts--to--purchase--Montana--coal--directly--from--a--coal--mine
 16 operator--or--indirectly--from--a--broker--and--who--utilizes--that
 17 coal--in--any--industrial,-commercial,-or--energy--conversion
 18 process;-A--coal--broker--or--any--other--third--party--intermediary
 19 is--not--a--purchaser--under--the--provisions--of--{sections--1
 20 through--18};
 21 {11}--"Qualified--purchaser"--means--a--purchaser--whose
 22 purchases--of--Montana--coal--in--any--given--year--exceed--his--base
 23 consumption--level;-A--purchaser--of--Montana--coal--who--enters
 24 into--a--coal--agreement--with--another--purchaser--or--a--broker
 25 that--causes--a--reduction--in--the--base--consumption--level--of--a

1 purchaser--is--not--a--qualified--purchaser;
 2 {12}--"Strip-mining"--is--defined--in--82-4-203--and--includes
 3 "surface-mining";
 4 {13}--"Taxes--paid--on--production"--includes--any--tax--paid
 5 to--the--federal,-state,-or--local--governments--upon--the
 6 quantity--of--coal--produced--as--a--function--of--either--the--volume
 7 or--the--value--of--production--and--does--not--include--any--tax--upon
 8 the--value--of--mining--equipment,-machinery,-or--buildings--and
 9 lands,-any--tax--upon--a--person's--net--income--derived--in--whole
 10 or--in--part--from--the--sale--of--coal,-or--any--license--fee;
 11 {14}--"Ton"--means--2,000--pounds;
 12 {15}--"Underground-mining"--means--a--coal--mining--method
 13 utilizing--shafts--and--tunnels--and--as--further--defined--in
 14 82-4-203.
 15 NEW SECTION. **Section 3.** Quarterly statement and
 16 payment of tax. Each coal mine operator shall compute the
 17 privilege tax due on each quarter year's worth of production
 18 on forms prescribed by the department. The statement shall
 19 indicate the tonnage produced, the average Btu value of the
 20 production, the contract sales price received for the
 21 production, and such other information as the department may
 22 require. Each coal mine operator shall provide a statement
 23 of the tons of coal sold to each purchaser for the quarter.
 24 The completed form in duplicate, with the tax payment, must
 25 be delivered to the department not later than 30 days

1 following--the--close--of--the--quarter.--The--form--must--be--signed
 2 by--the--operator--if--the--operator--is--an--individual--or--by--an
 3 officer--of--the--coal--mine--operator--if--the--operator--is--a
 4 business--entity.--A--person--operating--more--than--one--coal--mine
 5 in--this--state--may--include--all--of--his--mines--in--one--statement.
 6 The--department--may--grant--a--reasonable--extension--of--time--for
 7 filing--statements--and--payment--of--taxes--due--upon--good--cause
 8 shown--therefor.

9 NEW SECTION. ~~Section 4.~~ ~~Penalty for delinquent tax.~~

10 The--department--shall--add--to--the--amount--of--all--delinquent
 11 privilege--taxes--a--penalty--of--10%--of--the--delinquent--amount
 12 plus--interest--at--the--rate--of--1%--per--month--or--fraction
 13 thereof--computed--on--the--total--amount--of--privilege--tax--and
 14 penalty.--Interest--must--be--computed--from--the--date--the
 15 privilege--tax--was--due--to--the--date--of--payment.--The--department
 16 shall--mail--to--the--person--required--to--file--a--quarterly--report
 17 and--pay--any--privilege--tax,
 18 a--letter--setting--forth--the--amount
 19 of--tax,
 20 penalty,
 21 and--interest--due,
 22 and--the--letter--must
 23 further--contain--a--statement--that--if--payment--is--not--made,
 24 a--warrant--for--distrainment--may--be--filed.--The--penalty--amount--may
 25 be--waived--by--the--department--if--reasonable--cause--for--the
 failure--or--neglect--to--file--the--quarterly--statement--is
 provided--to--the--department.

24 NEW SECTION. ~~Section 5.~~ ~~Annual testing of samples.~~

25 The--Montana--state--bureau--of--mines--and--geology--shall--test

1 coal--production--subject--to--{sections--1--through--18}--and--may
 2 make--rules--governing--the--collection--of--test--data.--A--person
 3 subject--to--{sections--1--through--18}--shall--submit--to--the
 4 bureau--on--or--before--August--1--each--year--a--sample--of--mine--run,
 5 "as--is"--coal--from--each--mine--producing--that--year.--Additional
 6 samples--must--be--submitted--at--the--request--of--the--bureau.--The
 7 bureau--shall--compute--the--Btu--per--pound--of--each--sample
 8 received--and--forward--this--information--to--the--department
 9 prior--to--September--1--each--year.

10 NEW SECTION. ~~Section 6.~~ ~~When value of coal may be~~

11 imputed--procedure.--(1) The--department--may--or--shall--at
 12 the--request--of--the--taxpayer--impute--a--value--to--the--coal--that
 13 approximates--market--value--f.o.b.--mine--in--a--case--where:

14 (a) the--operator--of--a--coal--mine--is--using--the--produced
 15 coal--in--an--energy--conversion--or--other--manufacturing--process;

16 (b) the--operator--of--a--coal--mine--refines--the--coal--by
 17 drying,
 18 cleaning,
 19 or--other--processing--designed--to--improve
 20 the--quality--of--the--coal;

21 (c) a--person--sells--coal--under--a--contract--that--is--not
 22 an--arm's--length--agreement,
 23 or

24 (d) a--person--neglects--or--refuses--to--file--a--statement
 25 under--15-23-701--or--a--statement--and--tax--return--under
 {sections--1--through--18};

(2) For--purposes--of--subsection--(1)(b),
 "market--value
 f.o.b.--mine"--means--the--value--of--the--coal--subsequent--to

1 primary--and--secondary--crushing--but--prior---to---drying,
2 cleaning,--or--other--processing;

3 {3}--When--imputing--value,--the--department--may--apply--the
4 factors--used--by--the--federal--government--under--26--U.S.C.,
5 section--613,--or--that--provision--as--it--may--be--labeled--or
6 amended,--in--determining--gross--income--from--mining--or--the
7 department--may--apply--any--other--or--additional--criteria--it
8 considers--appropriate.---Each--subject--taxpayer--shall--upon
9 request--by--the--department--furnish--a--copy--of--its--federal
10 income--tax--return,--with--any--amendments,--filed--for--the--year
11 in--which--the--value--of--coal--is--being--imputed--and--copies--of
12 the--contracts--under--which--it--is--selling--coal--at--the--time.
13 When--the--department's--estimate--of--market--value--is--contested
14 in--any--proceeding,--the--burden--of--proof--is--on--the--contesting
15 party;

16 NEW-SECTION.--Section 7. Disposal--of--privilege--taxes.
17 {1}--Privilege--taxes--collected--under--{sections--1--through--12}
18 must--be--allocated--according--to--the--provisions--in--effect--on
19 the--date--the--tax--is--due;

20 {2}--Privilege--taxes--collected--under--the--provisions--of
21 {sections--1--through--12}--are--allocated--as--follows:

22 {a}--12%--to--the--highway--reconstruction--trust--fund
23 account--in--the--state--special--revenue--fund;

24 {b}--7.6%--to--the--state--special--revenue--fund--to--the
25 credit--of--the--education--trust--fund--account;

1 {c}--6.65%--to--the--credit--of--the--local--impact--account;
2 {d}--3.8%--to--the--state--special--revenue--fund--for--state
3 equalization--aid--to--public--schools--of--the--state;

4 {e}--8.38%--to--the--state--special--revenue--fund--to--the
5 credit--of--the--county--land--planning--account;

6 {f}--0.475%--to--the--credit--of--the--renewable--resource
7 development--bond--fund;

8 {g}--1.9%--to--a--nonexpendable--trust--fund--for--the--purpose
9 of--parks--acquisition--or--management,--protection--of--works--of
10 art--in--the--state--capitol,--and--other--cultural--and--aesthetic
11 projects.---Income--from--this--trust--fund--must--be--appropriated
12 as--follows:

13 {i}--one--third--for--protection--of--works--of--art--in--the
14 state--capitol--and--other--cultural--and--aesthetic--projects,--and

15 {ii}--two--thirds--for--the--acquisition,--development,
16 operation,--and--maintenance--of--any--sites--and--areas--described
17 in--23--1--102;

18 {h}--0.38%--to--the--state--special--revenue--fund--to--the
19 credit--of--the--state--library--commission--for--the--purposes--of
20 providing--basic--library--services--for--the--residents--of--all
21 counties--through--library--federations--and--for--payment--of--the
22 costs--of--participating--in--regional--and--national--networking;

23 {i}--0.19%--to--the--state--special--revenue--fund--for
24 conservation--districts;

25 {j}--0.475%--to--the--debt--service--fund--type--to--the--credit

1 of-the-water-development-debt-service-fund;
 2 {k}--0.76%--to--the--state--special--revenue--fund--for--the
 3 Montana--Growth--Through--Agriculture--Act;
 4 {l}--to--the--coal--privilege--tax--bond--fund--created--by
 5 {section--17},--50%--of--the--total--privilege--tax--collections.
 6 The--state--treasurer--shall--from--time--to--time--transfer--to--the
 7 general--fund--all--money--in--the--coal--privilege--tax--bond--fund
 8 in--excess--of--the--amount--necessary--to--meet--all--principal--and
 9 interest--payments--on--bonds--payable--from--the--coal--privilege
 10 tax--bond--fund--and--to--satisfy--the--requirements--of--the--general
 11 resolution--pursuant--to--which--the--bonds--were--issued;
 12 {m}--all--other--revenues--from--privilege--taxes--collected
 13 under--the--provisions--of--{sections--1--through--12}--to--the
 14 credit--of--the--general--fund--of--the--state;
 15 NEW SECTION. **Section 8.** Deficiency--assessment--
 16 hearing-----interest. {1}--When--the--department--determines
 17 that--the--amount--of--tax--due--is--greater--than--the--amount
 18 disclosed--by--a--return,--it--shall--mail--to--the--taxpayer--a
 19 notice--of--the--additional--tax--proposed--to--be--assessed. Within
 20 30--days--after--mailing--of--the--notice,--the--taxpayer--may--file
 21 with--the--department--a--written--protest--against--the--proposed
 22 additional--tax,--setting--forth--the--grounds--upon--which--the
 23 protest--is--based,--and--may--request--in--his--protest--an--oral
 24 hearing--or--an--opportunity--to--present--additional--evidence
 25 relating--to--his--tax--liability. If--no--protest--is--filed,--the

1 amount--of--the--additional--tax--proposed--to--be--assessed--becomes
 2 final--upon--the--expiration--of--the--30--day--period. If--a--protest
 3 is--filed,--the--department--shall--reconsider--the--proposed
 4 assessment--and,--if--the--taxpayer--has--so--requested,--shall
 5 grant--the--taxpayer--an--oral--hearing. After--consideration--of
 6 the--protest--and--the--evidence--presented--at--any--oral--hearing,
 7 the--department's--action--upon--the--protest--is--final--when--it
 8 mails--notice--of--its--action--to--the--taxpayer.
 9 {2}--When--a--deficiency--is--determined--and--the--tax
 10 becomes--final,--the--department--shall--mail--a--notice--and--demand
 11 for--payment--to--the--taxpayer. The--tax--is--due--and--payable--at
 12 the--expiration--of--10--days--from--the--date--of--the--notice--and
 13 demand. Interest--on--any--deficiency--assessment--bears--interest
 14 until--paid--at--the--rate--of--1%--a--month--or--fraction--thereof,
 15 computed--from--the--original--due--date--of--the--return.
 16 NEW SECTION. **Section 9.** Credit--for--overpayment--
 17 interest--on--overpayment. {1}--If--the--department--determines
 18 that--the--amount--of--tax,--penalty,--or--interest--due--for--any
 19 year--is--less--than--the--amount--paid,--the--amount--of--the
 20 overpayment--must--be--credited--against--any--tax,--penalty,--or
 21 interest--then--due--from--the--taxpayer--and--the--balance--refunded
 22 to--the--taxpayer--or--its--successor--through--reorganization,
 23 merger,--or--consolidation--or--to--its--shareholders--upon
 24 dissolution.
 25 {2}--Except--as--provided--in--subsection--{3},--interest

1 must be allowed on overpayments at the same rate as is
 2 charged on deficiency assessments provided in {section 8}
 3 due from the due date of the return or from the date of
 4 overpayment (whichever date is later) to the date the
 5 department approves refunding or crediting of the
 6 overpayment.

