SENATE BILL 23

Introduced by Rapp-Svrcek

6/24	Introduced
6/24	Referred to Taxation
6/26	Fiscal Note Requested
6/27	Hearing
6/28	Fiscal Note Received
	Died in Committee

Senate BILL NO. 23

INTRODUCED BY [illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROMOTE IMPROVEMENTS TO REAL PROPERTY AND TRAILERS OR MOBILE HOMES BY PHASING IN PROPERTY TAXES IMPOSED ON THE IMPROVEMENTS; AMENDING SECTIONS 15-6-134 AND 15-6-142, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-6-134, MCA, is amended to read:

"**15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in subsection (1)(d) or in another class;

(c) the first $80,000 or less of the market value of any improvement on real property and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources including otherwise tax-exempt income of all types is not more than $10,000 for a single person or $12,000 for a married couple, as adjusted

LC 0122/01

according to subsection (2)(b)(ii);

(d) improvements:

(i) the construction of which began after [the effective date of this act]; or

(ii) that are made to improvements that existed on or were constructed after [the effective date of this act];

~~(d)~~(e) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a) and (1)(b) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple	Percentage Multiplier
$ 0 - $ 1,000	$ 0 - $ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%

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5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) (i) Property described in subsection (1)(d)(i) is not taxable until construction is completed, and thereafter it is taxed at one-half of the taxable percentage rate established in subsection (2)(a) in the first full taxable year following completion of the construction. Each year thereafter, the percentage rate increases by equal

percentages until, in the 10th year, the applicable taxable percentage rate is 100% of the taxable rate established in subsection (2)(a). In subsequent years, the property is taxed at 100% of the taxable rate established in subsection (2)(a).

(ii) Property described in subsection (1)(d)(ii) is not taxable until the improvement to the improvement is completed, and thereafter it is taxed at 10% of the taxable rate established in subsection (2)(a) in the first full taxable year following completion of the improvement to the improvement. Each year thereafter, the percentage rate increases by equal percentages until, in the 10th year, the applicable taxable percentage rate is 100% of the taxable rate established in subsection (2)(a). In subsequent years, the property is taxed at 100% of the taxable rate established in subsection (2)(a).

~~(c)~~(d) Property described in subsection ~~(1)(d)~~ (1)(e) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.

(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial

property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 2. Section 15-6-142, MCA, is amended to read:

"**15-6-142. Class twelve property -- description -- taxable percentage.** (1) Class twelve property includes:

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

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

(ii) specifically included in another class;

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

(c) (i) a trailer or mobile home used as a residence, provided that construction of the trailer or mobile home was completed after [the effective date of this act];

(ii) any improvement to a trailer or mobile home used as a residence, which improvement is begun after [the

effective date of this act].

(2) Class twelve property is taxed as follows:

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

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

(c) (i) Property described in subsection (1)(c)(i) is not taxable until construction is completed, and thereafter it is taxed at one-half of the taxable percentage rate established in subsection (2)(a) in the first full taxable year following completion of the construction. Each year thereafter, the percentage rate increases by equal percentages until, in the 10th year, the applicable taxable percentage rate is 100% of the taxable rate established in subsection (2)(a). In subsequent years, the property is taxed at 100% of the taxable rate established in subsection (2)(a).

(ii) Property described in subsection (1)(c)(ii) is not taxable until the improvement to the mobile home or trailer is completed, and thereafter it is taxed at 10% of the taxable rate established in subsection (2)(a) in the first full taxable year following completion of the improvement to the mobile home or trailer. Each year thereafter, the percentage rate increases by equal percentages until, in the 10th year, the applicable taxable percentage rate is 100% of the taxable rate established in subsection (2)(a). In subsequent years, the property is taxed at 100% of the taxable rate established in subsection (2)(a)."

NEW SECTION. **Section 3**. Applicability. [This act] applies to taxable years beginning after December 31, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB23, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to promote improvements to real property and trailers or mobile homes by phasing in property taxes imposed on the improvements; and providing an applicability date.

ASSUMPTIONS:

1. The taxable value of the state will be $1,903,008,000 in FY90 and $1,882,194,000 in FY91 (HJR 13).
2. The taxable value of new construction and remodeling in classes 4, 12 and 14 is estimated to be $12,561,000 in calendar year 1989 and $12,806,000 in calendar year 1990. It is estimated that 65% of this total is due to new construction and 35% is due to remodeling.
3. It is assumed that all new construction and remodeling in calendar year 1989 after October 15 (12.5% of calendar year 1989) will be affected by the proposal.
4. The growth in taxable value of the affected property from calendar year 1989 to calendar year 1990 is 1.95% and is assumed the same for subsequent years.
5. Mill levies are 6 mills for universities and 45 mills for the school foundation program. The average county levy for the affected property is 229 mills. The average city mill for the affected property is 96 mills.
6. In FY 90 it will require $39,000 in operating expenses for the Department of Revenue to implement the proposal.

FISCAL IMPACT:
Revenue Impact:

	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
University Levy	$11,418,000	$11,418,000	$0	$11,293,000	$11,286,971	$(6,029)
Foundation Program	85,635,000	85,635,000	0	84,699,000	84,653,780	(45,220)
Total	$97,053,000	$97,053,000	$0	$95,992,000	$95,940,751	$(51,249)

W David Darby 6/28/89
W. DAVID DARBY, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

6/28/89
PAUL RAPP-SVRCEK, PRIMARY SPONSOR DATE

Fiscal Note for SB23, as introduced

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Expenditure Impact: (General Fund)

The proposal will cost $39,000 in FY 90 to implement. Costs in following years will be absorbed without additional funding.

	FY90	FY91
Operating Expenses	$39,000	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

In FY91 the proposal is estimated to reduce county and local school district revenues by $230,117 and cities and towns are expected to have a reduction of $96,468.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

It will take ten years for the full effect of the proposal to occur. Reduction in taxable valuation is estimated to be $9,088,613 in FY92, increasing to $45,466,728 by FY2000.

The proposal will reduce revenues for universities by $54,532 in FY92, increasing to a reduction of $272,800 by FY2001.

The proposal will reduce revenues for the school foundation program by $408,988 in FY92, increasing to a reduction of $2,046,002 by FY2001.

The proposal will reduce revenues for counties and local schools by $2,081,292 in FY92, increasing to a reduction of $10,411,880 by FY2001.

The proposal will reduce revenues for cities and towns by $872,507 in FY92, increasing to a reduction of $4,364,806 by FY2001.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Property tax abatements for remodeling, reconstruction, or expansion of buildings or structures currently exist in statute, 15-24-1501, MCA.

The proposal grants complete abatement until construction is completed. The term 'until construction is completed' is not well defined in the proposal.

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