SENATE BILL NO. 168

INTRODUCED BY BECK, M. HANSON, GRINDE, KELLER, GRADY, HIBBARD, DEBRUYCKER, HARP, CRIPPEN, MESAROS, LYNCH BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE SENATE

| JANUARY 16, 1993 | INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION. |
|------------------|---|
| | FIRST READING. |
| FEBRUARY 4, 1993 | COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED. |
| FEBRUARY 5, 1993 | PRINTING REPORT. |
| | SECOND READING, DO PASS. |
| FEBRUARY 6, 1993 | ENGROSSING REPORT. |
| | THIRD READING, PASSED. AYES, 45; NOES, 5. |
| | TRANSMITTED TO HOUSE. |
| I | N THE HOUSE |
| FEBRUARY 8, 1993 | INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION. |
| | FIRST READING. |
| MARCH 10, 1993 | COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED. |
| MARCH 13, 1993 | SECOND READING, CONCURRED IN. |
| MARCH 16, 1993 | THIRD READING, CONCURRED IN. AYES, 88; NOES, 12. |
| MARCH 17, 1993 | RETURNED TO SENATE. |
| I | N THE SENATE |
| MARCH 18, 1993 | RECEIVED FROM HOUSE. |

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

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| 2 | INTRODUCED BY B. TI) HALLO GRINDE |
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| 3 | Miller BY REQUEST OF THE DEPARTMENT OF REVENUE Smally |
| 4 | All Calbrupker HAB Time Inch |
| 5 | A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE METHOD OF |
| 6 | VALUING AGRICULTURAL LANDS IN CLASS THREE PROPERTY FOR |
| 7 | PROPERTY TAX PURPOSES; HOLDING CONSTANT THE STATEWIDE TOTAL |
| 8 | TAXABLE VALUE OF CLASS THREE PROPERTY BETWEEN REAPPRAISAL |
| 9 | CYCLES; PHASING IN OVER TWO REAPPRAISAL CYCLES THE CHANGE IN |
| 10 | THE PRODUCTIVE CAPACITY VALUE OF AGRICULTURAL LANDS; TAXING |
| 11 | CLASS THREE PROPERTY AT THE RATE APPLICABLE TO CLASS FOUR |
| 12 | PROPERTY; ESTABLISHING AN ADVISORY COMMITTEE TO REVIEW WATER |
| 13 | COSTS IN DETERMINING THE PRODUCTIVE CAPACITY OF IRRIGATED |
| 14 | LANDS; AMENDING SECTIONS 15-6-133, 15-7-201, AND 15-8-111, |
| 15 | MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AN |
| 16 | APPLICABILITY DATE, AND A TERMINATION DATE." |
| 17 | |
| 18 | BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: |
| 19 | Section 1. Section 15-6-133, MCA, is amended to read: |
| 20 | *15-6-133. Class three property description |

taxable percentage. (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the

limits of an incorporated city or town held by an owner for

the ultimate purpose of developing the mineral interests on

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the property. For the purposes of this subsection (1)(b), the following provisions apply: (i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes. (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such the improvements are located and that is reasonably required for the use of the improvements. (iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use. (2) Class three property is taxed at the taxable percentage rate "P"-of-its-productive-capacity applicable to class four property, as provided in 15-6-134(2)(a). †3)--Until-July-ly-1986y-the-taxable-percentage-rate-upu for-class-three-property-is-30%; 22 (4)--Prior--to--July--l;-1986;-the-department-of-revenue 23 shall-determine-the-taxable-percentage-rate--4P4--applicable to--class-three-property-for-the-revaluation-cycle-beginning 24 25 January-17-19867-as-follows:

| (a)The-director-of-thedepartmentofrevenueshall |
|--|
| certifyto-the-governor-before-July-17-19867-the-percentage |
| by-which-the-appraised-value-of-all-propertyinthestate |
| classifiedunderclassthreeasof-January-17-19867-has |
| increased-due-to-the-revaluation-conductedunder15-7-111- |
| Thisfigureisthe"certifiedstatewidepercentage |
| increase". |

(b)--The-taxable-value-of-property--in--class--three--is
determined---as---a--function--of--the--certified--statewide
percentage-increase--in--accordance--with--the--table--shown
below:

tc)--This-table-limits-the-statewide-increase-in-taxable
valuation--resulting--from-reappraisal-to-0%--in-calculating
the-percentage-increase;-the--department--may--not--consider
agricultural-use-changes-during-calendar-year-1985;

(d)--The---taxable--percentage--must--be--calculated--by
interpolation-to-coincide--with--the--nearest--whole--number
certified--statewide--percentage-increase-from-the-following
table:

| 20 | Certified-Statewide | Class-Three-Taxable |
|----|---------------------|---------------------|
| 21 | Percentage-Increase | Percentage-#P# |
| 22 | -θ | 30-00 |
| 23 | ŧθ | 27+27 |
| 24 | 20 | 25÷00 |
| 25 | 30 | 23-0B |

| 4 | bbadamertmenttothe-tays | able-percentage-rate-"P"-until-a |
|---|-------------------------|----------------------------------|
| 3 | (5)After-July-17-19867- | no-adjustment-maybemadeby |
| 2 | 5€ | 20-00 |
| 1 | 49 | 21-43 |

revaluation-has-been-made-as-provided-in-15-7-111-"

Section 2. Section 15-7-201, MCA, is amended to read:

*15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall must be classified according to its use, which classifications shall include but are not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land shall must be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in existence on January 1, 1986, provided, however, that the department may consolidate tillable irrigated land classes. With relation to irrigated land, water costs shall must be

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taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such that the land would have if it were not irrigated.

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- (3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shail may not be used in determining assessed values.
- 15-7-201. (Applicable to ±993 1994 and later land valuation schedules) Legislative intent value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
- (2) Agricultural land shall must be classified according to its use, which classifications shall include but are not be limited to irrigated use, nonirrigated use, and grazing use.
- (3) Within each class, land shall--be-assessed-at-a value-that-is-fairly-based-on-its-productive--capacity must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.

- 1 (4) In computing the agricultural land valuation
 2 schedules to take effect on the-date--that--the--revaluation
 3 cycle--commencing--January-27-19867-takes-effect-pursuant-to
 4 15-7-111 January 1, 1994, and, thereafter, on the effective
 5 date when each revaluation cycle takes effect pursuant to
 6 15-7-111, the department of revenue shall determine the
 7 productive capacity value of all agricultural lands using
 8 the formula V = I/R where:
- 9 (a) V is the per-acre productive capacity value of 10 agricultural land in each land use and production category;
- 11 (b) I is the per-acre net income of agricultural land
 12 in each land use and production category and is to be
 13 determined by-the-department-using-the-formula-I---(P----C)-U
 14 where:
- 15 \(\frac{i}{i}\)--I-is-the-per-acre-net-income;
- 16 (ii)-P--is--the--per-unit--price--of-the-commodity-being
 17 produced;
- 18 (iii)-E-is-the-per-unit-production-cost-of-the-commodity
 19 being-produced:-and
- 20 (iv)-8-is-the-yield-in-units-per--acre as provided in
 21 subsection (5); and
- 22 (c) R is the capitalization rate to-be-determined-by
 23 the-department-as-provided-in-subsection-(9) and is equal to
 24 6.4%. This capitalization rate must remain in effect until
- 25 <u>new agricultural land valuation schedules are computed as</u>