7 (3)(a) Interest may not accrue during any period the
 8 processing of a claim for refund is delayed more than 30
 9 days by reason of failure of the taxpayer to furnish
 10 information requested by the department for the purpose of
 11 verifying the amount of the overpayment.

12 (b) No interest may be allowed:

13 (i) if the overpayment is refunded within 6 months
 14 from the date the return is due or from the date the return
 15 is filed, whichever is later; or

16 (ii) if the amount of interest is less than \$1;

17 (c) A payment not made incident to a bona fide and
 18 orderly discharge of an actual tax liability or one
 19 reasonably assumed to be imposed by this law may not be
 20 considered an overpayment with respect to which interest is
 21 allowable.

22 NEW SECTION. Section 10. Statute of limitations. (1)
 23 Except as otherwise provided in this section, no deficiency
 24 may be assessed or collected with respect to the year for
 25 which a return is filed unless the notice of additional tax

1 proposed to be assessed is mailed within 5 years from the
 2 date the return was filed. For the purposes of this section,
 3 a return filed before the last day prescribed for filing is
 4 considered as filed on the last day. If the taxpayer, before
 5 the expiration of the period prescribed for assessment of
 6 the tax, consents in writing to an assessment after that
 7 time, the tax may be assessed at any time prior to the
 8 expiration of the period agreed upon.

9 (2) No refund or credit may be allowed or paid with
 10 respect to the year for which a return is filed after 5
 11 years from the last day prescribed for filing the return or
 12 after 1 year from the date of the overpayment, whichever
 13 period expires later, unless before the expiration of the
 14 period the taxpayer files a claim therefor or the department
 15 has determined the existence of the overpayment and has
 16 approved the refund or credit thereof. If the taxpayer has
 17 agreed in writing under the provisions of subsection (1) to
 18 extend the time within which the department may propose an
 19 additional assessment, the period within which a claim for
 20 refund or credit may be filed or a credit or refund allowed
 21 if no claim is filed is automatically extended.

22 (3) If a return is required to be filed and the
 23 taxpayer fails to file the return, the tax may be assessed
 24 or an action to collect the tax may be brought at any time.
 25 If a return is required to be filed and the taxpayer files a

1 fraudulent return, the 5-year period provided for in
 2 subsection (1) does not begin until discovery of the fraud
 3 by the department.

4 NEW SECTION. **Section 11.** Penalties for neglect or
 5 false statement. A person who fails, neglects, or refuses
 6 to file any statement required under {sections 1 through 10}
 7 or who makes a false statement commits a misdemeanor. A
 8 person convicted under this section shall be fined not to
 9 exceed \$1,000 or be imprisoned in the county jail for any
 10 term not to exceed 6 months, or both.

11 NEW SECTION. **Section 12.** Rulemaking authority. The
 12 department may adopt rules necessary for the taxation of
 13 property under {sections 1 through 10}.

14 NEW SECTION. **Section 13.** New coal production
 15 incentive tax credit allowed. Application limited. (1) A
 16 coal mine operator is entitled to a new coal production
 17 incentive tax credit against the tax imposed under {section
 18 1} of:

19 (a) 40% for incremental production sold after June 30,
 20 1987, and before July 1, 1990; and

21 (b) 25% for incremental production sold after June 30,
 22 1990, and before July 1, 1991.

23 (2) A coal mine operator is entitled to a new coal
 24 production incentive tax credit against the tax imposed
 25 under {section 1} on incremental production for the entire

1 term of an agreement, except as provided in subsection (3),
 2 and is entitled to adjustment of the base consumption level
 3 and the base production level, as defined in {section 2}, if
 4 the incremental production resulted from coal purchases
 5 under:

6 (a) an existing agreement that was extended after
 7 December 31, 1984, and before July 1, 1991, for at least a
 8 5-year period; or

9 (b) a new agreement that was executed after December
 10 31, 1984, and before July 1, 1991.

11 (3) No credit may be claimed for coal produced prior
 12 to January 1, 1985.

13 NEW SECTION. **Section 14.** Calculation and application
 14 of credit. (1) The amount of new coal production incentive
 15 tax credit that a coal mine operator may claim against the
 16 tax imposed in {section 1} is calculated by:

17 (a) determining the incremental production for each of
 18 his qualified purchasers that was produced during a calendar
 19 year;

20 (b) distributing the incremental production among the
 21 quarters in the calendar year in the same proportion as the
 22 total volume of coal sold each quarter to each respective
 23 purchaser and summing the amounts for all purchasers to
 24 determine the coal mine operator's incremental production
 25 for each quarter;

1 (c)--determining--the--arithmetic--average--privilege--tax
 2 per--ton--calculated--prior--to--application--of--the--credit--on
 3 coal--sold--to--each--qualified--purchaser--each--quarter--during
 4 the--calendar--year;

5 (d)--multiplying--the--incremental--production--for--a
 6 quarter--for--a--purchaser--by--the--average--privilege--tax--per--ton
 7 for--that--purchaser--and--multiplying--the--total--by--the
 8 appropriate--percentage--as--provided--in--{section--13}--for--each
 9 quarter;--and

10 (e)--totaling--the--amount--so--calculated--for--all
 11 qualified--purchasers--for--all--four--quarters--of--the--calendar
 12 year;

13 (2)--When--filing--the--quarterly--statement--required--in
 14 {section--3},--a--coal--mine--operator--may--claim--against--the--coal
 15 privilege--tax--calculated--for--that--quarter--an--amount--equal--to
 16 25%--of--the--new--coal--production--incentive--tax--credit--allowed
 17 on--incremental--production--that--occurred--during--the--previous
 18 calendar--year;

19 (3)--If--in--any--calendar--year--a--purchaser--exceeds--his
 20 base--consumption--level--and--he--has--purchased--from--more--than
 21 one--Montana--coal--mine--operator--during--the--year,--the--credit
 22 on--the--incremental--production--must--be--divided--among--the
 23 operators--on--a--pro--rata--basis;--To--determine--each--coal--mine
 24 operator's--pro--rata--share--of--the--tax--credit,--each--operator
 25 shall--divide--his--incremental--production--by--the--sum--of--all

1 coal--mine--operators'--incremental--production--for--that
 2 purchaser--and--multiply--the--quotient--by--the--purchases--in
 3 excess--of--the--base--consumption--level--for--that--purchaser;

4 (4)--Neither--a--coal--mine--operator--nor--a--purchaser--is
 5 entitled--to--a--direct--payment--for--the--credit--allowed--in
 6 {section--13};--A--credit--terminates--if--not--taken--during--the
 7 year--following--the--year--in--which--the--incremental--production
 8 occurred;

9 (5)--Each--coal--mine--operator--shall--reduce--the--delivered
 10 price--of--coal--sold--to--each--qualified--purchaser--by--an--amount
 11 equal--to--the--credit--received--on--incremental--production--sold
 12 to--that--purchaser;

13 NEW SECTION. Section 15. Reporting requirements for
 14 credit--duty--of--department.--(1) Every Montana coal mine
 15 operator shall provide to the department:

16 (a) on or before September 30, 1989, a list showing
 17 the amount of coal produced and sold in calendar years 1983
 18 and 1984 to every purchaser, including purchasers who
 19 obtained coal from the coal mine operator through a broker,
 20 and

21 (b) with the quarterly statement required by {section
 22 3}, a list of the number of tons produced and sold to every
 23 purchaser during the quarter and the privilege tax
 24 calculated prior to the application of the credit on these
 25 tons;

1 {2}--To--be--eligible--for--the--tax--credit--provided--for--in
2 {section-13}, a coal mine operator shall furnish to the
3 department:
4 (a) on or before September 30, 1989, copies of all
5 existing coal sales agreements;
6 (b) with the quarterly statement required by {section
7 3}, a copy of any new coal sales agreements or extensions of
8 existing agreements executed during the quarter;
9 (c) on or before January 31 of each year:
10 (i) a list of incremental production for all qualified
11 purchasers during the previous calendar year;
12 (ii) a written statement from each qualified purchaser
13 verifying the volume of coal purchased in that year from all
14 Montana coal mine operators; and
15 (iii) the necessary information on incremental
16 production purchased through a broker to verify that the
17 incremental production did not cause a reduction in the base
18 consumption level of any other purchaser of Montana coal;
19 and
20 (d) any other data, reports, evidence, or production
21 data that may be necessary for the department to determine
22 whether a purchaser is a qualified purchaser and the base
23 consumption level for each purchaser;
24 (3) By January 1, 1990, the department shall prepare
25 and publish for informational purposes only an unaudited

1 compilation of the base production level for each coal mine
2 operator and a compilation of the base consumption level for
3 each purchaser;
4 (4) Any coal mine operator or purchaser may, for the
5 purpose of determining the eligibility of coal production
6 for the new production incentive tax credit, file with the
7 department a petition for a declaratory ruling as provided
8 in 2-4-501. The department shall issue a ruling on the
9 petition within 90 days of the date the petition was filed
10 with the department.
11 ~~NEW SECTION. Section 16. Returns and taxpayer~~
12 ~~information open to public inspection certain exceptions.~~
13 ~~(1) All information filed with the department in accordance~~
14 ~~with {section 15} is public record and open to public~~
15 ~~inspection, except the information required under {section~~
16 ~~15(1)(b)} and the coal sales agreements specified in~~
17 ~~{section 15(2)(a) and (2)(b)}.~~
18 (2) Except during proceedings before the state tax
19 appeal board pursuant to 15-2-201, the information required
20 under {section 15(1)(b)} and the coal sales agreements
21 specified in {section 15(2)(a) and (2)(b)} are open to
22 inspection only upon the order of the governor, under rules
23 to be prescribed by the department, or upon order of a court
24 of competent jurisdiction.
25 ~~NEW SECTION. Section 17. Creation of coal privilege~~

