

SENATE BILL NO. 141

INTRODUCED BY ECK  
BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE SENATE

JANUARY 13, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
JANUARY 20, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
JANUARY 21, 1993	PRINTING REPORT.
	SECOND READING, DO PASS.
JANUARY 22, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 49; NOES, 0.
	TRANSMITTED TO HOUSE.

IN THE HOUSE

JANUARY 23, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
FEBRUARY 4, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
FEBRUARY 6, 1993	SECOND READING, CONCURRED IN.
FEBRUARY 9, 1993	THIRD READING, CONCURRED IN. AYES, 90; NOES, 9.
FEBRUARY 10, 1993	RETURNED TO SENATE.

IN THE SENATE

FEBRUARY 10, 1993	RECEIVED FROM HOUSE.
	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

1 Senate BILL NO. 141  
 2 INTRODUCED BY Eck  
 3 BY REQUEST OF THE DEPARTMENT OF REVENUE  
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE TAX  
 6 EXEMPTION FOR PROPERTY OWNED BY THE FEDERAL GOVERNMENT;  
 7 AMENDING SECTION 15-6-201, MCA; AND PROVIDING AN IMMEDIATE  
 8 EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."  
 9

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

11 **Section 1.** Section 15-6-201, MCA, is amended to read:  
 12 "15-6-201. **Exempt categories.** (1) The following  
 13 categories of property are exempt from taxation:  
 14 (a) the property of:  
 15 (i) the United States, the--state,--counties,--cities,  
 16 towns,--school-districts,--except,--if unless congress passes  
 17 legislation that allows the state to tax property owned by  
 18 the federal government or an agency created by congress to  
 19 transmit--or--distribute--electrical--energy,--the--property  
 20 constructed,--owned,--or-operated-by-a-public-agency-created  
 21 by-the-congress-to-transmit-or--distribute--electric--energy  
 22 produced--at--privately--owned--generating--facilities--(not  
 23 including-rural-electric-cooperatives);  
 24 (ii) the state, counties, cities, towns, and school  
 25 districts;

1 ~~(iii)~~(iii) irrigation districts organized under the laws  
 2 of Montana and not operating for profit;  
 3 ~~(iii)~~(iv) municipal corporations; and  
 4 ~~(iv)~~(v) public libraries;  
 5 (b) buildings, with land they occupy and their  
 6 furnishings therein, owned by a church and used for actual  
 7 religious worship or for residences of the clergy, together  
 8 with adjacent land reasonably necessary for convenient use  
 9 of the buildings;  
 10 (c) property used exclusively for agricultural and  
 11 horticultural societies, for educational purposes, and for  
 12 nonprofit health care facilities, as defined in 50-5-101,  
 13 licensed by the department of health and environmental  
 14 sciences and organized under Title 35, chapter 2 or 3. A  
 15 health care facility that is not licensed by the department  
 16 of health and environmental sciences and organized under  
 17 Title 35, chapter 2 or 3, is not exempt.  
 18 (d) property that meets the following conditions:  
 19 (i) is owned and held by any association or corporation  
 20 organized under Title 35, chapter 2, 3, 20, or 21;  
 21 (ii) is devoted exclusively to use in connection with a  
 22 cemetery or cemeteries for which a permanent care and  
 23 improvement fund has been established as provided for in  
 24 Title 35, chapter 20, part 3; and  
 25 (iii) is not maintained and operated for private or

1 corporate profit;

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

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

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

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

15 (i) a truck canopy cover or topper weighing less than  
16 300 pounds and having no accommodations attached. This  
17 property is also exempt from taxation under 61-3-504(2) and  
18 61-3-537.

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

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

22 (l) all watercraft;

23 (m) motor vehicles, land, fixtures, buildings, and  
24 improvements owned by a cooperative association or nonprofit  
25 corporation organized to furnish potable water to its

1 members or customers for uses other than the irrigation of  
2 agricultural land;

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

8 (o) property owned and used by a corporation or  
9 association organized and operated exclusively for the care  
10 of the developmentally disabled, mentally ill, or  
11 vocationally handicapped as defined in 18-5-101, which is  
12 not operated for gain or profit, and property owned and used  
13 by an organization owning and operating facilities for the  
14 care of the retired, aged, or chronically ill, which are not  
15 operated for gain or profit;

16 (p) all farm buildings with a market value of less than  
17 \$500 and all agricultural implements and machinery with a  
18 market value of less than \$100;

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

1 incorporated and admitted under the Montana Nonprofit  
2 Corporation Act.

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

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

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

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

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

15 (u) beginning January 1, 1994, timber as defined in  
16 15-44-102.

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

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

23 (ii) The organization accomplishes its activities  
24 through absolute gratuity or grants; however, the  
25 organization may solicit or raise funds by the sale of

1 merchandise, memberships, or tickets to public performances  
2 or entertainment or by other similar types of fundraising  
3 activities.