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| 1 | required by law. |
|---|---|
| 2 | <pre>{5}Net-income-shall-be:</pre> |
| 3 | (a)calculated-for-each-year-of-a-base-period;-which-is |
| 4 | the-most-recent-3-year-period-for-which-data-areavailable; |
| 5 | priorto-a-revaluation-of-property-as-provided-in-15-7-111; |
| 6 | and |
| 7 | <pre>fb)based-on-commcdity-price-and-productioncostdate</pre> |

В

- for-the-base-period-from-such-sources-as-may-be-considered appropriate-by-the-department; -which-sources-shall--include Montana-state-university;
- 11 (5) (a) Net income must be determined separately in
 12 each land use based on production categories.
 - (b) Net income must be based on commodity price data, grazing fees, crop share arrangements, and production cost data for the base period. Commodity price data, grazing fees, and production cost data for the base period must be obtained from the Montana Agricultural Statistics and from the Montana crop and livestock reporting service.
 - (c) The base crop for valuation of irrigated land is alfalfa, and the base crop for valuation of nonirrigated land is wheat. The base unit for valuation of grazing lands is the average grazing fee for a 1,000-pound animal.
- 23 (d) The base period used to determine net income must
 24 be the most recent 7 years for which data is available prior
 25 to the date the revaluation cycle ends. Commodity price

data, grazing fees, and production cost data referred to in

subsection (5)(b) must be averaged for the 7-year period,

but the average must exclude the lowest and highest

commodity prices or grazing fees and the lowest and highest

production costs in the period.

f6)--To--the--degree--available;--the--department--shall
compile;

{a}--commodity-price-data-reflecting-the-average--prices
received---per--unit--of--measure--by--Montana--farmers--and
ranchers--Such-data-may-be-obtained--from--all--geographical
areas--of--the--state---Commodity--prices-may-include-wheat-barley--alfalfa-hay--grass-hay--corn--for--grain---corn--for
silage--sugar-beets--dry-beans--potatoes--cattle--and-sheep-Government----payments--may--be--considered---Typical---rental
arrangements--may-be--considered---

(b)--production-cost-data-reflecting-average--costs--per unit--of--measure-paid-by-Montana-farmers-and-ranchers:-Such data-may-be-obtained-from--all--geographical--areas--of--the state:--Such--production-costs-may-include-costs-relating-to irrigation;-fertilization;-fuel;-seed;-weed--control;--hired labor;--management;--insurance;-repairs-and-maintenance;-and miscellaneous-items;-Variations-in-specific-production--cost data;--when--affected-by-different-levels-of-production;-and typical-rental-arrangements-may-be-considered;

(6) The department shall compile data and develop

valuation manuals adopted by rule to implement the valuation method established by subsections (4) and (5).

- of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared-by-Montana state-university-and-advise-the-department-on-the implementation-of-subsections-(2)-through-(6) required by subsections (4) and (5). The advisory committee shall include one member of the Montana state university, college of agriculture, staff. The advisory committee shall recommend agricultural land valuation schedules to the department.
- (0)--Net-income-shall-be-determined-separately-for-lands
 in-irrigated-use;-nonirrigated-use;--and--grazing--use--and
 shall--be--calculated--for--each--use--and--production-level
 according-to-the-provisions-of-subsections-(4)-through-(7);
- (9)--The-capitalization-rate--shall--be--calculated--for each--year--of--the--base--period--and-is-the-annual-average interest-rate-on--agricultural--loans--as--reported--by--the federal--land--bank-association-of-Spokaney-Washingtony-plus the-effective-tax-rate-in-Montana;
- (10)-The-effective-tax-rate-shall-be-calculated--by--the department--for-each-year-of-the-base-period-by-dividing-the total-estimated-tax-due-on-agricultural-land-in-the-state-by the-total-productive-capacity-value-of-agricultural-land--in

- 1 the-state."
- NEW SECTION. Section 3. Phasein of agricultural land
 values. The increase or decrease in productive capacity
 values of agricultural land determined in 15-7-201 must be
 phased in over two reappraisal cycles, as follows:
- 6 (1) For the revaluation cycle beginning January 1,
 7 1994, and ending December 31, 1996, the assessed value of
 8 agricultural land in each land use and production category
 9 must increase or decrease by 50% of the difference between
 10 the productive capacity value of agricultural land
 11 determined in 15-7-201 for 1994 land valuation schedules and
 12 the assessed value of agricultural land as of December 31,
 13 1993.
- 14 (2) Beginning January 1, 1997, the assessed value of
 15 agricultural land in each land use and production category
 16 must be 100% of the productive capacity value of
 17 agricultural land determined in 15-7-201.
- NEW SECTION. Section 4. Advisory committee -- review
 of water costs. The department of revenue shall appoint an
 advisory committee knowledgeable in irrigated agricultural
 operations to review water costs associated with irrigated
 lands and to recommend to the department how water costs
 should be considered for determining the irrigated land
- valuation schedules that take effect January 1, 1997. The
- 25 committee shall present its recommendations to the

1 department by January 1, 1995.

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- Section 5. Section 15-8-111, MCA, is amended to read:
- 3 *15-8-111. Assessment -- market value standard -4 exceptions. (1) All taxable property must be assessed at
 5 100% of its market value except as otherwise provided.
- 6 (2) (a) Market value is the value at which property
 7 would change hands between a willing buyer and a willing
 8 seller, neither being under any compulsion to buy or to sell
 9 and both having reasonable knowledge of relevant facts.
 - (b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.
 - (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.
- 24 (3) The department of revenue or its agents may not 25 adopt a lower or different standard of value from market

- value in making the official assessment and appraisal of the value of property, except:
- (a) the wholesale value for agricultural implements and
 machinery is the loan value as shown in the Official Guide,
- 5 Tractor and Farm Equipment, published by the national farm
- 6 and power equipment dealers association, St. Louis,
- 7 Missouri;
- 8 (b) for agricultural implements and machinery not
- 9 listed in the official guide, the department shall prepare a
- 10 supplemental manual where the values reflect the same
- 11 depreciation as those found in the official guide; and
- 12 (c) as otherwise authorized in Title 15 and Title 61.
- 13 (4) For purposes of taxation, assessed value is the 14 same as appraised value.
- 15 (5) The taxable value for all property is the 16 percentage of market or assessed value established for each
- 17 class of property.
- 18 (6) The assessed value of properties in 15-6-131
- 19 through 15-6-133 is as follows:
- 20 (a) Properties in 15-6-131, under class one, are
- 21 assessed at 100% of the annual net proceeds after deducting
- 22 the expenses specified and allowed by 15-23-503 or, if
- 23 applicable, as provided in 15-23-515 or 15-23-516.
- (b) Properties in 15-6-132, under class two, areassessed at 100% of the annual gross proceeds.

- 1 (c) Properties in 15-6-133, under class three, are
 2 assessed at 100% of the productive capacity of the lands, as
 3 provided in [section 3], when valued for agricultural
 4 purposes. All lands that meet the qualifications of 15-7-202
 5 are valued as agricultural lands for tax purposes.
- 6 (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.
- 11 (e) Beginning January 1, 1994, properties in 15-6-143; 12 under class ten, are assessed at 100% of the forest 13 productivity value of the land when valued as forest land.
- 14 (7) Land and the improvements thereon are separately
 15 assessed when any of the following conditions occur:
 - (a) ownership of the improvements is different from ownership of the land;
- 18 (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 6. Codification instruction.