1 tax-bond-fund---pledge-of--tax-----authorization-of--coal
 2 privilege-tax-bonds;--(1)--There-is-a-coal-privilege-tax-bond
 3 fund--in--which--must--be--deposited-the-amount-set-forth-in
 4 {section-7(2)(1)}:-
 5 (2)--The-money-deposited-in-the-coal-privilege-tax-bond
 6 fund-is-pledged-to-and-secures-the-payment-of--principal--of
 7 and--interest--on--all--state--of-Montana-coal-severance-tax
 8 bonds-issued-pursuant-to-Title-17,chapter-5,--part--7,--and
 9 coal-privilege-tax-bonds-authorized-by-this-section:-
 10 (3)--The--board--of--examiners,--upon--approval--of--the
 11 legislature-as-provided-in-Title-17,chapter-5,part-7,--may
 12 issue-and-sell-coal-privilege-tax-bonds-for-the-purposes-and
 13 subject-to-the-terms-and-conditions-for-the-issuance-of-coal
 14 severance--tax--bonds-set-forth-in-Title-17,chapter-5,part
 15 7:-
 16 (4)--All-bonds-issued-pursuant-to-Title-17,chapter--5,
 17 part---7,--after--{the--effective--date--of--this--section},
 18 including-those-bonds-authorized-to-be-issued-by-House--Bill
 19 778,--laws--of--1989,--are--called--"state--of--Montana-coal
 20 privilege-tax-bonds",--and-the-money-in--the--coal--privilege
 21 tax--bond--fund--is--pledged--to--pay--the--principal--of--and
 22 interest--on--the--bonds:-
 23 (5)--For-the-purposes-of-Title-17,chapter-5,--part--7,
 24 deposits--into--the--coal--privilege--tax--bond-fund-must-be
 25 treated-as-deposits-into-the-coal-severance-tax--bond--fund:-

1 ~~NEW SECTION.~~ ~~Section 18.~~ ~~Continued--tax deposit.~~ ~~The~~
 2 legislature shall provide for the continued assessment,
 3 levy, and collection of the privilege tax and for the
 4 deposit of that revenue into the coal-privilege tax bond
 5 fund that, together with other revenue, assets, and money as
 6 may be deposited to one or more special bond funds pledged
 7 for the benefit of the coal-severance tax bonds or the coal
 8 privilege tax bonds, will be sufficient to produce an amount
 9 that is necessary to pay, when due, the annual debt service
 10 charges on all outstanding bonds payable from the coal
 11 privilege tax bond fund:-
 12 ~~Section 10.~~ ~~Section 7-1-2111, MCA, is amended to read:~~
 13 ~~"7-1-2111. Classification of counties. (1) For the~~
 14 ~~purpose of regulating the compensation and salaries of all~~
 15 ~~county officers, not otherwise provided for, and for fixing~~
 16 ~~the penalties of officers' bonds, the several counties of~~
 17 ~~this state shall be classified according to that percentage~~
 18 ~~of the true and full valuation of the property therein upon~~
 19 ~~which the tax levy is made, except for vehicles subject to~~
 20 ~~taxation under 61-3-504(2), as follows:~~
 21 (a) ~~first class all counties having such a taxable~~
 22 ~~valuation of \$50 million or over;~~
 23 (b) ~~second class all counties having such a taxable~~
 24 ~~valuation of more than \$30 million and less than \$50~~
 25 ~~million;~~

1 (c)--third--class--all--counties--having--such--a--taxable
 2 valuation--of--more--than--\$20--million--and--less--than--\$30
 3 million;
 4 (d)--fourth--class--all--counties--having--such--a--taxable
 5 valuation--of--more--than--\$15--million--and--less--than--\$20
 6 million;
 7 (e)--fifth--class--all--counties--having--such--a--taxable
 8 valuation--of--more--than--\$10--million--and--less--than--\$15
 9 million;
 10 (f)--sixth--class--all--counties--having--such--a--taxable
 11 valuation--of--more--than--\$5--million--and--less--than--\$10--million;
 12 (g)--seventh--class--all--counties--having--such--a--taxable
 13 valuation--of--less--than--\$5--million;
 14 (2)--As--used--in--this--section, taxable valuation means
 15 the taxable value of taxable property in the county as of
 16 the time of determination plus:
 17 (a)--that--portion--of--the--taxable--value--of--the--county--on
 18 December--31,--1981,--attributable--to--automobiles--and--trucks
 19 having--a--rated--capacity--of--three--quarters--of--a--ton--or--less,
 20 (b)--that--portion--of--the--taxable--value--of--the--county--on
 21 December--31,--1989,--attributable--to--automobiles--and--trucks
 22 having--a--rated--capacity--of--more--than--three--quarters--of--a--ton
 23 but--less--than--or--equal--to--1--ton;
 24 (c)--the--amount--of--interim--production--and--new
 25 production--taxes--levied, as provided in 15-23-607, divided

1 by--the--appropriate--tax--rates--described--in--15-23-607(2)(a)--or
 2 (2)(b)--and--multiplied--by--60%, and
 3 (d)--the--amount--of--value--represented--by--new--production
 4 exempted--from--tax--as--provided--in--15-23-612, and
 5 (e)--6%--of--the--total--taxable--value--of--the--county--on
 6 December--31,--1990.⁴
 7 **Section 20.** Section 7-3-1321, MCA, is amended to read:
 8 "7-3-1321. Authorization to incur indebtedness----
 9 limitation:--(1)--The--consolidated--municipality--may--borrow
 10 money--or--issue--bonds--for--any--municipal--purpose--to--the--extent
 11 and--in--the--manner--provided--by--the--constitution--and--laws--of
 12 Montana--for--the--borrowing--of--money--or--issuing--of--bonds--by
 13 counties--and--cities--and--towns;
 14 (2)--The--municipality--may--not--become--indebted--in--any
 15 manner--or--for--any--purpose--to--an--amount, including existing
 16 indebtedness, in the aggregate exceeding 28% 29.8% of the
 17 taxable--value--of--the--taxable--property--therein, as
 18 ascertained--by--the--last--assessment--for--state--and--county
 19 taxes--prior--to--incurring--such--indebtedness. All warrants,
 20 bonds, or obligations in excess of such amount given by or
 21 on behalf of the municipality shall be void."
 22 **Section 24.** Section 7-6-2211, MCA, is amended to read:
 23 "7-6-2211. Authorization to conduct county business on
 24 a--cash--basis:--(1)--In--case--the--total--indebtedness--of--a
 25 county, lawful when incurred, exceeds the limit of 23% 24.5%

1 established-in-7-7-2101-by-reason--of--great--diminution--of
 2 taxable--value,--the-county-may-conduct-its-business-affairs
 3 on-a-cash-basis-and-pay-the-reasonable-and-necessary-current
 4 expenses-of-the--county--out--of--the--cash--in--the--county
 5 treasury--derived--from--its--current-revenue-and-under-such
 6 restrictions-and-regulations-as-may-be-imposed-by-the--board
 7 of--county--commissioners-of-the-county-by-a-resolution-duly
 8 adopted-and-included-in-the-minutes-of-the-board;

9 {2}--Nothing-in-this-section-restricts-the-right-of-the
 10 board-to-make-the-necessary--tax--levies--for--interest--and
 11 sinking--fund--purposes,--and-nothing-in-this-section-affects
 12 the-right-of-any-creditor-of-the-county-to-pursue-any-remedy
 13 now-given-him-by-law-to-obtain-payment-of-his-claim.ª

14 **Section 22.**--Section 7-6-4121, MCA, is amended to read:

15 "7-6-4121. Authorization to conduct municipal business
 16 on-a-cash-basis.--{1}-In-case-the-total--indebtedness--of--a
 17 city--or--town--has--reached--17% 18.1% of-the-total-taxable
 18 value-of-the--property--of--the-city--or--town--subject--to
 19 taxation,--as--ascertained--by-the-last-assessment-for-state
 20 and-county-taxes,--the-city-or-town-may-conduct--its--affairs
 21 and--business-on-a-cash-basis-as-provided-by-subsection {2};

22 {2}--(a)-Whenever-a-city--or--town--is--conducting--its
 23 business--affairs--on--a--cash--basis,--the--reasonable--and
 24 necessary-current-expenses-of-the-city-or-town-may--be--paid
 25 out--of--the--cash--in--the-city-or-town-treasury-and-derived

1 from-its--current--revenues,--under--such--restrictions--and
 2 regulations--as--the--city--or--town-council-may-by-ordinance
 3 prescribe;

4 {b)--In-the-event-that-payment-is-made-in-advance,--the
 5 city--or--town--may--require--a--cash--deposit-as-collateral
 6 security-and-indemnity,--equal-in-amount-to-such-payment,--and
 7 may-hold-the--same--as--a--special--deposit--with--the--city
 8 treasurer--or--town-clerk,--in-package-form,--as-a-pledge-for
 9 the--fulfillment--and--performance--of--the--contract--or
 10 obligation-for-which-the-advance-is-made;

11 {c)--Before--the--payment--of--the--current--expenses
 12 mentioned-above,--the-city-or-town-council--shall--first--set
 13 apart--sufficient--money-to-pay-the-interest-upon-its-legal,
 14 valid,--and-outstanding-bonded-indebtedness--and--any--sinking
 15 funds--therein--provided--for--and--shall-be-authorized-to-pay
 16 all-valid-claims-against--funds--raised--by--tax--especially
 17 authorized-by-law-for-the-purpose-of-paying-such-claims.ª

18 **Section 23.**--Section 7-6-4254, MCA, is amended to read:

19 "7-6-4254. Limitation on amount of emergency budgets
 20 and-appropriations.--{1}-The-total-of-all-emergency--budgets
 21 and--appropriations--made--therein-in-any-one-year-and-to-be
 22 paid-from-any-city-fund-may-not--exceed--38% 39.6% of--the
 23 total-amount-which-could-be-produced-for-such-city-fund-by-a
 24 maximum--levy-authorized-by-law-to-be-made-for-such-fund,--as
 25 shown-by-the-last-completed-assessment-roll-of--the--county;

{2}--The term "taxable property", as used herein, means the percentage of the value at which such property is assessed and which percentage is used for the purposes of computing taxes and does not mean the assessed value of such property as the same appears on the assessment roll."

Section 24.--Section 7-7-107, MCA, is amended to read:

"7-7-107. Limitation on amount of bonds for city-county consolidated units. (1) Except as provided in 7-7-108, no city-county consolidated local government may issue bonds for any purpose which, with all outstanding indebtedness, may exceed 39% 41.5% of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes.

{2}--The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness."

Section 25.--Section 7-7-108, MCA, is amended to read:

"7-7-108. Authorization for additional indebtedness for water or sewer systems. (1) For the purpose of constructing a sewer system or procuring a water supply or constructing or acquiring a water system for a city-county consolidated government which shall own and control such water supply and water system and devote the revenues therefrom to the payment of the debt, a city-county

consolidated government may incur an additional indebtedness by borrowing money or issuing bonds.