4 (b) For the purposes of subsection (1)(g), the term  
5 "public museums, art galleries, zoos, and observatories"  
6 means governmental entities or nonprofit organizations whose  
7 principal purpose is to hold property for public display or  
8 for use as a museum, art gallery, zoo, or observatory. The  
9 exempt property includes all real and personal property  
10 reasonably necessary for use in connection with the public  
11 display or observatory use. Unless the property is leased  
12 for a profit to a governmental entity or nonprofit  
13 organization by an individual or for-profit organization,  
14 real and personal property owned by other persons is exempt  
15 if it is:

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

18 (ii) held for future display; or

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

20 (3) The following portions of the appraised value of a  
21 capital investment made after January 1, 1979, in a  
22 recognized nonfossil form of energy generation or low  
23 emission wood or biomass combustion devices, as defined in  
24 15-32-102, are exempt from taxation for a period of 10 years  
25 following installation of the property:

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

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

5       NEW SECTION. **Section 2.** Effective date -- retroactive  
6 applicability. [This act] is effective on passage and  
7 approval and applies retroactively, within the meaning of  
8 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 SB0141, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act clarifying the tax exemption for property owned by the federal government; and providing an immediate effective date and a retroactive applicability date.

FISCAL IMPACT:

The bill is designed to clarify the taxation of property owned by the federal government and its agencies.

The proposal has no impact on expenditures or revenues.

 1-15-93

DAVID LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

 1/15/93

DOROTHY ECK, PRIMARY SPONSOR      DATE

Fiscal Note for SB0141, as introduced

**SB 141**

APPROVED BY COMMITTEE  
ON TAXATION

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categories of property are exempt from taxation:

(a) EXCEPT AS PROVIDED IN 15-24-1203, the property of:

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~~towns,--school-districts,--except,--if unless~~ congress passes  
legislation that allows the state to tax property owned by  
the federal government or an agency created by congress to  
~~transmit--or--distribute--electrical--energy,--the--property~~  
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~~including-rural-electric-cooperatives);~~

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districts;

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

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(b) buildings, with land they occupy and their  
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  
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(c) property used exclusively for agricultural and  
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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

1 corporate profit;

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

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

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1 members or customers for uses other than the irrigation of  
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7 or dig for oil, gas, coal, or minerals;

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(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

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

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

22 (l) all watercraft;

23 (m) motor vehicles, land, fixtures, buildings, and  
24 improvements owned by a cooperative association or nonprofit  
25 corporation organized to furnish potable water to its

1 members or customers for uses other than the irrigation of  
2 agricultural land;

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

8 (o) property owned and used by a corporation or  
9 association organized and operated exclusively for the care  
10 of the developmentally disabled, mentally ill, or  
11 vocationally handicapped as defined in 18-5-101, which is  
12 not operated for gain or profit, and property owned and used  
13 by an organization owning and operating facilities for the  
14 care of the retired, aged, or chronically ill, which are not  
15 operated for gain or profit;

16 (p) all farm buildings with a market value of less than  
17 \$500 and all agricultural implements and machinery with a  
18 market value of less than \$100;

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



1 incorporated and admitted under the Montana Nonprofit  
2 Corporation Act.

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

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

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

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

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

15 (u) beginning January 1, 1994, timber as defined in  
16 15-44-102.

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

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

23 (ii) The organization accomplishes its activities  
24 through absolute gratuity or grants; however, the  
25 organization may solicit or raise funds by the sale of

1 merchandise, memberships, or tickets to public performances  
2 or entertainment or by other similar types of fundraising  
3 activities.

4 (b) For the purposes of subsection (1)(g), the term  
5 "public museums, art galleries, zoos, and observatories"  
6 means governmental entities or nonprofit organizations whose  
7 principal purpose is to hold property for public display or  
8 for use as a museum, art gallery, zoo, or observatory. The  
9 exempt property includes all real and personal property  
10 reasonably necessary for use in connection with the public  
11 display or observatory use. Unless the property is leased  
12 for a profit to a governmental entity or nonprofit  
13 organization by an individual or for-profit organization,  
14 real and personal property owned by other persons is exempt  
15 if it is:

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

18 (ii) held for future display; or

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

20 (3) The following portions of the appraised value of a  
21 capital investment made after January 1, 1979, in a  
22 recognized nonfossil form of energy generation or low  
23 emission wood or biomass combustion devices, as defined in  
24 15-32-102, are exempt from taxation for a period of 10 years  
25 following installation of the property:

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

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

5       NEW SECTION. **Section 2.** Effective date -- retroactive  
6 applicability. (This act) is effective on passage and  
7 approval and applies retroactively, within the meaning of  
8 1-2-109, to tax years beginning after December 31, 1992.

-End-