 23 [Sections 3 and 4] are intended to be codified as an
- 24 integral part of Title 15, chapter 7, part 2, and the 25 provisions of Title 15, chapter 7, part 2, apply to

- 1 [sections 3 and 4].
- NEW SECTION. Section 7. Severability. If a part of this act is invalid, all valid parts that are severable
- 4 from the invalid part remain in effect. If a part of [this
- 5 act] is invalid in one or more of its applications, the part
- 6 remains in effect in all valid applications that are
- 7 severable from the invalid applications.
- 8 NEW SECTION. Section 8. Termination. [Section 4]
- 9 terminates January 1, 1997.
- 10 NEW SECTION. Section 9. Effective date --
- 11 applicability. [This act] is effective on passage and
- 12 approval and applies to tax years beginning on or after
- 13 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 SB0168, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the method of valuing agricultural lands in class three property for property tax purposes; holding constant the statewide total taxable value of class three property between reappraisal cycles; phasing in over two reappraisal cycles the change in the productive capacity value of agricultural lands; taxing class three property at the rate applicable to class four property; establishing an advisory committee to review water costs in determining the productive capacity of irrigated lands; and providing an immediate effective date, an applicability date, and a termination date.

ASSUMPTIONS:

As a point of reference, this fiscal note measures the impact of this proposal by comparing current valuations (tax year 1992) with estimated valuations under the proposal. This reference point is consistent with HJR2, which assumed the agricultural land tax rate would be reduced to a revenue neutral level in face of the revaluation. The revenue neutrality assumption in HJR2 reduces FY95 income to the school foundation program by about \$34.5 million, to the university levy by \$2.2 million and to local governments (including school districts) by \$67.2 million relative to current law.

- 1. Current total assessed value of class three property (agricultural land) is \$470,016,133. The current tax rate for class three property is 30%. The current total taxable value is \$141,004,840.
- 2. Estimated taxes paid by class three property (fiscal year 93) is \$40,469,228 (based on average state, county, and school mill levies for tax year 1992).
- 3. All estimates of the impact of this proposal are based on land schedule parameters and changes to land schedule formulas as recommended by the Agricultural Land Advisory Committee appointed by Governor Stephens (15-7-201(7), MCA). In summary, the recommendations incorporated into this fiscal note are:
 - a) The assessed value of agricultural land is determined by capitalizing the rental value of the land.
 - b) Rental value is determined as 1/4 cropshare on all cropland.
 - c) Prices and grazing fees are based on a seven-year Olympic historical average.
 - d) Water costs due to energy and labor are deducted from the rental value prior to determining assessed value on irrigated land.
 - e) The water cost categories are modified to account for higher costs. (The estimates in this fiscal note are based on a water cost of \$12.50. It is not expected for these estimates to differ much from the eventual valuations.)
 - f) The capitalization rate is $6.4 \ \%$.
 - g) The taxable rate is reduced from 30% to 3.86%.
 - h) The valuation change due to the proposal is phased in, with 50% of the incremental change (from current values) occurring on Jan. 1, 1994, and the remaining 50% of the incremental value occurring on Jan. 1, 1997.

(Continued)

DAVID LEWIS, BUDGET DIRECTOR

Office of Budget and Program Planning

TOM BECK, PRIMARY SPONSOR

DATE

Fiscal Note for SB0168, as introduced

SB 168

Fiscal Note Request <u>SB0168</u>, <u>as introduced</u> Form BD-15 page 2 (continued)

ASSUMPTIONS (continued):

- 4. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan. 1, 1994 is estimated to be \$3,673,903,367. The total taxable value under the proposal for Jan. 1, 1994 is estimated to be \$141,812,670.
- 5. Estimated taxes paid by class three property under the proposal for fiscal year 95 is \$40,647,207 (based on average state, county, and school mill levies for tax year 1992).
- 6. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan. 1, 1997 is estimated to be \$3,694,831,606. The total taxable value under the proposal for Jan. 1, 1997 is estimated to be \$142,620,500.
- 7. Estimated taxes paid by class three property under the proposal for fiscal year 97 is \$40,825,185 (based on average state, county, and school mill levies for tax year 1992).
- 8. If new agricultural land schedules are calculated <u>under existing law (15-7-201, MCA)</u>, the result will be an increase in the taxable value of class three by 258% over current law producing increased property tax revenues of \$103.9 million. This increase would be effective Jan. 1, 1993.

FISCAL IMPACT:

Revenues:

The impact of the proposal begins with the phase in values replacing current values Jan. 1, 1994 (fiscal year 95 property tax revenues).

<u>Statewide</u>

The proposal results in little change to statewide taxable value of class three property and estimated taxes paid by class three property.

Taxable Value Shift Between Counties (Tables 1 and 2)

Although the proposal is statewide revenue neutral, there is shifting of taxable valuation between counties. The impacts range from a maximum increase in class three taxable valuation of 20.7% (Deer Lodge County) to a maximum decrease in class three taxable valuation of -12.2% (Chouteau County). The maximum increase in county total taxable value is 4.0% for Garfield County and the maximum decrease in county total taxable value is -6.2% for Chouteau County.

Likewise, the estimated property taxes paid by class three property range from a maximum increase of 20.7% (Deer Lodge County) to a maximum decrease of -12.2% (Chouteau County). The maximum increase in county total estimated taxes paid by all property is 4.0% for Garfield County and the maximum decrease is -6.2% for Chouteau County.

Taxable Value Shift Between Ag Land Types (Table 3)

The proposal also shifts taxable between agricultural land types. Irrigated, grazing, and continuously cropped agricultural land will increase in taxable value per acre. Non-irrigated summer fallow and non-irrigated continuously cropped agricultural land will decrease in taxable value per acre.

Fiscal Note Request, <u>SB0168, as introduced</u>
Form BD-15 page 3
(continued)

Expenditures:

Implementation of this proposal would require additional total administrative expenses of \$266,400 as detailed below:

| Property Valuation | | FY '94 | FY '95 | | | | |
|--------------------|---------------|---------------|------------|---------------|---------------|------|--------|
| | Current Law | Proposed Law | Difference | Current Law | Proposed Law | Diff | erence |
| FTE | 398.66 | 408.16 | 9.50 | 398.66 | 398.6 | | 0 |
| Personal Services | \$ 11,885,655 | \$ 12,113,340 | \$ 227,685 | \$ 11,913,545 | \$ 11,913,545 | \$ | 0 |
| Operating Expenses | 2,180,406 | 2,214,153 | 33,747 | 2,192,109 | 2,197,077 | | 4,968 |
| Equipment | 222,278 | 0 | 0 | 205,648 | 0 | | 0 |
| Debt Service | 269,800 | 0 | 0 | 269,800 | 0 | | 0 |
| Total | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 | \$ 14,581,102 | \$ 14,586,070 | \$ | 4,968 |
| General Fund | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 | \$ 14,581,102 | \$ 14,586,070 | \$ | 4,968 |