{2}--The additional indebtedness which may be incurred by borrowing money or issuing bonds for the construction of a sewer system or for the procurement of a water supply or for both such purposes may not in the aggregate exceed 10% over and above the 39% 41.5% referred to in 7-7-107 of the taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes."

Section 26.--Section 7-7-2101, MCA, is amended to read:

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding 23% 24.5% of the total of the taxable value of the property therein subject to taxation, plus the amount of interim production and new production taxes levied divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%, plus the amount of value represented by new production exempted from tax as provided in 15-23-612, as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness.

{2}--No county may incur indebtedness or liability for any single purpose to an amount exceeding \$500,000 without

1 the approval of a majority of the electors thereof voting at
 2 an election to be provided by law, except as provided in
 3 7-21-3413 and 7-21-3414.

4 (3) Nothing in this section shall apply to the
 5 acquisition of conservation easements as set forth in Title
 6 767 chapter 6."

7 **Section 27.** Section 7-7-2203, MCA, is amended to read:

8 "7-7-2203. Limitation on amount of bonded
 9 indebtedness. (1) Except as provided in subsections (2)
 10 through (4), no county may issue general obligation bonds
 11 for any purpose which, with all outstanding bonds and
 12 warrants except county high school bonds and emergency
 13 bonds, will exceed 11.25% 12% of the total of the taxable
 14 value of the property therein, plus the amount of interim
 15 production and new production taxes levied divided by the
 16 appropriate tax rates described in 15-23-607(2)(a) or (2)(b)
 17 and multiplied by 60% plus the amount of value represented
 18 by new production exempted from tax as provided in
 19 15-23-612, to be ascertained by the last assessment for
 20 state and county taxes prior to the proposed issuance of
 21 bonds.

22 (2) In addition to the bonds allowed by subsection
 23 (1), a county may issue bonds which, with all outstanding
 24 bonds and warrants, will not exceed 27.75% 29.5% of the
 25 total of the taxable value of the property in the county

1 subject to taxation, plus the amount of interim production
 2 and new production taxes levied divided by the appropriate
 3 tax rates described in 15-23-607(2)(a) or (2)(b) and
 4 multiplied by 60% plus the amount of value represented by
 5 new production exempted from tax as provided in 15-23-612,
 6 when necessary to do so, for the purpose of acquiring land
 7 for a site for county high school buildings and for erecting
 8 or acquiring buildings thereon and furnishing and equipping
 9 the same for county high school purposes.

10 (3) In addition to the bonds allowed by subsections
 11 (1) and (2), a county may issue bonds for the construction
 12 or improvement of a jail which will not exceed 12.5% 13.3%
 13 of the taxable value of the property in the county subject
 14 to taxation.

15 (4) The limitation in subsection (1) does not apply to
 16 refunding bonds issued for the purpose of paying or retiring
 17 county bonds lawfully issued prior to January 17, 1932, or to
 18 bonds issued for the repayment of tax protests lost by the
 19 county."

20 **Section 28.** Section 7-7-4201, MCA, is amended to read:

21 "7-7-4201. Limitation on amount of bonded
 22 indebtedness. (1) Except as otherwise provided, no city or
 23 town may issue bonds or incur other indebtedness for any
 24 purpose in an amount which with all outstanding and unpaid
 25 indebtedness will exceed 20% 29.8% of the taxable value of

1 the property therein subject to taxation, to be ascertained
2 by the last assessment for state and county taxes.

3 (2) The issuing of bonds for the purpose of funding or
4 refunding outstanding warrants or bonds is not the incurring
5 of a new or additional indebtedness but is merely the
6 changing of the evidence of outstanding indebtedness.

7 (3) The limitation in subsection (1) does not apply to
8 bonds issued for the repayment of tax protests lost by the
9 city or town."

10 **Section 29.** Section 7-7-4202, MCA, is amended to read:

11 "7-7-4202. Special provisions relating to water and
12 sewer systems. (1) Notwithstanding the provisions of
13 7-7-4201, for the purpose of constructing a sewer system,
14 procuring a water supply, or constructing or acquiring a
15 water system for a city or town which owns and controls the
16 water supply and water system and devotes the revenues
17 therefrom to the payment of the debt, a city or town may
18 incur an additional indebtedness by borrowing money or
19 issuing bonds.

20 (2) The additional total indebtedness that may be
21 incurred by borrowing money or issuing bonds for the
22 construction of a sewer system, for the procurement of a
23 water supply, or for both such purposes, including all
24 indebtedness theretofore contracted which is unpaid or
25 outstanding, may not in the aggregate exceed 55% over and

1 above the 20% 29.8% referred to in 7-7-4201, of the taxable
2 value of the property therein subject to taxation as
3 ascertained by the last assessment for state and county
4 taxes."

5 **Section 30.** Section 7-13-4103, MCA, is amended to
6 read:

7 "7-13-4103. Limitation on indebtedness for acquisition
8 of natural gas system. The total amount of indebtedness
9 authorized to be contracted in any form, including the
10 then existing indebtedness, must not at any time exceed 17%
11 18.1% of the total taxable value of the property of the city
12 or town subject to taxation as ascertained by the last
13 assessment for state and county taxes."

14 **Section 31.** Section 7-14-236, MCA, is amended to read:

15 "7-14-236. Limitation on bonded indebtedness. The
16 amount of bonds issued to provide funds for the district and
17 outstanding at any time shall not exceed 20% 29.8% of the
18 taxable value of taxable property therein as ascertained by
19 the last assessment for state and county taxes previous to
20 the issuance of such bonds."

21 **Section 32.** Section 7-14-2524, MCA, is amended to
22 read:

23 "7-14-2524. Limitation on amount of bonds issued. Excess void. (1) Except as otherwise provided hereafter and
24 in 7-7-2203 and 7-7-2204, no county shall issue bonds which,
25

1 with--all--outstanding-bonds-and-warrants-except-county-high
 2 school-bonds-and-emergency-bonds,-will-exceed-11.25% 12% of
 3 the-total-of-the-taxable-value-of-the-property-therein,+plus
 4 the--amount--of--interim-production-and-new-production-taxes
 5 levied-divided-by-the-appropriate--tax--rates--described--in
 6 15-23-607(2)(a)--or--(2)(b)--and-multiplied-by-60%,+plus-the
 7 amount-of-value-represented-by-new-production-exempted--from
 8 tax--as-provided-in-15-23-612,-The-taxable-property-and-the
 9 amount-of-interim-production-and-new-production-taxes-levied
 10 shall-be-ascertained-by-the-last-assessment--for--state--and
 11 county-taxes-prior-to-the-issuance-of-such-bonds:

12 (2)--A--county--may--issue--bonds--which,-with--all
 13 outstanding-bonds-and-warrants--except--county--high--school
 14 bonds,-will-exceed-11.25% 12% but-will-not-exceed-22.5% 24%
 15 of-the-total-of-the-taxable-value-of-such-property,+plus-the
 16 amount-of-interim-production-and-new-production-taxes-levied
 17 divided--by--the--appropriate--tax--rates--described--in
 18 15-23-607(2)(a)--or--(2)(b)--and-multiplied-by-60%,+plus-the
 19 amount-of-value-represented-by-new-production-exempted--from
 20 tax-as-provided-in-15-23-612,-when-necessary-for-the-purpose
 21 of--replacing,-rebuilding,-or--repairing-county-buildings,
 22 bridges,-or-highways-which-have-been-destroyed-or-damaged-by
 23 an-act-of-God,-disaster,-catastrophe,-or-accident:

24 (3)--The-value-of--the--bonds--issued--and--all--other
 25 outstanding--indebtedness--of-the-county,-except-county-high

1 school-bonds,-shall-not-exceed-22.5% 24% of-the-total-of-the
 2 taxable-value-of-the-property-within-the--county,-+plus--the
 3 amount-of-interim-production-and-new-production-taxes-levied
 4 divided--by--the--appropriate--tax--rates--described--in
 5 15-23-607(2)(a)--or--(2)(b)--and-multiplied-by--60%,+plus--the
 6 amount--of-value-represented-by-new-production-exempted-from
 7 tax-as-provided-in-15-23-612,-as-ascertained--by--the--last
 8 preceding-general-assessment:*

9 **Section 33.**--Section--7-14-2525,-MCA,-is--amended--to
 10 read:

11 *7-14-2525.--Refunding-agreements-and--refunding--bonds
 12 authorized,-(1)-Whenever-the-total-indebtedness-of-a-county
 13 exceeds--22.5% 24% of-the-total-of-the-taxable-value-of-the
 14 property-therein,+plus-the-amount-of-interim-production--and
 15 new--production--taxes-levied-divided-by-the-appropriate-tax
 16 rates-described-in-15-23-607(2)(a)--or--(2)(b)--and--multiplied
 17 by--60%,+plus--the--amount--of--value--represented--by--new
 18 production-exempted-from-tax-as-provided-in--15-23-612,-and
 19 the--board--determines-that-the-county-is-unable-to-pay-such
 20 indebtedness-in-full,-the-board-may:

21 (a)--negotiate-with-the-bondholders--for--an--agreement
 22 whereby--the--bondholders-agree-to-accept-less-than-the-full
 23 amount-of-the-bonds-and-the-accrued-unpaid-interest--thereon
 24 in-satisfaction-thereof;

25 (b)--enter-into-such-agreement;

1 (c) ~~issue refunding bonds for the amount agreed upon;~~
 2 ~~(2) These bonds may be issued in more than one series,~~
 3 ~~and each series may be either amortization or serial bonds;~~
 4 ~~(3) The plan agreed upon between the board and the~~
 5 ~~bondholders shall be embodied in full in the resolution~~
 6 ~~providing for the issue of the bonds."~~

7 **Section 34.** ~~Section 7-14-4402, MCA, is amended to~~
 8 ~~read:~~

9 ~~"7-14-4402. Limit on indebtedness to provide bus~~
 10 ~~service. The total amount of indebtedness authorized under~~
 11 ~~7-14-4401(1) to be contracted in any form, including the~~
 12 ~~then existing indebtedness, may not at any time exceed 28%~~
 13 ~~29.8% of the total taxable value of the property of the city~~
 14 ~~or town subject to taxation as ascertained by the last~~
 15 ~~assessment for state and county taxes. No money may be~~
 16 ~~borrowed or bonds issued for the purposes specified in~~
 17 ~~7-14-4401(1) until the proposition has been submitted to the~~
 18 ~~vote of the taxpayers of the city or town and the majority~~
 19 ~~vote cast in its favor."~~

20 **Section 25.** ~~Section 7-16-2327, MCA, is amended to~~
 21 ~~read:~~

22 ~~"7-16-2327. Indebtedness for park purposes. (1)~~
 23 ~~Subject to the provisions of subsection (2), a county park~~
 24 ~~board, in addition to powers and duties now given under law,~~
 25 ~~shall have the power and duty to contract an indebtedness in~~

1 ~~behalf of a county, upon the credit thereof, for the~~
 2 ~~purposes of 7-16-2321(1) and (2);~~

