SENATE BILL 123

Introduced by Gage

1/11	Introduced
1/11	First Reading
1/11	Referred to Taxation
1/11	Fiscal Note Requested
1/11	Fiscal Note Received
1/14	Hearing
1/15	Fiscal Note Printed
1/21	Committee Report--Bill Not Passed
1/21	Adverse Committee Report Adopted

Senate BILL NO. 123

INTRODUCED BY [illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING SUPPLIES FROM PROPERTY TAXATION; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 15-6-138, MCA, is amended to read:

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

(a) all agricultural implements and equipment;

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

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

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

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

Montana Legislative Council

LC 0584/01

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

(g) truck toppers weighing more than 300 pounds;

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

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

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

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

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

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

(4) Class eight property is taxed at 9% of its market

SB 123
INTRODUCED BILL

value."

Section 2. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) the property of:

(i) the United States, the state, counties, cities, towns, school districts, except, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, the property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);

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

(iii) municipal corporations; and

(iv) public libraries;

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

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for

nonprofit health care facilities, as defined in 50-5-101, licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of health and environmental sciences and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that meets the following conditions:

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

(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

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

(e) property owned by institutions of purely public charity and directly used for purely public charitable purposes;

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

(g) public museums, art galleries, zoos, and observatories not used or held for private or corporate profit;

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

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

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

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

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is

not operated for gain or profit, and property owned and used by an organization owning and operating facilities for the care of the retired, aged, or chronically ill, which are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) provided the tools are owned by the taxpayer, the first $15,000 or less of market value of tools that are customarily hand-held and that are used to:

(i) construct, repair, and maintain improvements to real property; or

(ii) repair and maintain machinery, equipment, appliances, or other personal property;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105; **and**

(u) beginning January 1, 1994, timber as defined in 15-44-102; and

(v) all supplies. Supplies include all tangible material used or consumed in a business.

(2) (a) The term "institutions of purely public charity" includes any organization that meets the following requirements:

(i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(ii) The organization accomplishes its activities through absolute gratuity or grants; however, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public

display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

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

NEW SECTION. **Section 4.** **Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1992.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0123, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act exempting supplies from property taxation; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:
1. The taxable value of supplies in class 8 (Business Equipment) is $6,566,342 with 17.37% within a city/town.
2. Average levies applied to supplies in class 8 are 6.00 mills for the universities, 95.00 mills for the school foundation program, 66.58 mills for counties, 116.78 mills for local schools, and 92.74 mills for cities/towns.
3. Due to the applicability date, unsecured supplies in class 8 (30% of all supplies in class 8) will impact FY93. (See technical note)
4. The distribution (between taxing jurisdictions) of taxable value of supplies in class 9 (Utilities) and class 12 (Railroads and Airlines) is assumed to equal the distribution of total taxable value of class 9 and class 12, respectively.
5. The taxable value of supplies in class 9 is $5,412,000 with 14.13% within a city/town.
6. Average levies applied to supplies in class 9 are 6.00 mills for the universities, 95.00 mills for the school foundation program, 54.43 mills for counties, 86.40 mills for local schools, and 99.20 mills for cities/towns.
7. The taxable value of supplies in class 12 is $3,245,430 with 6.76% within a city/town.
8. Average levies applied to supplies in class 12 are 6.00 mills for the universities, 95.00 mills for the school foundation program, 73.30 mills for counties, 117.34 mills for local schools, and 101.76 mills for cities/towns.
9. The reduction in total assessed value and total taxable value in classes 8 and 9 result in a reduction in the tax rate for class 12 property from 7.53% to 7.51%. (15-6-135(3), MCA). This rate reduction, combined with exempting supplies (assumption 7), results in a total reduction in taxable value of $3,381,903 for class 12.
10. The distribution (between taxing jurisdictions) of taxable value of supplies in class 5 (Telephone and Electric Co-ops) is assumed to equal the distribution of total personal property taxable value of class 5.
11. The taxable value of supplies in class 5 is $168,000 with 21.78% within a city/town.
12. Average levies applied to supplies in class 5 are 6.00 mills for the universities, 95.00 mills for the school foundation program, 74.55 mills for counties, 110.87 mills for local schools, and 103.54 mills for cities/towns.

FISCAL IMPACT:

Revenues:
The proposal results in a total net reduction in property tax revenue of $4,243,000 in FY94 and subsequent fiscal years. Due to the applicability date, the proposal results in a property tax reduction of $592,000 in FY93. The results are summarized in tables on page 2:

David Lewis 1-15-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Delwyn Gage 1-19-93
DELWYN GAGE, PRIMARY SPONSOR DATE

SB 123

Fiscal Note Request SB0123, as introduced
Form BD-15 page 2
(continued)

Change in Property Tax Revenues:

	FY93	FY94	FY95
Universities (02)	$ (12,000)	$ (92,000)	$ (92,000)
School Foundation (02)	(187,000)	(1,475,000)	(1,475,000)
Total	$ (199,000)	$ (1,567,000)	$ (1,567,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Change in Property Tax Revenue:

	FY93	FY94	FY95
Counties	$ (131,000)	$ (993,000)	$ (993,000)
Local Schools	(230,000)	(1,651,000)	(1,651,000)
Cities/Towns	(32,000)	(209,000)	(209,000)
Total	$ (393,000)	$(2,853,000)	$(2,853,000)

TECHNICAL NOTES:

The proposal is retroactive to Jan. 1, 1993. It is not likely that the proposal could be fully implemented for tax year 1993.

SB 123