TABLE 1

Change in Taxable Value --- PHASE IN Current vs. Proposal (SB 168)

| | Impact to C | Class 3 Taxabl | e Value | Impact to | Total Taxable | Value |
|--------------------------|------------------------------|----------------|--------------|-----------------|---------------|---------|
| | Current | Proposed | Percent | Current | Proposed | Percent |
| County | Taxable Value | Taxable Value | Change | Taxable Value | Taxable Value | Change |
| Beaverhead | \$2,330,217 | \$2,708,231 | 16.2% | \$15,922,182 | \$16,300,196 | 2.4% |
| Big Horn | \$3,441,632 | 3,541,764 | 2.9% | 26,681,354 | 26,781,486 | 0.4% |
| Blaine | \$3,889,266 | 4,057,871 | 4.3% | 13,892,940 | 14,061,545 | 1.2% |
| Broadwater | \$1,027,449 | 1,089,951 | 6.1% | 14,226,141 | 14,288,643 | 0.4% |
| Carbon | \$2,154,795 | 2,237,255 | 3.8% | 17,903,295 | 17,985,755 | 0.5% |
| Carter | \$1,714,560 | 1,883,117 | 9.8% | 7,357,469 | 7,526,026 | 2.3% |
| Cascade | \$4,937,046 | 4,733,926 | -4.1% | 95,846,935 | 95,643,815 | -0.2% |
| Chouteau | \$12,785,972 | 11,223,575 | -12.2% | 25,358,497 | 23,796,100 | -6.2% |
| Custer | \$2,126,631 | 2,355,802 | 10.8% | 14,584,111 | 14,813,282 | 1.6% |
| Daniels | \$2,373,771 | 2,408,021 | 1.4% | 6,294,803 | 6,329,053 | 0.5% |
| Dawson | \$3,040,230 | 3,204,413 | 5.4% | 18,257,665 | 18,421,848 | 0.9% |
| Deer Lodge | \$231,178 | 278,995 | 20.7% | 8,769,899 | 8,817,716 | 0.5% |
| Fallon | \$1,285,985 | 1,387,081 | 7.9% | 10,278,478 | 10,379,574 | 1.0% |
| Fergus | \$6,002,715 | 5,819,662 | -3.0% | 21,943,967 | 21,760,914 | -0.8% |
| Flathead | \$1,517,960 | 1,603,835 | 5.7% | 103,059,904 | 103,145,779 | 0.1% |
| Gallatin | \$2,783,397 | 2,806,076 | 0.8% | 80,995,369 | 81,018,048 | 0.0% |
| Garfield | \$2,800,632 | 3,018,492 | 7.8% | 5,393,469 | 5,611,329 | 4.0% |
| Glacier | \$3,265,126 | 3,005,304 | -8.0% | 19,630,260 | 19,370,438 | -1.3% |
| Golden Valley | \$1,122,288 | 1,168,022 | 4.1% | 5,153,869 | 5,199,603 | 0.9% |
| Granite | \$506,173 | 565,194 | 11.7% | 7,655,867 | 7,714,888 | 0.8% |
| Hill | \$6,830,214 | 6,682,351 | -2.2% | 29,941,411 | 29,793,548 | -0.5% |
| Jefferson | \$549,496 | 614,878 | 11.9% | 23,342,749 | 23,408,131 | 0.3% |
| Judith Basin | \$3,177,281 | 3,106,967 | -2.2% | 8,952,652 | 8,882,338 | -0.8% |
| Lake | \$1,267,532 | 1,525,249 | 20.3% | 31,437,674 | 31,695,391 | 0.8% |
| Lewis And Clark | \$1,568,243 | 1,626,794 | 3.7% | 69,016,382 | 69,074,933 | 0.1% |
| Liberty | \$3,662,622 | 3,535,716 | -3.5% | 9,568,354 | 9,441,448 | -1.3% |
| Lincoln | \$112,666 | 130,535 | 15.9% | 27,564,167 | 27,582,036 | 0.1% |
| Madison | \$2,081,935 | 2,201,745 | 5.8% | 20,791,628 | 20,911,438 | 0.6% |
| McCone | \$3,452,851 | 3,508,512 | 1.6% | 7,801,726 | 7,857,387 | 0.7% |
| Meagher | \$1,382,720 | 1,481,667 | 7.2% | 8,154,786 | 8,253,733 | 1.2% |
| Mineral | \$63,507 | 69,516 | 9.5% | 8,080,300 | 8,086,309 | 0.1% |
| Missoula | \$457,022 | 507,354 | 11.0% | 126,303,291 | 126,353,623 | 0.0% |
| Musselshell | \$1,528,630 | 1,575,752 | 3.1% | 6,878,626 | 6,925,748 | 0.7% |
| Park | \$1,469,303 | 1,469,834 | 0.0% | 24,316,869 | 24,317,400 | 0.0% |
| Petroleum | \$834,373 | 899,119 | 7.8% | 1,904,786 | 1,969,532 | 3.4% |
| Phillips | \$3,577,845 | 3,670,136 | 2.6% | 20,295,327 | 20,387,618 | 0.5% |
| Pondera | \$4,946,152 | 4,603,312 | -6.9% | 14,988,037 | 14,645,197 | -2.3% |
| Powder River | \$1,793,774 | 1,893,608 | 5.6% | 6,368,160 | 6,467,994 | 1.6% |
| Poweli | \$793,096 | 941,168 | 18.7% | 12,458,281 | 12,606,353 | 1.2% |
| Prairie | \$1,119,949 | 1,228,517 | 9.7% | 4,358,142 | 4,466,710 | 2.5% |
| Ravalli | \$1,074,381 | 1,164,928 | 8.4% | 32,043,712 | 32,134,259 | 0.3% |
| Richland | \$3,465,230 | 3,697,048 | 6.7% | 21,745,758 | 21,977,576 | 1.1% |
| Roosevelt | \$3,789,980 | 3,752,491 | -1.0% | 24,801,194 | 24,763,705 | -0.2% |
| Rosebud | \$2,834,829 | 3,044,785 | 7.4% | 182,854,693 | 183,064,649 | 0.1% |
| Sanders | \$356,135 | 411,109 | 15.4% | 24,882,163 | 24,937,137 | 0.2% |
| Sheridan | \$3,539,815 | 3,521,735 | -0.5% | 12,018,054 | 11,999,974 | -0.2% |
| Silver Bow | \$193,162 | 213,722 | 10.6% | 50,333,573 | 50,354,133 | 0.0% |
| Stillwater | \$2,414,761 | 2,396,851 | -0.7% | 19,753,669 | 19,735,759 | -0.1% |
| Sweet Grass | \$1,335,250 | 1,387,870 | 3.9% | 8,288,052 | 8,340,672 | 0.6% |
| Teton | \$5,194,637 | 4,989,285 | -4.0% | 15,427,359 | 15,222,007 | |
| Toole | \$5,107,754 | 4,809,669 | -5.8% | 17,683,716 | 17,385,631 | -1.7% |
| Treasure | \$754,598 | 868,702 | 15.1% | 4,983,890 | 5,097,994 | 2.3% |
| Valley | \$4,797,035 | 4,843,682 | 1.0% | 25,737,184 | 25,783,831 | 0.2% |
| Wheatland | \$1,319,804 | 1,387,115 | 5.1% | 7,780,858 | 7,848,169 | 0.9% |
| Wibaux | \$1,132,251 | 1,148,056 | 1.4% | 4,073,266 | 4,089,071 | 0.4% |
| | | | | - | | |
| Yellowstone | \$3,688.984 | 3,806,317 | 3.2% | 198,486,026 | 198,603,359 | 0.1% |
| Yellowstone Statewide | \$3,688,984 \$141,004,840 | | 3.2% 0.6% | \$1,632,622,989 | | 0.1% |