3 ~~(2) (a) The total amount of indebtedness authorized to~~
 4 ~~be contracted in any form, including the then existing~~
 5 ~~indebtedness, must not at any time exceed 13% 13.8% of the~~
 6 ~~total of the taxable value of the taxable property in the~~
 7 ~~county, plus the amount of interim production and new~~
 8 ~~production taxes levied divided by the appropriate tax rates~~
 9 ~~described in 15-23-607(2)(a) or (2)(b) and multiplied by~~
 10 ~~60%, plus the amount of value represented by new production~~
 11 ~~exempted from tax as provided in 15-23-612, ascertained by~~
 12 ~~the last assessment for state and county taxes previous to~~
 13 ~~the incurring of such indebtedness;~~

14 ~~(b) No money may be borrowed on bonds issued for the~~
 15 ~~purchase of lands and improving same for any such purpose~~
 16 ~~until the proposition has been submitted to the vote of~~
 17 ~~those qualified under the provisions of the state~~
 18 ~~constitution to vote at such election in the county affected~~
 19 ~~thereby and a majority vote is cast in favor thereof."~~

20 **Section 36.** ~~Section 7-16-4104, MCA, is amended to~~
 21 ~~read:~~

22 ~~"7-16-4104. Authorization for municipal indebtedness~~
 23 ~~for various cultural, social, and recreational purposes.~~
 24 ~~(1) A city or town council or commission may contract an~~
 25 ~~indebtedness on behalf of the city or town, upon the credit~~

1 thereof, by borrowing money or issuing bonds:

2 (a) for the purpose of purchasing and improving lands

3 for public parks and grounds;

4 (b) for procuring by purchase, construction, or

5 otherwise swimming pools, athletic fields, skating rinks,

6 playgrounds, museums, a golf course, a site and building for

7 a civic center, a youth center, or combination thereof; and

8 (c) for furnishing and equipping the same;

9 (2) The total amount of indebtedness authorized to be

10 contracted in any form, including the then existing

11 indebtedness, may not at any time exceed ~~16.5%~~ 17.6% of the

12 taxable value of the taxable property of the city or town as

13 ascertained by the last assessment for state and county

14 taxes previous to the incurring of such indebtedness. No

15 money may be borrowed on bonds issued for the purchase of

16 lands and improving the same for any such purpose until the

17 proposition has been submitted to the vote of the qualified

18 electors of the city or town and a majority vote is cast in

19 favor thereof. ⁴

20 **Section 27.** Section 7-31-186, MCA, is amended to read:

21 *7-31-186. Authorization for county to issue bonds ---

22 election required. (1) If the petition is presented to the

23 board of county commissioners, it shall be the duty of the

24 board, for the purpose of raising money to meet the payments

25 under the terms and conditions of said contract and other

1 necessary and proper expenses in and about the same and for

2 the approval or disapproval thereof:

3 (a) to ascertain within 30 days after submission of

4 the petition, the existing indebtedness of the county in the

5 aggregate; and

6 (b) to submit, within 60 days after ascertaining the

7 same, to the electors of such county the proposition to

8 approve or disapprove the contract and the issuance of bonds

9 necessary to carry out the same;

10 (2) The amount of the bonds authorized by this section

11 may not exceed ~~22.5%~~ 24% of the taxable value of the taxable

12 property therein, inclusive of the existing indebtedness

13 thereof, to be ascertained by the last assessment for state

14 and county taxes previous to the issuance of said bonds and

15 incurring of said indebtedness. ⁴

16 **Section 28.** Section 7-31-187, MCA, is amended to read:

17 *7-31-187. Authorization for municipality to issue

18 bonds --- election required. (1) If said petition is

19 presented to the council of any incorporated city or town,

20 the council, for the purpose of raising money to meet the

21 payments under the terms and conditions of said contract and

22 other necessary and proper expenses in and about the same

23 and for the approval or disapproval thereof:

24 (a) shall ascertain within 30 days after submission

25 of the petition, the aggregate indebtedness of such city or

1 town, and

2 (b) shall submit, within 60 days after ascertaining
3 the same, to the electors of such city or town the
4 proposition to approve or disapprove said contract and the
5 issuance of bonds necessary to carry out the same.

6 (2) The amount of the bonds authorized by this section
7 may not exceed 16.5% ~~17.6%~~ of the taxable value of the
8 taxable property therein, inclusive of the existing
9 indebtedness thereof, to be ascertained in the manner
10 provided in this part.

11 ~~Section 38. Section 7-34-2131, MCA, is amended to~~
12 ~~read:~~

13 ~~"7-34-2131. Hospital district bonds authorized. (1) A~~
14 ~~hospital district may borrow money by the issuance of its~~
15 ~~bonds to provide funds for payment of part or all of the~~
16 ~~cost of acquisition, furnishing, equipment, improvement,~~
17 ~~extension, and betterment of hospital facilities and to~~
18 ~~provide an adequate working capital for a new hospital.~~

19 (2) The amount of bonds issued for such purpose and
20 outstanding at any time may not exceed 22.5% ~~24%~~ of the
21 taxable value of the property therein as ascertained by the
22 last assessment for state and county taxes previous to the
23 issuance of such bonds.

24 (3) Such bonds shall be authorized, sold, and issued
25 and provisions made for their payment in the manner and

1 subject to the conditions and limitations prescribed for
2 bonds of school districts by Title 20, chapter 9, part 4.

3 (4) Nothing herein shall be construed to preclude the
4 provisions of Title 50, chapter 6, part 1, allowing the
5 state to apply for and accept federal funds.

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

7 "15-1-101. Definitions. (1) Except as otherwise
8 specifically provided, when terms mentioned in this section
9 are used in connection with taxation, they are defined in
10 the following manner:

11 (a) The term "agricultural" refers to the raising of
12 livestock, poultry, bees, and other species of domestic
13 animals and wildlife in domestication or a captive
14 environment, and the raising of field crops, fruit, and
15 other animal and vegetable matter for food or fiber.

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

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

22 (d) (i) The term "commercial", when used to describe
23 property, means any property used or owned by a business, a
24 trade, or a nonprofit corporation as defined in 35-2-102 or
25 used for the production of income, except that property

1 described in subsection (ii).

2 (ii) The following types of property are not
3 commercial:

4 (A) agricultural lands;

5 (B) timberlands;

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

9 (D) mobile homes used exclusively as a residence
10 except when held by a distributor or dealer of trailers or
11 mobile homes as his stock in trade;

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

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

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

15 (e) The term "comparable property" means property that
16 has similar use, function, and utility; that is influenced
17 by the same set of economic trends and physical,
18 governmental, and social factors; and that has the potential
19 of a similar highest and best use.

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

22 (g) The term "improvements" includes all buildings,
23 structures, fences, and improvements situated upon, erected
24 upon, or affixed to land. When the department of revenue or
25 its agent determines that the permanency of location of a

1 mobile home or housetrailer has been established, the mobile
2 home or housetrailer is presumed to be an improvement to
3 real property. A mobile home or housetrailer may be
4 determined to be permanently located only when it is
5 attached to a foundation which cannot feasibly be relocated
6 and only when the wheels are removed.

7 (h) The term "leasehold improvements" means
8 improvements to mobile homes and mobile homes located on
9 land owned by another person. This property is assessed
10 under the appropriate classification and the taxes are due
11 and payable in two payments as provided in 15-24-202.
12 Delinquent taxes on such leasehold improvements are a lien
13 only on such leasehold improvements.

14 (i) The term "livestock" means cattle, sheep, swine,
15 goats, horses, mules, and asses.

16 (j) The term "mobile home" means forms of housing
17 known as "trailers", "housetrailer", or "trailer coaches"
18 exceeding 8 feet in width or 45 feet in length, designed to
19 be moved from one place to another by an independent power
20 connected to them, or any "trailer", "housetrailer", or
21 "trailer coach" up to 8 feet in width or 45 feet in length
22 used as a principal residence.

23 (k) The term "personal property" includes everything
24 that is the subject of ownership but that is not included
25 within the meaning of the terms "real estate" and

1 "improvements".

2 (l) The term "poultry" includes all chickens, turkeys,
3 geese, ducks, and other birds raised in domestication to
4 produce food or feathers.

5 (m) The term "property" includes moneys, credits,
6 bonds, stocks, franchises, and all other matters and things,
7 real, personal, and mixed, capable of private ownership.
8 This definition must not be construed to authorize the
9 taxation of the stocks of any company or corporation when
10 the property of such company or corporation represented by
11 the stocks is within the state and has been taxed.

12 (n) The term "real estate" includes:

13 (i) the possession of, claim to, ownership of, or
14 right to the possession of land;

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

20 (o) "Research and development firm" means an entity
21 incorporated under the laws of this state or a foreign
22 corporation authorized to do business in this state whose
23 principal purpose is to engage in theoretical analysis,
24 exploration, and experimentation and the extension of
25 investigative findings and theories of a scientific and

1 technical nature into practical application for experimental
2 and demonstration purposes, including the experimental
3 production and testing of models, devices, equipment,
4 materials, and processes.

5 (p) The term "taxable value" means the percentage of
6 market or assessed value as provided for in ~~15-6-131~~ through
7 ~~15-6-149~~ Title 15, chapter 6, part 1.

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

11 (2) The phrase "municipal corporation" or
12 "municipality" or "taxing unit" shall be deemed to include a
13 county, city, incorporated town, township, school district,
14 irrigation district, drainage district, or any person,
15 persons, or organized body authorized by law to establish
16 tax levies for the purpose of raising public revenue.

17 (3) The term "state board" or "board" when used
18 without other qualification shall mean the state tax appeal
19 board."

