

HOUSE BILL 378

Introduced by McCaffree, et al.

1/28	Introduced
1/28	Referred to Taxation
1/28	First Reading
1/28	Fiscal Note Requested
2/04	Hearing
2/04	Fiscal Note Received
2/04	Fiscal Note Printed
2/12	Tabled in Committee

1 House BILL NO. 378
 2 INTRODUCED BY McCafer Talbot
 3 Park M. Hunsley L. Nelson Reeder Schuler Jerguson
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE
 5 OFFICIAL GUIDE TO BE USED FOR THE QUICK SALE VALUE IN THE
 6 DETERMINATION OF THE WHOLESALE VALUE FOR CERTAIN EQUIPMENT
 7 FOR PROPERTY TAX PURPOSES; AMENDING SECTION 15-8-111, MCA;
 8 AND PROVIDING AN APPLICABILITY DATE."

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

11 **Section 1.** Section 15-8-111, MCA, is amended to read:

12 "15-8-111. Assessment -- market value standard --
 13 exceptions. (1) All taxable property must be assessed at
 14 100% of its market value except as otherwise provided.

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

19 (b) If the department uses construction cost as one
 20 approximation of market value, the department shall fully
 21 consider reduction in value caused by depreciation, whether
 22 through physical depreciation, functional obsolescence, or
 23 economic obsolescence.

24 (c) Except as provided in subsection (3), the market
 25 value of all motor trucks; agricultural tools, implements,

1 and machinery; and vehicles of all kinds, including but not
 2 limited to boats and all watercraft, is the average
 3 wholesale value shown in national appraisal guides and
 4 manuals or the value of the vehicle before reconditioning
 5 and profit margin. The department of revenue shall prepare
 6 valuation schedules showing the average wholesale value when
 7 no national appraisal guide exists.

8 (3) The department of revenue or its agents may not
 9 adopt a lower or different standard of value from market
 10 value in making the official assessment and appraisal of the
 11 value of property, except:

12 (a) (i) the wholesale value for agricultural implements
 13 and machinery is the loan value as shown in the Official
 14 Guide, Tractor and Farm Equipment, published by the national
 15 farm and power equipment dealers association, St. Louis,
 16 Missouri;

17 (b) (ii) for agricultural implements and machinery not
 18 listed in the official guide, the department shall prepare a
 19 supplemental manual where in which the values reflect the
 20 same depreciation as those found in the official guide; and

21 (b) (i) the wholesale value for heavy equipment,
 22 construction equipment, or mining equipment is the quick
 23 sale value as shown in the Official Guide, Green Guide for
 24 Construction Equipment, published by dataquest, San Jose,
 25 California;

(ii) for heavy equipment, construction equipment, or mining equipment not specifically listed in the official guide, the department shall prepare a supplemental manual in which the values reflect the same depreciation as those found in the official guide; and

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

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

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

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

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515 or 15-23-516.

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

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Beginning January 1, 1990, and ending December 31,

1993, properties in 15-6-143, under class ten, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(e) Beginning January 1, 1994, properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

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

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

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection (6)(d) terminates January 1, 1994--sec. 19, Ch. 783, L. 1991.)"

NEW SECTION. Section 2. Applicability. [This act] is applicable to tax years beginning on or after January 1, 1994.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0378, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the official guide to be used for the quick sale value in the determination of the wholesale value for certain equipment for property tax purposes; and providing an applicability date.

ASSUMPTIONS:

1. The proposal would increase property tax revenue from class eight property a total of \$810,000 each year. (From data compiled and supplied for District Court Case No. DV 91-77).
2. Average levies applied to class 8 property are 6.00 mills for the universities, 95.00 mills for the school foundation program, 74.57 mills for counties, 122.05 mills for local schools, and 98.83 mills for cities/towns. (18.89% of class eight property is within a city/town).
3. Due to the applicability date, unsecured property in class 8 (30% of all property in class 8) will impact FY94.
4. Total cost of the Green Guide for Construction Equipment (20 copies for field office use) is \$30,000 per year.

FISCAL IMPACT:Expenditures:

The proposal would require purchasing the guides at a total of \$30,000 per year. In addition, the proposal removes some of the efficiency from the department's new computerized Business Equipment Valuation System (BEVS).


Property Valuation

	FY '94			FY '95		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
FTE	398.66	398.66	0.00	398.66	398.66	0.00
Personal Services	\$ 11,885,655	\$ 11,885,655	\$ 0	\$ 11,913,545	\$ 11,913,545	\$ 0
Operating Expenses	2,180,406	2,210,406	30,000	2,192,109	2,222,109	30,000
Equipment	222,278	222,278	0	205,648	205,648	0
Debt Service	<u>269,800</u>	<u>269,800</u>	<u>0</u>	<u>269,800</u>	<u>269,800</u>	<u>0</u>
Total	\$ 14,558,139	\$ 14,588,139	\$ 30,000	\$ 14,581,102	\$ 14,611,102	\$ 30,000

Funding:

General Fund	\$ 14,558,139	\$ 14,588,139	\$ 30,000	\$ 14,581,102	\$ 14,611,102	\$ 30,000
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(Continued)

 2-3-93
 DAVID LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

 2/4/93
 ED MCCAFFREE, PRIMARY SPONSOR DATE

Fiscal Note for HB0378, as introduced

HB 378

FISCAL IMPACT: (Continued)

Revenues:

The proposal results in a total net increase in property tax revenue of \$810,000 in FY95 and subsequent fiscal years. Due to the applicability date, the proposal results in a property tax increase of \$243,000 in FY94. The results are summarized in the tables below:

Change in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 4,590	\$ 15,300
State Equalization (95 mills)	<u>72,990</u>	<u>243,300</u>
Total	\$ 77,580	\$ 258,600

EFFECT ON LOCAL REVENUES:

Change in Property Tax Revenue:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 57,300	\$ 191,000
Local Schools	93,780	312,600
Cities/Towns	<u>14,340</u>	<u>47,800</u>
Total	\$ 165,420	\$ 551,400