TABLE 2
Change in Estimated Taxes Paid * --- PHASE IN
Current vs. Proposal (SB 168)

| | | Impact to C | lass 3 Est. T | axes Paid | | Est.Total Tax | |
|-----------------|--------|--------------|---------------|-----------|---------------|-------------------|---------|
| | | Current | Proposed | Percent | Current | Proposed | Percent |
| County | Mills | Est. Taxes | Est. Taxes | Change | Est. Taxes | Est. Taxes | Change |
| Beaverhead | 318.99 | \$743,319 | \$863,901 | 16.2% | \$5,079,035 | \$5,199,618 | 2.4% |
| Big Horn | 211.29 | 727,199 | 748,357 | 2.9% | 5,637,634 | 5,658,792 | 0.4% |
| Blaine | 265.80 | | 1,078,577 | 4.3% | 3,692,726 | 3,737,541 | 1.2% |
| Broadwater | 239.01 | 245,570 | 260,508 | 6.1% | 3,400,181 | 3,415,119 | 0.4% |
| Carbon | 303,71 | | 679,487 | 3.8% | 5,437,496 | 5,462,540 | 0.5% |
| Carter | 279.03 | 478,411 | 525,443 | 9.8% | 2,052,944 | 2,099,976 | 2.3% |
| Cascade | 365.25 | 1,803,254 | 1,729,065 | -4.1% | 35,008,059 | 34,933,869 | -0.2% |
| Chouteau | 315.64 | 4,035,703 | 3,542,555 | -12.2% | 8,004,034 | | -6.2% |
| Custer | 392.76 | 835,263 | 925,273 | 10.8% | 5,728,105 | 5,818,115 | 1.6% |
| Daniels | 362.59 | 860,716 | 873,135 | 1.4% | 2,282,461 | 2,294,880 | 0.5% |
| Dawson | 352.63 | 1,072,082 | 1,129,978 | 5.4% | 6,438,234 | 6,496,130 | 0.9% |
| Deer Lodge | 449.42 | 103,897 | 125,386 | 20.7% | 3,941,393 | 3,962,883 | 0.5% |
| Fallon | 177.81 | 228,657 | 246,632 | 7.9% | 1,827,582 | 1,845,557 | 1.0% |
| Fergus | 331.84 | | 1,931,203 | -3.0% | 7,281,912 | 7,221,167 | -0.8% |
| Flathead | 354.08 | 537,480 | 567,887 | 5.7% | 36,491,498 | 36,521,904 | 0.1% |
| Gallatin | 318.57 | | 893,920 | 0.8% | 25,802,374 | 25,809,599 | 0.0% |
| Garfield | 277.41 | 776,912 | 837,348 | 7.8% | 1,496,181 | 1,556,616 | 4.0% |
| Glacier | 241.97 | 790,050 | 727,181 | -8.0% | 4,749,856 | 4,686,988 | -1.3% |
| Golden Valley | 248.60 | 278,998 | 290,368 | 4.1% | 1,281,240 | | 0.9% |
| Granite | 299.79 | 151,748 | 169,442 | 11.7% | 2,295,187 | 2,312,881 | 0.8% |
| Hill | 273.17 | 1,865,800 | 1,825,408 | -2.2% | 8,179,053 | 8,138,661 | -0.5% |
| Jefferson | 273.20 | 150,122 | 167,985 | 11.9% | 6,377,245 | 6,395,108 | 0.3% |
| Judith Basin | 289.16 | 918,728 | 898,397 | -2.2% | 2,588,709 | 2,568,377 | -0.8% |
| Lake | 288.39 | 365,544 | 439,867 | 20.3% | 9,066,317 | 9,140,640 | 0.8% |
| Lewis And Clark | 349.13 | 547,517 | 567,958 | 3.7% | 24,095,509 | 24,115,951 | 0.1% |
| Liberty | 289.08 | 1,058,777 | 1,022,092 | -3.5% | 2,765,985 | 2,729,299 | -1.3% |
| Lincoln | 282.50 | 31,828 | 36,875 | 15.9% | 7,786,759 | 7,791,807 | 0.1% |
| Madison | 244.95 | 509,968 | 539,316 | 5.8% | 5,092,891 | 5,122,239 | 0.6% |
| McCone | 313.36 | 1,081,991 | 1,099,433 | 1.6% | 2,444,762 | 2,462,204 | 0.7% |
| Meagher | 242.17 | 334,849 | 358,810 | 7.2% | 1,974,818 | | 1.2% |
| Mineral | 347.86 | 22,092 | 24,182 | 9.5% | 2,810,850 | 2,812,940 | 0.1% |
| Missoula | 380.49 | 173,890 | 193,041 | 11.0% | 48,056,636 | | 0.0% |
| Musselshell | 228.85 | 349,823 | 360,606 | 3.1% | 1,574,154 | 1,584,937 | 0.7% |
| Park | 272.59 | 400,520 | 400,664 | 0.0% | 6,628,575 | 6,628,719 | 0.0% |
| Petroleum | 304.96 | 254,450 | 274,195 | 7.8% | 580,884 | 600,628 | 3.4% |
| Phillips | 214.33 | 766,831 | 786,612 | 2.6% | 4,349,850 | 4,369,630 | 0.5% |
| Pondera | 301.10 | 1,489,265 | 1,386,037 | -6.9% | 4,512,833 | 4,409,606 | -2.3% |
| Powder River | 323.14 | 579,635 | 611,895 | 5.6% | 2,057,789 | 2,090,049 | 1.6% |
| Powell | 326.35 | 258,827 | 307,150 | 18.7% | 4,065,760 | 4,114,083 | 1.2% |
| Prairie | 269.96 | 302,341 | 331,650 | 9.7% | 1,176,524 | 1,205,833 | 2.5% |
| Ravalli | 301.16 | | 350,831 | 8.4% | 9,650,327 | 9,677,596 | 0.3% |
| Richland | 233.33 | 808,552 | 862,643 | 6.7% | 5,074,002 | 5,128,093 | 1.1% |
| Roosevelt | 239.00 | 905,801 | 896,842 | -1.0% | 5,927,461 | 5,918,501 | -0.2% |
| Rosebud | 137.24 | 389,043 | 417,857 | 7.4% | 25,094,404 | 25,123,218 | 0.1% |
| Sanders | 261.14 | 93,000 | 107,356 | 15.4% | 6,497,648 | 6,512,003 | 0.2% |
| Sheridan | 232.97 | 824,679 | 820,467 | -0.5% | 2,799,875 | 2,795,663 | -0.2% |
| Silver Bow | 418.60 | 80,857 | 89,464 | 10.6% | 21,069,599 | 21,078,205 | 0.0% |
| Stillwater | 259.77 | 627,291 | 622,638 | -0.7% | 5,131,479 | 5,1 26,826 | -0.1% |
| Sweet Grass | 300.55 | | 417,124 | 3.9% | 2,490,970 | 2,506,785 | 0.6% |
| Teton | 310.78 | | 1,550,546 | -4.0% | 4,794,439 | 4,730,621 | -1.3% |
| Toole | 241.44 | | 1,161,269 | -5.8% | 4,269,639 | 4,197,668 | -1.7% |
| Treasure | 267.57 | 201,908 | 232,439 | 15.1% | 1,333,539 | 1,364,070 | 2.3% |
| Valley | 319.46 | 1,532,441 | 1,547,343 | 1.0% | 8,221,895 | 8,236,796 | 0.2% |
| Wheatland | 285.10 | 376,277 | 395,467 | 5.1% | 2,218,326 | 2,237,517 | 0.9% |
| Wibaux | 202.40 | | 232,367 | 1.4% | 824,429 | 827,628 | 0.4% |
| Yellowstone | 306.00 | 1,128,830 | 1,164,734 | 3.2% | 60,736,784 | 60,772,687 | 0.1% |
| Statewide | | \$40,469,228 | | 0.4% | \$480,248,847 | | 0.04% |

^{*} NOTE: Estimated taxes are calculated using average state, county and school mill levies.