20 ~~Section 41--Section 15-6-135, MCA, is amended to read:~~

21 ~~"15-6-135--Class--five--property-----description-----~~
22 ~~taxable--percentage---{1}--Class--five--property--includes:~~

23 ~~{a}--all--property--used--and--owned--by--cooperative--rural~~
24 ~~electrical--and--cooperative--rural--telephone--associations~~
25 ~~organized--under--the--laws--of--Montana,--except--property--owned~~

1 by--cooperative-organizations-described-in-subsection-(1)(b)
2 of-15-6-137;

3 (b)--air--and--water--pollution--control--equipment--as
4 defined-in-this-section;

5 (c)--new--industrial--property--as--defined--in--this
6 section;

7 (d)--any-personal-or-real-property-used-primarily-in
8 the--production--of--gasohol-during-construction-and-for-the
9 first-3-years-of-its-operation;

10 (e)--all--land--and--improvements--and--all--personal
11 property--owned-by-a-research-and-development-firm; provided
12 that-the-property-is-actively-devoted-to-research-and
13 development;

14 (f)--machinery--and--equipment--used--in--electrolytic
15 reduction-facilities;

16 (g)--machinery-and-equipment-used-in-canoia-seed-oil
17 processing-facilities-provided-that-the-operators-of-such
18 facilities-employ-a-minimum-of-25-15-full-time-employees-and
19 locate-in-the-state-of-Montana-after-the-effective-date-of
20 this-act};

21 (2)--(a)--"Air--and--water--pollution--equipment"--means
22 facilities,--machinery,--or--equipment--used--to--reduce--or
23 control--water--or--atmospheric-pollution-or-contamination-by
24 removing,--reducing,--altering,--disposing,--or--storing
25 pollutants,--contaminants,--wastes,--or--heat;--The-department-of

1 health--and--environmental--sciences--shall--determine--if--such
2 utilization--is--being--made;

3 (b)--The--department--of--health--and--environmental
4 sciences--determination--as--to--air--and--water--pollution
5 equipment--may--be--appealed--to--the--board--of--health--and
6 environmental--sciences--and--may--not--be--appealed--to--either--a
7 county--tax--appeal--board--or--the--state--tax--appeal--board;
8 However,--the--appraised--value--of--the--equipment--as--determined
9 by--the--department--of--revenue--may--be--appealed--to--the--county
10 tax--appeal--board--and--the--state--tax--appeal--board;

11 (3)--"New-industrial-property"--means-any-new-industrial
12 plant,--including--land,--buildings,--machinery,--and--fixtures,
13 used-by-new-industries-during-the-first-3-years-of-their
14 operation;--The-property-may-not-have-been-assessed-within
15 the-state-of-Montana-prior-to-July-17-1961;

16 (4)--(a)--"New-industry"--means-any-person,--corporation,
17 firm,--partnership,--association,--or--other--group--that
18 establishes-a-new-plant-in-Montana-for-the-operation-of-a
19 new--industrial--endeavor,--as--distinguished--from--a--mere
20 expansion,--reorganization,--or--merger--of--an--existing
21 industry;

22 (b)--New--industry--includes--only--those--industries--that:

23 (i)--manufacture,--mill,--mine,--produce,--process,--or
24 fabricate-materials;

25 (ii)--do--similar--work,--employing-capital-and-labor,--in

1 ~~which materials unserviceable in their natural state are~~
2 ~~extracted, processed, or made fit for use or are~~
3 ~~substantially altered or treated so as to create commercial~~
4 ~~products or materials; or~~
5 ~~(iii) engage in the mechanical or chemical~~
6 ~~transformation of materials or substances into new products~~
7 ~~in the manner defined as manufacturing in the 1972 Standard~~
8 ~~Industrial Classification Manual prepared by the United~~
9 ~~States office of management and budget;~~
10 ~~(5) New industrial property does not include:~~
11 ~~(a) property used by retail or wholesale merchants,~~
12 ~~commercial services of any type, agriculture, trades, or~~
13 ~~professions;~~
14 ~~(b) a plant that will create adverse impact on~~
15 ~~existing state, county, or municipal services; or~~
16 ~~(c) property used or employed in any industrial plant~~
17 ~~that has been in operation in this state for 3 years or~~
18 ~~longer; or~~
19 ~~(d) property otherwise classified as class five~~
20 ~~property;~~
21 ~~(6) "Canola seed oil processing facility" means a~~
22 ~~facility that:~~
23 ~~(a) extracts oil from canola seeds, refines the crude~~
24 ~~oil to produce edible oil, formulates and packages the~~
25 ~~edible oil into food products, or engages in any one or more~~

1 ~~of those processes; and~~
2 ~~(b) employs at least 25-15 employees in a full-time~~
3 ~~capacity;~~
4 ~~(6)(7) Class five property is taxed at 3% of its~~
5 ~~market value."~~
6 SECTION 2. SECTION 15-6-136, MCA, IS AMENDED TO READ:
7 "15-6-136. Class six property -- description --
8 taxable percentage. (1) Class six property includes:
9 (a) livestock and other species of domestic animals
10 and wildlife raised in domestication or a captive
11 environment, except for cats, dogs, and other household pets
12 not raised for profit;
13 (b) items of personal property intended for rent or
14 lease in the ordinary course of business, provided each item
15 of personal property satisfies all of the following:
16 (i) the full and true value of the personal property
17 is less than \$5,000;
18 (ii) the personal property is owned by a business whose
19 primary business income is from rental or lease of personal
20 property to individuals wherein no one customer of the
21 business accounts for more than 10% of the total rentals or
22 leases during a calendar year; and
23 (iii) the lease of the personal property is generally
24 on an hourly, daily, or weekly basis; and
25 (c) machinery and equipment used in a malting barley

1 facility; and
 2 (d) machinery and equipment used in canola seed oil
 3 processing facilities if:
 4 (i) the operators of such facilities employ a minimum
 5 of 15 full-time employees; and
 6 (ii) a canola seed oil processing facility locates in
 7 the state of Montana after [the effective date of this act].
 8 (2) "Malting barley facility" means a facility the
 9 principal purpose of which is to malt malting barley. The
 10 term does not apply to a facility the principal purpose of
 11 which is to store, mix, blend, transport, transfer, or
 12 otherwise do anything with malting barley, except malt
 13 malting barley. However, any machinery or equipment the
 14 principal purpose of which is to store, mix, blend,
 15 transport, transfer, or otherwise handle malting barley or
 16 other machinery or equipment that is used in or is otherwise
 17 an integral part of a facility that malts malting barley is
 18 machinery or equipment of a malting barley facility for the
 19 purposes of this section.
 20 (3) "Canola seed oil processing facility" means a
 21 facility that:
 22 (a) extracts oil from canola seeds, refines the crude
 23 oil to produce edible oil, formulates and packages the
 24 edible oil into food products, or engages in any one or more
 25 of those processes; and

1 (b) employs at least 15 employees in a full-time
 2 capacity.
 3 ~~†3~~(4) Class six property is taxed at 4% of its market
 4 value."
 5 NEW SECTION. Section 3. Contingency. It is the intent
 6 of the legislature that [section 41] is void unless a new
 7 facility employing at least 25 15 employees in the
 8 processing of canola seed oil locates in the state of
 9 Montana after [the effective date of this act].
 10 Section 4. 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;

3 ~~{d}--any-tools-or-implements-that-are-not--included--in
4 another--class--or-that-are-exempt-under-15-6-201(i)(r),--and
5 machinery-used-to-repair-and-maintain-machinery-not-used-for
6 manufacturing-and-mining-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 5.** Section 15-6-138, MCA, is amended to read:

14 "15-6-138. Class eight property -- description --
15 taxable percentage. (1) Class eight property includes:

16 (a) all agricultural implements and equipment;
17 (b) all mining machinery, fixtures, equipment, tools
18 that are not exempt under 15-6-201(1)(r), and supplies
19 except:

20 ~~{i}~~ those included in class five; and

21 ~~{ii}~~ coal and ore haulers;

22 (c) all manufacturing machinery, fixtures, equipment,
23 tools that are not exempt under 15-6-201(1)(r), and supplies
24 except those included in class five;

25 (d) all trailers, including those prorated under

1 15-24-102, except those subject to taxation under
2 61-3-504(2);

3 (e) all goods and equipment intended for rent or
4 lease, except goods and equipment specifically included and
5 taxed in another class;

6 (f) buses and trucks having a rated capacity of more
7 than 1 ton, including those prorated under 15-24-102; and

8 ~~{g}--all--other--machinery--except--that--specifically
9 included-in-another-class;~~

10 {g} truck toppers weighing more than 300 pounds;

11 {h} furniture, fixtures, and equipment, except that
12 specifically included in another class, used in commercial
13 establishments as defined in this section;

14 {i} x-ray and medical and dental equipment;

15 {j} citizens' band radios and mobile telephones;

16 {k} radio and television broadcasting and transmitting
17 equipment;

18 {l} cable television systems;

19 {m} coal and ore haulers;

20 {n} theater projectors and sound equipment; and

21 {o} all other property not included in any other class
22 in this part, except that property subject to a fee in lieu
23 of a property tax.

24 {2} As used in this section, "coal and ore haulers"
25 means nonhighway vehicles that exceed 18,000 pounds per axle

1 and that are primarily designed and used to transport coal,
 2 ore, or other earthen material in a mining or quarrying
 3 environment.

4 (3) "Commercial establishment" includes any hotel;
 5 motel; office; petroleum marketing station; or service,
 6 wholesale, retail, or food-handling business.

7 ~~(2)~~(4) Class eight property is taxed at ~~11%~~ 6% 9% of
 8 its market value."

9 **Section 6.** Section 15-10-402, MCA, is amended to read:

10 "15-10-402. Property tax limited to 1986 levels. (1)
 11 Except as provided in subsections (2) and (3), the amount of
 12 taxes levied on property described in 15-6-133, 15-6-134,
 13 15-6-136, ~~15-6-139~~, 15-6-142, and 15-6-144 may not, for any
 14 taxing jurisdiction, exceed the amount levied for taxable
 15 year 1986.

16 (2) The limitation contained in subsection (1) does
 17 not apply to levies for rural improvement districts, Title
 18 7, chapter 12, part 21; special improvement districts, Title
 19 7, chapter 12, part 41; or bonded indebtedness.

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

23 (4) As used in this section, the "amount of taxes
 24 levied" and the "amount levied" mean the actual dollar
 25 amount of taxes imposed on an individual piece of property,

1 notwithstanding an increase or decrease in value due to
 2 inflation, reappraisal, adjustments in the percentage
 3 multiplier used to convert appraised value to taxable value,
 4 changes in the number of mills levied, or increase or
 5 decrease in the value of a mill."

6 **Section 7.** Section 15-24-1102, MCA, is amended to
 7 read:

8 "15-24-1102. Federal property held under contract of
 9 sale. When the property is held under a contract of sale or
 10 other agreement whereby upon payment the legal title is or
 11 may be acquired by the person, the real property shall be
 12 assessed and taxed as defined in ~~15-6-131 through 15-6-149~~
 13 Title 15, chapter 6, part 1, and 15-8-111 without deduction
 14 on account of the whole or any part of the purchase price or
 15 other sum due on the property remaining unpaid. The lien for
 16 the tax may not attach to, impair, or be enforced against
 17 any interest of the United States in the real property."

18 **Section 8.** Section 15-24-1103, MCA, is amended to
 19 read:

20 "15-24-1103. Federal property held under lease. When
 21 the property is held under lease, other interest, or estate
 22 therein less than the fee, except under contract of sale,
 23 the property shall be assessed and taxed as for the value,
 24 as defined in ~~15-6-131 through 15-6-149~~ Title 15, chapter 6,
 25 part 1, of such leasehold, interest, or estate in the

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

7 ~~Section 48. Section 15-35-103, MCA, is amended to~~
8 ~~read:~~

9 ~~"15-35-103. Severance tax rates rate imposed: (1)~~
10 ~~Subject to the provisions of 15-35-202 allowing a new coal~~
11 ~~production incentive tax credit, a severance tax of 14 of~~
12 ~~value is imposed on each ton of coal produced in the state,~~
13 ~~in accordance with the following schedule:~~

14 (a) After June 30, 1987, and before July 1, 1990:

15 Heating-quality	Surface--	Underground
16 (Btu-per-pound	Mining--	Mining---
17 ---of-coal):	-	
18 Under-7,000	17% of value	3% of value
19 7,000 and over	25% of value	4% of value

20 (b) After June 30, 1990, and before July 1, 1991:

1 Heating-quality	Surface--	Underground
2 (Btu-per-pound	Mining--	Mining---
3 ---of-coal):	-	
4 Under-7,000	13% of value	3% of value
5 7,000 and over	20% of value	4% of value

6 (c) After June 30, 1991:

7 Heating-quality	Surface--	Underground
8 (Btu-per-pound	Mining--	Mining---
9 ---of-coal):	-	
10 Under-7,000	10% of value	3% of value
11 7,000 and over	15% of value	4% of value

12 (2) "Value" means the contract sales price.
13 (3) The formula which yields the greater amount of tax
14 in a particular case shall be used at each point on these
15 schedules.