TABLE 3

Change in Taxable Value Per Acre --- PHASE IN

Current to Proposal (SB 168)

| | | Taxa | able Value P | er Acre |
|--------------------------------------|------------|---------|--------------|-------------------|
| Land Type | Acres | Current | Proposed | Percent Change |
| Irrigated | 1,466,922 | \$9.17 | \$11.28 | 23.0% |
| Grazing | 35,659,230 | \$1.06 | \$1.11 | 5.0% |
| Continously Cropped Hay | 1,059,590 | \$5.22 | \$7.08 | 35.7% |
| Non Irrigated Summer Fallow | 12,162,308 | \$6.83 | \$6.33 | -7.4% |
| Non Irrigated Continously Cropped | 69,947 | \$16.67 | \$16.41 | -1.6% |
| Statewide | 50,417,997 | \$2.80 | \$2.81 | 0.6% |

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0168, second reading.

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the taxation of agricultural land; revising the method of valuing agricultural lands in class three property for property tax purposes; providing for the determination of net income from agricultural land; holding constant the statewide total taxable value of class three property between reappraisal cycles; phasing in the change in the taxable value of agricultural lands; taxing class three property at the rate applicable to class four property; establishing an advisory committee to review all relevant costs, including water costs, in determining the productive capacity of irrigated lands; eliminating class eleven farmstead property by combining it with class four property; and providing an immediate effective date, an applicability date, and a termination date.

ASSUMPTIONS:

As a point of reference, this fiscal note measures the impact of this proposal by comparing current valuations (tax year 1992) with estimated valuations under the proposal.

- 1. Current total assessed value of class three property (agricultural land) is \$470,016,133. The current tax rate for class three property is 30%. The current total taxable value is \$141,004,840.
- 2. Estimated taxes paid by class three property (FY93) is \$40,469,228 (based on average state, county, and school mill levies for tax year 1992).
- 3. All estimates of the impact of this proposal are based on land schedule parameters and changes to land schedule formulas as recommended by the Agricultural Land Advisory Committee appointed by Governor Stephens (15-7-201(7), MCA). In summary, the recommendations incorporated into this fiscal note are:
 - a) The assessed value of agricultural land is determined by capitalizing the rental value of the land.
 - b) Rental value is determined as 1/4 cropshare on all cropland.
 - c) Prices and grazing fees are based on a seven-year Olympic historical average.
 - d) Water costs due to energy and labor are deducted from the rental value prior to determining assessed value on irrigated land.
 - e) The water cost categories are modified to account for higher costs. (The estimates in this fiscal note are based on a water cost of \$12.50. It is not expected for these estimates to differ much from the eventual valuations.)
 - f) The capitalization rate is 6.4 %.
 - q) The taxable rate is reduced from 30% to 3.86%.
 - h) The taxable valuation change due to the proposal is phased in over four years beginning Jan. 1, 1994.
- 4. Based on assumption 3 and current statewide ag land distribution, the total assessed value under the proposal for Jan. 1, 1994 is estimated to be \$3,663,439,249. The total taxable value under the proposal for Jan. 1, 1994 is estimated to be \$141,408,755.

(Continued)

DAVID LEWIS. BUDGET DIRECTOR Office of Budget and Program Planning TOM BECK, PRIMARY SPONSOR

DATE

Fiscal Note for SB0168, second reading 58168-#2

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(continued)

ASSUMPTIONS (continued):

- 5. Estimated taxes paid by class three property under the proposal for FY95 is \$40,558,217 (based on average state, county, and school mill levies for tax year 1992).
- 6. If new agricultural land schedules are calculated <u>under existing law (15-7-201, MCA)</u>, the result will be an increase in the taxable value of class three by 258% over current law. This increase would be effective Jan. 1, 1993.
- 7. Tax year 1992 taxable value of class eleven property (farmsteads) is \$60,258,864. Reclassifying this property as class four results in a taxable rate increase from 3.088% to 3.86%. This increases the total taxable value of this property to \$75,323,580.
- 8. Average mill levies for class eleven property are 6.00 mills for universities, 95.00 mills for the school foundation program, 78.62 mills for counties, and 116.71 mills for local schools.

FISCAL IMPACT:

Revenues:

The impact of the proposal begins with the phase in taxable values replacing current taxable values Jan. 1, 1994 (FY95 property tax revenues).

Impact Due to Agricultural Land Reappraisal (First Year 25% Phase in):

Statewide

The proposal results in little change to statewide taxable value of class three property and estimated taxes paid by class three property.

Aq Land Taxable Value Shift Between Counties (Tables 1 and 2)

Although the proposal is statewide revenue neutral with respect to ag land, there is shifting of ag land taxable valuation between counties. The impacts range from a maximum increase in class three taxable valuation of 10.3% (Deer Lodge County) to a maximum decrease in class three taxable valuation of -6.1% (Chouteau County).

Likewise, the estimated property taxes paid by class three property range from a maximum increase of 10.3% (Deer Lodge County) to a maximum decrease of -6.1% (Chouteau County).

Taxable Value Shift Between Ag Land Types (Table 3)

The proposal also shifts taxable between agricultural land types. Irrigated, grazing, and continuously cropped hay land will increase in taxable value per acre. Non-irrigated summer fallow and non-irrigated continuously cropped agricultural land will decrease in taxable value per acre.

Impact Due to Combining Class Eleven Farmstead Property with Class Four Property:

The proposal results in a total <u>increase</u> in property tax revenue of \$4,463,000 in FY95 and subsequent fiscal years. The results are summarized in the tables below:

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(continued)

FISCAL IMPACT: (Continued)

Increase to State Funds:

| | F | FY95 | | |
|------------------------|----|------|----|-----------|
| Universities (02) | \$ | 0 | \$ | 90,000 |
| School Foundation (02) | | 0 | | 1,431,000 |
| Total | \$ | 0 | \$ | 1,521,000 |

Increase to Local Governments:

| | FY94 | | | FY95 | | |
|---------------|------|---|----|-----------|--|--|
| Counties | \$ | 0 | \$ | 1,184,000 | | |
| Local Schools | · | 0 | | 1,758,000 | | |
| Total | \$ | 0 | \$ | 2,942,000 | | |

Expenditures:

Implementation of this proposal would require additional total administrative expenses of \$266,400 as detailed below:

| Property Valuation | | FY '94 | | | FY '95 | |
|---------------------|---------------|---------------|------------|----------------|---------------|------------|
| | Current Law | Proposed Law | Difference | Current Law | Proposed Law | Difference |
| FTE | 398.66 | 408.16 | 9.50 | 398.66 | 398.6 | 0 |
| Personal Services | \$ 11,885,655 | \$ 12,113,340 | \$ 227,685 | \$ 11,913,545 | \$ 11,913,545 | \$ 0 |
| Operating Expenses | 2,180,406 | 2,214,153 | 33,747 | 2,192,109 | 2,197,077 | 4,968 |
| Equipment | 222,278 | 0 | 0 | 205,648 | 0 | 0 |
| Debt Service | 269,800 | 0 | 0 | <u>269,800</u> | 0 | 0 |
| Total | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 | \$ 14,581,102 | \$ 14,586,070 | \$ 4,968 |
| General Fund Impact | \$ 14,558,139 | \$ 14,819,571 | \$ 261,432 | \$ 14,581,102 | \$ 14,586,070 | \$ 4,968 |