16 (4) (3) A person is not liable for any severance tax
17 upon 50,000 tons of the coal he produces in a calendar year,
18 except that if he produces more than 50,000 tons of coal in
19 a calendar year, he will be liable for severance tax upon
20 all coal produced in excess of the first 20,000 tons.

21 (5) (4) A new coal production incentive tax credit may
22 be claimed on certain coal as provided in 15-35-202."

23 ~~Section 49. Section 19-11-503, MCA, is amended to~~
24 ~~read:~~

25 ~~"19-11-503. Special tax levy for fund required: (1)~~

1 The purpose of this section is to provide a means by which
 2 each disability and pension fund may be maintained at a
 3 level equal to 4% ~~4.26%~~ of the taxable valuation of all
 4 taxable property within the limits of the city or town.

5 (2) Whenever the fund contains less than 4% ~~4.26%~~ of
 6 the taxable valuation of all taxable property within the
 7 limits of the city or town, the governing body of the city
 8 or town shall, at the time of the levy of the annual tax,
 9 levy a special tax as provided in 19-11-504. The special tax
 10 must be collected as other taxes are collected and, when so
 11 collected, must be paid into the disability and pension
 12 fund.

13 (3) If a special tax for the disability and pension
 14 fund is levied by a third class city or town using the
 15 all purpose mill levy, the special tax levy must be made in
 16 addition to the all purpose levy."

17 **Section 50.** Section 19-11-504, MCA, is amended to
 18 read:

19 "19-11-504. Amount of special tax levy. Whenever the
 20 fund contains an amount which is less than 4% ~~4.26%~~ of the
 21 taxable valuation of all taxable property in the city or
 22 town, the city council shall levy an annual special tax of
 23 not less than 1 mill and not more than 4 mills on each
 24 dollar of taxable valuation of all taxable property within
 25 the city or town."

1 **Section 51.** Section 20-9-343, MCA, is amended to read:

2 "20-9-343. Definition of and revenue for state
 3 equalization aid. (1) As used in this title, the term
 4 "state equalization aid" means those moneys the money
 5 deposited in the state special revenue fund as required in
 6 this section plus any legislative appropriation of money
 7 from other sources for distribution to the public schools
 8 for the purpose of equalization of the foundation program.

9 (2) The legislative appropriation legislature shall
 10 biennially appropriate money for state equalization aid
 11 shall be made in a single sum for the biennium. The
 12 superintendent of public instruction has authority to may
 13 spend such the appropriation, together with the earmarked
 14 revenues provided in subsection (3), as required for
 15 foundation program purposes throughout the biennium.

16 (3) The following shall must be paid into the state
 17 special revenue fund for state equalization aid to public
 18 schools of the state:

19 (a) 31.8% of all money received from the collection of
 20 income taxes under chapter 30 of Title 15;

21 (b) 25% of all money, except as provided in 15-31-702,
 22 received from the collection of corporation license and
 23 income taxes under chapter 31 of Title 15, as provided by
 24 15-1-501;

25 (c) 100% of the money allocated to state equalization

1 from the collection of the severance tax on coal;

2 (d) 100% of the money received from the treasurer of

3 the United States as the state's shares of oil, gas, and

4 other mineral royalties under the federal Mineral Lands

5 Leasing Act, as amended;

6 (e) interest and income money described in 20-9-341

7 and 20-9-342;

8 (f) income from the education trust fund account; and

9 (g) in addition to these revenues, the surplus

10 revenues collected by the counties for foundation program

11 support according to 20-9-331 and 20-9-333, and

12 (h) money allocated from the privilege tax on coal as

13 provided in section 7(2)(d);

14 (4) Any surplus revenue in the state equalization aid

15 account in the second year of a biennium may be used to

16 reduce the appropriation required for the next succeeding

17 biennium.^a

18 **Section 52.** Section 20-9-406, MCA, is amended to read:

19 "20-9-406. Limitations on amount of bond issue. (1)

20 The maximum amount for which each school district may become

21 indebted by the issuance of bonds, including all

22 indebtedness represented by outstanding bonds of previous

23 issues and registered warrants, is 45% 47.9% of the taxable

24 value of the property subject to taxation as ascertained by

25 the last completed assessment for state, county, and school

1 taxes previous to the incurring of such indebtedness. The

2 45% maximum, however, may not pertain to indebtedness

3 imposed by special improvement district obligations or

4 assessments against the school district or to bonds issued

5 for the repayment of tax protests lost by the district. All

6 bonds issued in excess of such amount shall be null and

7 void, except as provided in this section.

8 (2) When the total indebtedness of a school district

9 has reached the 45% limitation prescribed in this section,

10 the school district may pay all reasonable and necessary

11 expenses of the school district on a cash basis in

12 accordance with the financial administration provisions of

13 this chapter.

14 (3) Whenever bonds are issued for the purpose of

15 refunding bonds, any moneys to the credit of the debt

16 service fund for the payment of the bonds to be refunded are

17 applied towards the payment of such bonds and the refunding

18 bond issue is decreased accordingly.^a

19 **Section 53.** Section 20-9-407, MCA, is amended to read:

20 "20-9-407. Industrial facility agreement for bond

21 issue in excess of maximum. (1) In a school district within

22 which a new major industrial facility which seeks to qualify

23 for taxation as class five property under 15-6-135 is being

24 constructed or is about to be constructed, the school

25 district may require, as a precondition of the new major

1 industrial facility qualifying as class five property, that
 2 the owners of the proposed industrial facility enter into an
 3 agreement with the school district concerning the issuing of
 4 bonds in excess of the 45% limitation prescribed in
 5 20-9-406. Under such an agreement, the school district may,
 6 with the approval of the voters, issue bonds which exceed
 7 the limitation prescribed in this section by a maximum of
 8 45% 47.9% of the estimated taxable value of the property of
 9 the new major industrial facility subject to taxation when
 10 completed. The estimated taxable value of the property of
 11 the new major industrial facility subject to taxation shall
 12 be computed by the department of revenue when requested to
 13 do so by a resolution of the board of trustees of the school
 14 district. A copy of the department's statement of estimated
 15 taxable value shall be printed on each ballot used to vote
 16 on a bond issue proposed under this section.

17 (2) Pursuant to the agreement between the new major
 18 industrial facility and the school district and as a
 19 precondition to qualifying as class five property, the new
 20 major industrial facility and its owners shall pay, in
 21 addition to the taxes imposed by the school district on
 22 property owners generally, so much of the principal and
 23 interest on the bonds provided for under this section as
 24 represents payment on an indebtedness in excess of the
 25 limitation prescribed in 20-9-406. After the completion of

1 the new major industrial facility and when the indebtedness
 2 of the school district no longer exceeds the limitation
 3 prescribed in this section, the new major industrial
 4 facility shall be entitled, after all the current
 5 indebtedness of the school district has been paid, to a tax
 6 credit over a period of no more than 20 years. The credit
 7 shall as a total amount be equal to the amount which the
 8 facility paid the principal and interest of the school
 9 district's bonds in excess of its general liability as a
 10 taxpayer within the district.

11 (3) A major industrial facility is a facility subject
 12 to the taxing power of the school district, whose
 13 construction or operation will increase the population of
 14 the district, imposing a significant burden upon the
 15 resources of the district and requiring construction of new
 16 school facilities. A significant burden is an increase in
 17 ANB of at least 20% in a single year.⁴

18 **Section 54.** Section 20-9-502, MCA, is amended to read:
 19 *20-9-502. Purpose and authorization of a building
 20 reserve fund by an election. (1) The trustees of any
 21 district, with the approval of the qualified electors of the
 22 district, may establish a building reserve for the purpose
 23 of raising money for the future construction, equipping, or
 24 enlarging of school buildings or for the purpose of
 25 purchasing land needed for school purposes in the district.

1 In order to submit to the qualified electors of the district
 2 a building reserve proposition for the establishment of or
 3 addition to a building reserve, the trustees shall pass a
 4 resolution that specifies:

5 (a) the purpose or purposes for which the new or
 6 addition to the building reserve will be used;

7 (b) the duration of time over which the new or
 8 addition to the building reserve will be raised in annual,
 9 equal installments;

10 (c) the total amount of money that will be raised
 11 during the duration of time specified in subsection (1)(b);
 12 and

13 (d) any other requirements under 20-20-201 for the
 14 calling of an election;

15 (2) The total amount of building reserve when added to
 16 the outstanding indebtedness of the district shall not be
 17 more than 45% 47.9% of the taxable value of the taxable
 18 property of the district. Such limitation shall be
 19 determined in the manner provided in 20-9-406. A building
 20 reserve tax authorization shall not be for more than 20
 21 years;

22 (3) The election shall be conducted in accordance with
 23 the school election laws of this title, and the electors
 24 qualified to vote in the election shall be qualified under
 25 the provisions of 20-20-301. The ballot for a building

1 reserve proposition shall be substantially in the following
 2 form:

3 OFFICIAL BALLOT

4 SCHOOL DISTRICT BUILDING RESERVE ELECTION

5 INSTRUCTIONS TO VOTERS: Make an X or similar mark in
 6 the vacant square before the words "BUILDING RESERVE YES"
 7 if you wish to vote for the establishment of a building
 8 reserve (addition to the building reserve); if you are
 9 opposed to the establishment of a building reserve (addition
 10 to the building reserve) make an X or similar mark in the
 11 square before the words "BUILDING RESERVE NO".

12 Shall the trustees be authorized to impose an
 13 additional levy each year for _____ years to establish a
 14 building reserve (add to the building reserve) of this
 15 school district to raise a total amount of _____ dollars
 16 (\$_____); for the purpose(s) _____ (here state the purpose or
 17 purposes for which the building reserve will be used)?

18 -- BUILDING RESERVE -- YES --

19 -- BUILDING RESERVE -- NO --

20 (4) The building reserve proposition shall be approved
 21 if a majority of those electors voting at the election
 22 approve the establishment of or addition to such building
 23 reserve. The annual budgeting and taxation authority of the
 24 trustees for a building reserve shall be computed by
 25 dividing the total authorized amount by the specified number

1 of--years:---The--authority--of--the--trustees--to--budget--and
 2 impose--the--taxation--for--the--annual--amount--to--be--raised--for
 3 the--buidding--reserve--shall--lapse--when,--at--a--later--time,--a
 4 bond--issue--is--approved--by--the--qualified--electors--of--the
 5 district--for--the--same--purpose--or--purposes--for--which--the
 6 buidding--reserve--fund--of--the--district--was--established.
 7 Whenever--a--subsequent--bond--issue--is--made--for--the--same
 8 purpose--or--purposes--of--a--buidding--reserve,--the--money--in--the
 9 buidding--reserve--shall--be--used--for--such--purpose--or--purposes
 10 before--any--money--realized--by--the--bond--issue--is--used."