TABLE 1 Change in Taxable Value --- 1st YEAR PHASE IN (25%) Current vs. Proposal (SB 168, 2nd reading)

| | Impact to County | Total Ag Land Ta | xable Value |
|-------------------------|----------------------------|---------------------------------------|---------------|
| | | Proposed | Percent |
| County | Current | (25% Phase in) | Change |
| | | · · · · · · · · · · · · · · · · · · · | |
| Beaverhead Big Hom | \$2,330,217 | \$2,519,224 \$3,491,698 | 8.1% 1.5% |
| Big Horn Blaine | \$3,441,632 \$3,889,266 | \$3,973,569 | 2.2% |
| Broadwater | \$1,027,449 | \$1,058,700 | 3.0% |
| Carbon | \$2,154,795 | \$2,196,025 | 1.9% |
| Carter | \$1,714,560 | \$1,798,838 | 4.9% |
| Cascade | \$4,937,046 | \$4,835,486 | -2.1% |
| Chouteau | \$12,785,972 | \$12,004,774 | -6.1% |
| Custer | \$2,1 <i>2</i> 6,631 | \$2,241,216 | 5.4% |
| Daniels | \$2,373,771 | \$2,390,896 | 0.7% |
| Dawson | \$3,040,230 | \$3,122,321 | 2.7% |
| Deer Lodge | \$231,178 | \$255,086 | 10.3% |
| Fallon | \$1,285,985 | \$1,336,533 | 3.9% |
| Fergus | \$6,002,715 | \$5,911,188 \$4,500,000 | -1.5% |
| Flathead | \$1,517,960 | \$1,560,898 \$2,704,736 | 2.8% |
| Gallatin | \$2,783,397 \$3,800,632 | \$2,794,736 \$2,900,562 | 0.4% 3.9% |
| Garfield Glacier | \$2,800,632 \$3,265,126 | \$2,909,562 \$3,135,215 | 3.9% -4.0% |
| Golden Valley | \$1,122,288 | \$1,145,155 | 2.0% |
| Granite | \$506,173 | \$535,684 | 5.8% |
| Hill | \$6,830,214 | \$6,756,282 | -1.1% |
| Jefferson | \$549,496 | \$582,187 | 5.9% |
| Judith Basin | \$3,177,281 | \$3,142,124 | -1.1% |
| Lake | \$1,267,532 | \$1,396,390 | 10.2% |
| Lewis And Clark | \$1,568,243 | \$1,597,519 | 1.9% |
| Liberty | \$3,662,622 | \$3,599,169 | -1.7% |
| Lincoln | \$112,666 | \$121,600 | 7.9% |
| Madison | \$2,081,935 | \$2,141,840 | 2.9% |
| McCone | \$3,452,851 | \$3,480,682 | 0.8% |
| Meagher | \$1,382,720 | \$1,432,193 | 3.6% |
| Mineral | \$63,507 | \$66,511 | 4.7% |
| Missoula Myssolahall | \$457,022 | \$482,188 | 5.5% |
| Musselshell Park | \$1,528,630 \$1,460,303 | \$1,552,191 | 1.5% |
| Petroleum | \$1,469,303 \$834,373 | \$1,469,568 \$866,746 | 0.0% 3.9% |
| Phillips | \$3,577,845 | \$3,623,990 | 1.3% |
| Pondera | \$4,946,152 | \$4,774,732 | -3.5% |
| Powder River | \$1,793,774 | \$1,843,691 | 2.8% |
| Powell | \$793,096 | \$867,132 | 9.3% |
| Prairie | \$1,119,949 | \$1,174,233 | 4.8% |
| Ravalli | \$1,074,381 | \$1,119,655 | 4.2% |
| Richland | \$3,465,230 | \$3,581,139 | 3.3% |
| Roosevelt | \$3,789,980 | \$3,771,235 | -0.5% |
| Rosebud | \$2,834,829 | \$2,939,807 | 3.7% |
| Sanders Sheridan | \$356,135 | \$383,622 | 7.7% |
| Silver Bow | \$3,539,815 \$193,162 | \$3,530,775 \$203,442 | -0.3% |
| Stillwater | \$2,414,761 | \$2,405,806 | 5.3% 0.4% |
| Sweet Grass | \$1,335,250 | \$1,361,560 | 2.0% |
| Teton | \$5,194,637 | \$5,091,961 | -2.0% |
| Toole | \$5,107,754 | \$4,958,712 | -2.9% |
| Treasure | \$754,598 | \$811,650 | 7.6% |
| Valley | \$4,797,035 | \$4,820,358 | 0.5% |
| Wheatland | \$1,319,804 | \$1,353,460 | 2.6% |
| Wibaux | \$1,132,251 | \$1,140,154 | 0.7% |
| Yellowstone | \$3,688,984 | \$3,747,650 | <u>1.6%</u> |
| Statewide | \$141,004,840 | \$141,408,755 | 0.3% |

TABLE 2 Change in Estimated Taxes Paid --- 1st YEAR PHASE IN (25%) Current vs. Proposal (SB 168, 2nd reading)

| | Impact to County | Ag Land Estimated | Taxes Paid |
|--------------------------|---------------------------|------------------------------------|---------------------|
| | | Proposed | Percent |
| County | Current | (25% Phase in) | Change |
| Beaverhead | \$743,319 | \$803,610 | 8.1% |
| Big Horn | 727,199 | \$737,778 | 1.5% |
| Blaine | 1,033,762 | \$1,056,169 | 2.2% |
| Broadwater | 245,570 | \$253,039 | 3.0% |
| Carbon | 654,443 | \$666,965 | 1.9% |
| Carter | 478,411 | \$501,927 | 4.9% |
| Cascade | 1,803,254 | \$1,766,160 | -2.1% |
| Chouteau | 4,035,703 | \$3,789,129 | -6.1% |
| Custer | 835,263 | \$880,268 | 5.4% |
| Daniels | 860,716 | \$866,926 | 0.7% |
| Dawson | 1,072,082 | \$1,101,030 | 2.7% |
| Deer Lodge | 103,897 | \$114,642 | 10.3% |
| Fallon | 228,657 | \$237,644 | 3.9% |
| Fergus | 1,991,948 | \$1,961,576 | -1.5% |
| Flathead | 537,480 | \$552,683 | 2.8% |
| Gallatin | 886,696 | \$890,308 | 0.4% |
| Garfield | 776,912 | \$807,130 | 3.9% |
| Glacier | 790,050 | \$758,615 | -4.0% |
| Golden Valley | 278,998 | \$284,683 | 2.0% |
| Granite | 151,748 | \$ 160,595 | 5.8% |
| Hill | 1,865,800 | \$1,845,604 | -1.1% |
| Jefferson | 150,122 | \$159,054 | 5.9% |
| Judith Basin | 918,728 | \$908,563 | -1.1% |
| Lake | 365,544 | \$402,705 | 10.2% |
| Lewis And Clark | 547,517 | \$557,737 | 1.9% |
| Liberty | 1,058,777 | \$1,040,435 | -1.7% |
| Lincoln | 31,828 | \$34,352 | 7.9% |
| Madison | 509,968 | \$524,642 | 2.9% |
| McCone | 1,081,991 | \$1,090,712 | 0.8% |
| Meagher | 334,849 | <u>\$34</u> 6,83 <u>0</u> | 3.6% |
| Mineral | 22,092 | \$23,137 | 4.7% |
| Missoula | 173,890 | \$183,466 | 5.5% |
| Musselshell | 349,823 | \$355,214 | 1.5% |
| Park | 400,520 | \$400,592 | 0.0% |
| Petroleum | 254,450 | \$ <u>264,323</u> | 3.9% |
| Phillips | 766,831 | \$776,721 | 1.3% |
| Pondera | 1,489,265 | \$1,437,651 | -3.5% |
| Powder River | 579,635 | \$595,765 | 2.8% |
| Powell | 258,827 | \$282,988 | 9.3% |
| Prairie | 302,341 | \$316,996 | 4.8% |
| Ravalli | 323,562 | \$337,197 | 4.2% |
| Richland | 808,552 | \$835,598 | 3.3% |
| Roosevelt | 905,801 | \$901,322 | -0.5% |
| Rosebud | 389,043 | \$403,450 | 3.7% |
| Sanders | 93,000 | \$100,178 | 7.7% |
| Sheridan | 824,679 | \$822,573 | -0.3% |
| Silver Bow | 80,857 | \$85,161 | 5.3% |
| Stillwater | 627,291 | \$624,965 | -0.4% |
| Sweet Grass | 401,309 | \$409,216 | 2.0% |
| Teton | 1,614,364 | \$1,582,455 | -2.0% |
| Toole | 1,233,240 | \$1,197,255 | -2.9% |
| Treasure | 201,908 | \$217,173 | 7.6% |
| Valley | 1,532,441 | \$1,539,892 | 0.5% |
| Wheatland | 376,277 | \$385,872 | 2.6% |
| Wibaux | 229,168 | \$230,767 | 0.7% |
| | | | |
| Vallowstone | | | |
| Yellowstone Statewide | 1,128,830 \$40,469,228 | \$1,146,782 \$40,558,217 | <u>1.6%</u> 0.2% |

SB

^{*} NOTE: Estimated taxes are calculated using average state, county and school mill levies.