11 NEW SECTION. SECTION 9. REIMBURSEMENT TO LOCAL
 12 GOVERNMENTS AND SCHOOLS -- DUTIES OF DEPARTMENT AND COUNTY
 13 TREASURER -- STATUTORY APPROPRIATION. (1) (A) ON OR BEFORE
 14 MAY 1, 1990, THE DEPARTMENT OF REVENUE SHALL REMIT TO THE
 15 COUNTY TREASURER OF EACH COUNTY 30% OF THE REIMBURSEMENT
 16 AMOUNT SPECIFIED IN SUBSECTION (1)(B), AS COMPUTED BY THE
 17 DEPARTMENT. THE DEPARTMENT SHALL BASE THE REIMBURSEMENT ON
 18 THE REDUCTION IN PERSONAL PROPERTY TAX REVENUES DUE TO THE
 19 REDUCTION IN PERSONAL PROPERTY TAX RATES FOR CLASS EIGHT
 20 PROPERTY, AS PROVIDED FOR IN 15-6-138, AND ANY REDUCTION IN
 21 TAXES BASED UPON RECALCULATION OF THE EFFECTIVE TAX RATE FOR
 22 PROPERTY IN 15-6-145 AND 15-6-147. THE REIMBURSEMENT BASIS
 23 MUST ALSO INCLUDE LOSS OF PERSONAL PROPERTY TAX REVENUE DUE
 24 TO THE RECLASSIFICATION OF NEW INDUSTRIAL PROPERTY FROM
 25 CLASS FIVE TO CLASS EIGHT WITH THE REDUCED TAX RATE. THE

1 DETERMINATION OF THE REIMBURSEMENT BASIS MUST BE MADE IN THE
 2 YEAR IN WHICH THE RECLASSIFICATION IS MADE.

3 (B) THE REIMBURSEMENT REVENUE MUST BE BASED ON THE
 4 COUNTY'S TAXABLE VALUE AND MILL LEVIES FOR TAX YEAR 1989.

5 (2) PRIOR TO SEPTEMBER 1, 1990, THE DEPARTMENT'S AGENT
 6 IN THE COUNTY SHALL SUPPLY THE FOLLOWING INFORMATION TO THE
 7 DEPARTMENT FOR EACH TAXING JURISDICTION WITHIN THE COUNTY:

8 (A) THE NUMBER OF MILLS LEVIED IN THE JURISDICTION FOR
 9 TAXABLE YEAR 1989;

10 (B) THE NUMBER OF MILLS LEVIED IN THE JURISDICTION FOR
 11 TAXABLE YEAR 1990;

12 (C) THE TOTAL TAXABLE VALUATION FOR TAXABLE YEARS 1989
 13 AND 1990, REPORTED SEPARATELY FOR EACH YEAR, OF ALL PERSONAL
 14 PROPERTY NOT SECURED BY REAL PROPERTY; AND

15 (D) THE TOTAL TAXABLE VALUATION FOR TAXABLE YEARS 1989
 16 AND 1990, REPORTED SEPARATELY FOR EACH YEAR, OF ALL PERSONAL
 17 PROPERTY SECURED BY REAL PROPERTY.

18 (3) AFTER RECEIPT OF THE INFORMATION FROM ITS AGENT,
 19 THE DEPARTMENT SHALL CALCULATE THE AMOUNT OF REVENUE LOST TO
 20 EACH TAXING JURISDICTION, USING CURRENT YEAR MILL LEVIES,
 21 DUE TO THE ANNUAL REDUCTION IN PERSONAL PROPERTY TAX RATES
 22 SET FORTH IN 15-6-138, AND ANY REDUCTION IN TAXES BASED UPON
 23 RECALCULATION OF THE EFFECTIVE TAX RATE FOR PROPERTY IN
 24 15-6-145 AND 15-6-147. THE DEPARTMENT SHALL TOTAL THE
 25 AMOUNTS FOR ALL TAXING JURISDICTIONS WITHIN THE COUNTY.

1 (4) FOR TAXABLE YEAR 1990 AND FOR EACH YEAR
2 THEREAFTER, THE DEPARTMENT SHALL REMIT TO THE COUNTY
3 TREASURER THE BASE AMOUNT OF REVENUE REIMBURSABLE,
4 DETERMINED PURSUANT TO SUBSECTION (3), AS FOLLOWS:

5 (A) ON OR BEFORE NOVEMBER 30, 1990, AND ON OR BEFORE
6 EACH NOVEMBER 30 THEREAFTER, THE DEPARTMENT SHALL REMIT 50%
7 OF THE BASE AMOUNT OF THE REVENUE REIMBURSABLE TO THE
8 COUNTY; AND

9 (B) ON OR BEFORE MAY 31, 1991, AND ON OR BEFORE EACH
10 MAY 31 THEREAFTER, THE DEPARTMENT SHALL REMIT 50% OF THE
11 BASE AMOUNT OF THE REVENUE REIMBURSABLE TO THE COUNTY.

12 (5) UPON RECEIPT OF THE REIMBURSEMENT FROM THE
13 DEPARTMENT, THE COUNTY TREASURER SHALL DISTRIBUTE THE
14 REIMBURSEMENT TO EACH TAXING JURISDICTION IN THE RELATIVE
15 PROPORTIONS REQUIRED BY THE LEVIES FOR STATE, COUNTY, SCHOOL
16 DISTRICT, AND MUNICIPAL PURPOSES IN THE SAME MANNER AS
17 CURRENT YEAR MILL LEVIES ON PERSONAL PROPERTY TAXES ARE
18 DISTRIBUTED.

19 (6) FOR THE PURPOSES OF THIS SECTION, "TAXING
20 JURISDICTION" MEANS LOCAL GOVERNMENTS AND INCLUDES SCHOOL
21 DISTRICTS, EACH MUNICIPALITY WITH TAX INCREMENT FINANCING,
22 AND THE STATE OF MONTANA.

23 (7) THE AMOUNTS NECESSARY FOR THE ADMINISTRATION OF
24 THIS SECTION ARE STATUTORILY APPROPRIATED, AS PROVIDED IN
25 17-7-502, FROM THE GENERAL FUND TO REIMBURSE SCHOOL

1 DISTRICTS AND LOCAL GOVERNMENTS FOR REDUCTIONS IN TAX RATES
2 ON PERSONAL PROPERTY.

3 SECTION 10. SECTION 17-7-502, MCA, IS AMENDED TO READ:

4 "17-7-502. Statutory appropriations -- definition --
5 requisites for validity. (1) A statutory appropriation is an
6 appropriation made by permanent law that authorizes spending
7 by a state agency without the need for a biennial
8 legislative appropriation or budget amendment.

9 (2) Except as provided in subsection (4), to be
10 effective, a statutory appropriation must comply with both
11 of the following provisions:

12 (a) The law containing the statutory authority must be
13 listed in subsection (3).

14 (b) The law or portion of the law making a statutory
15 appropriation must specifically state that a statutory
16 appropriation is made as provided in this section.

17 (3) The following laws are the only laws containing
18 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;
19 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304;
20 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-70-101;
21 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424;
22 17-5-804; 19-8-504; 19-9-702; 19-9-1007; 19-10-205;
23 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606;
24 19-12-301; 19-13-604; 20-6-406; 20-8-111; 23-5-306;
25 23-5-409; 23-5-610; 23-5-612; 23-5-1016; 23-5-1027;

1 27-12-206; 37-51-501; 39-71-2504; 53-6-150; 53-24-206;
 2 61-2-406; 61-5-121; 67-3-205; 75-1-1101; 75-5-1108;
 3 75-11-313; 76-12-123; 80-2-103; 82-11-136; 82-11-161;
 4 90-3-301; 90-4-215; 90-4-613; 90-6-331; 90-9-306; and
 5 section 13, House Bill No. 861, Laws of 1985; and [section
 6 9].

7 (4) There is a statutory appropriation to pay the
 8 principal, interest, premiums, and costs of issuing, paying,
 9 and securing all bonds, notes, or other obligations, as due,
 10 that have been authorized and issued pursuant to the laws of
 11 Montana. Agencies that have entered into agreements
 12 authorized by the laws of Montana to pay the state
 13 treasurer, for deposit in accordance with 17-2-101 through
 14 17-2-107, as determined by the state treasurer, an amount
 15 sufficient to pay the principal and interest as due on the
 16 bonds or notes have statutory appropriation authority for
 17 such payments. (In subsection (3), pursuant to sec. 10, Ch.
 18 664, L. 1987, the inclusion of 39-71-2504 terminates June
 19 30, 1991.)"

20 NEW SECTION. Section 11. Repealer. Sections 15-6-139,
 21 15-6-140, and 15-6-146, MCA, are repealed.

22 NEW SECTION. Section 12. Effective date. (1) Except
 23 as provided in subsection (2), [THIS act] is effective
 24 on passage and approval.

25 (2) If [this act] is passed and approved after July 1,

1 1989, [this act] is effective retroactively, within the
 2 meaning of 1-2-109, to July 1, 1989.

3 NEW SECTION. Section 13. Applicability ---
 4 contingency. (1) If [this act] is passed and approved after
 5 June 30, 1989, [sections 1 through 18] apply retroactively,
 6 within the meaning of 1-2-109, to all coal sold and the
 7 receipts from such sales after June 30, 1989. Coal sold
 8 prior to July 1, 1989, is not subject to the tax imposed in
 9 [section 1], regardless of when the privilege tax is
 10 collected.

11 (2) If [this act] is passed and approved prior to July
 12 1, 1989, [sections 1 through 18] apply July 1, 1989, to all
 13 coal sold after June 30, 1989. Coal sold prior to July 1,
 14 1989, is not subject to the tax imposed in [section 1],
 15 regardless of when the privilege tax is collected.

16 (3) [Sections 20 through 55] apply to taxable years
 17 beginning after December 31, 1989, and to fiscal years
 18 beginning after June 30, 1990. [THIS ACT] APPLIES TO TAX
 19 YEARS BEGINNING AFTER DECEMBER 31, 1989.

20 NEW SECTION. Section 58. Saving clause. [This act]
 21 does not affect rights and duties that matured, penalties
 22 that were incurred, or proceedings that were begun before
 23 [the effective date of this act].

24 NEW SECTION. Section 59. Nonseverability. It is the
 25 intent of the legislature that each part of [this act] is

1 ~~essentially dependent upon every other part, and if one part~~
2 ~~is held unconstitutional or invalid, all other parts are~~
3 ~~invalid.~~

4 ~~NEW SECTION. Section 60. Codification instruction.~~
5 ~~{Sections 1 through 18} are intended to be codified as an~~
6 ~~integral part of Title 15, and the provisions of Title 15~~
7 ~~apply to {sections 1 through 18}.~~

-End-