TABLE 3

Change in Taxable Value Per Acre --- 1st YEAR PHASE IN (25%) Current to Proposal (SB 168 2nd Reading)

| | | Taxa | able Value Pe | r Acre |
|--------------------------------------|------------|------------------------|----------------------------|-------------------|
| Land Type | Acres | Current | Proposed (25% Phase in) | Percent Change |
| Irrigated | 1,466,922 | \$9.17 | \$10.22 | 11.5% |
| Grazing | 35,659,230 | \$1.06 | \$1.08 | 2.5% |
| Continously Cropped Hay | 1,059,590 | \$ 5. 22 | \$ 6.15 | 17.8% |
| Non Irrigated Summer Fallow | 12,162,308 | \$6.83 | \$6.58 | -3.7% |
| Non Irrigated Continously Cropped | 69,947 | \$16.67 | \$16.54 | |
| Statewide | 50,417,997 | \$2.80 | \$2.80 | 0.3% |

APPROVED BY COMMITTEE ON TAXATION

| 2 | INTRODUCED BY BECK, M. HANSON, GRINDE, KELLER, |
|----|--|
| 3 | GRADY, HIBBARD, DEBRUYCKER, HARP, |
| 4 | CRIPPEN, MESAROS, LYNCH |
| 5 | BY REQUEST OF THE DEPARTMENT OF REVENUE |
| 6 | |
| 7 | A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE |
| 8 | TAXATION OF AGRICULTURAL LAND; REVISING THE METHOD OF |
| 9 | VALUING AGRICULTURAL LANDS IN CLASS THREE PROPERTY FOR |
| 10 | PROPERTY TAX PURPOSES; PROVIDING FOR THE DETERMINATION OF |
| 11 | NET INCOME FROM AGRICULTURAL LAND; HOLDING CONSTANT THE |
| 12 | STATEWIDE TOTAL TAXABLE VALUE OF CLASS THREE PROPERTY |
| 13 | BETWEEN REAPPRAISAL CYCLES; PHASING IN OVER-TWOREAPPRAISAL |
| 14 | CHOLDS THE CHANGE IN THE PRODUCTIVE-CAPACITY TAXABLE VALUE |
| 15 | OF AGRICULTURAL LANDS; TAXING CLASS THREE PROPERTY AT THE |
| 16 | RATE APPLICABLE TO CLASS FOUR PROPERTY; ESTABLISHING AN |
| 17 | ADVISORY COMMITTEE TO REVIEW ALL RELEVANT COSTS, INCLUDING |
| 18 | WATER COSTS, IN DETERMINING THE PRODUCTIVE CAPACITY OF |
| 19 | IRRIGATED LANDS; ELIMINATING CLASS ELEVEN FARMSTEAD PROPERTY |
| 20 | BY COMBINING IT WITH CLASS FOUR PROPERTY; AMENDING SECTIONS |
| 21 | 7-13-2527, 15-6-133, 15-6-134, 15-7-201, AND15-8-111, |
| 22 | 15-10-402, AND 15-10-412, MCA; REPEALING SECTION 15-6-144, |
| 23 | MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AN |
| 24 | APPLICABILITY DATE, AND A TERMINATION DATE." |
| | |

SENATE BILL NO. 168

| 1 | WHEREAS, THE MONTANA LEGISLATURE ADOPTED A PLAN IN 1975 |
|----|--|
| 2 | FOR CYCLICAL REAPPRAISAL OF NONAGRICULTURAL LAND; AND |
| 3 | WHEREAS, NONAGRICULTURAL LAND HAS BEEN THROUGH THREE |
| 4 | REAPPRAISAL CYCLES SINCE 1972, WITH THE VALUES OF THE THIRD |
| 5 | CYCLE BECOMING EFFECTIVE JANUARY 1, 1993; AND |
| 6 | WHEREAS, AGRICULTURAL LAND HAS NOT BEEN REAPPRAISED |
| 7 | SINCE 1963 AND THE MONTANA LEGISLATURE HAS DETERMINED THAT |
| 8 | REAPPRAISAL OF AGRICULTURAL LAND IS NECESSARY FOR THE |
| 9 | OVERALL IMPROVEMENT OF MONTANA'S PROPERTY TAX SYSTEM; AND |
| 10 | WHEREAS, THE MONTANA LEGISLATURE HAS TRADITIONALLY KEPT |
| 11 | THE TOTAL TAXABLE VALUE OF AN ENTIRE CLASS OF PROPERTY |
| 12 | RELATIVELY CONSTANT BETWEEN REAPPRAISAL CYCLES BY ADJUSTING |
| 13 | TAX RATES; AND |
| 14 | WHEREAS, THE MONTANA LEGISLATURE DESIRES TO KEEP THE |
| 15 | TOTAL TAXABLE VALUE OF AGRICULTURAL LAND CONSTANT DESPITE |
| 16 | REAPPRAISAL; AND |
| 17 | WHEREAS, THE NEW METHOD OF DETERMINING PRODUCTIVE |
| 18 | CAPACITY OF VARIOUS SUBCLASSES OF AGRICULTURAL LAND RESULTS |
| 19 | IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUAL |
| 20 | REAPPRAISED VALUES; AND |
| 21 | WHEREAS, THE MONTANA LEGISLATURE FINDS THAT IT IS |
| 22 | EQUITABLE AND DESIRABLE FOR THE TAX SYSTEM AS A WHOLE THAT |
| 23 | THE INCREASES AND DECREASES IN TAXABLE VALUE OF AGRICULTURAL |
| 24 | LAND BE PHASED IN OVER THE APPRAISAL CYCLE; AND |
| 25 | WHEREAS, THE MONTANA LEGISLATURE CONSIDERS IT |



| 1 | APPROPRIATE | TO PROV | IDE FOR THE | REAPPRA | SAL OF | AGRICULTU | RAL |
|---|-------------|-----------|--------------|---------|---------|-----------|-----|
| 2 | LAND AND TO | PROVIDE P | OR A PHASEIN | OF THE | CHANGES | IN TAXA | BLE |
| 3 | VALUES OVER | THE REAPP | RAISAL CYCLE | | | | |

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

6 Section 1. Section 15-6-133, MCA, is amended to read:

"15-6-133. Class three property -- description -- taxable percentage. (1) Class three property includes:

- (a) agricultural land as defined in 15-7-202;
- (b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:
- (i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes.
- (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such the improvements are located and that is reasonably required for the use of the improvements.

-3-

1 (iii) Nonproductive patented mining claim property must 2 be valued as if the land were devoted to agricultural 3 grazing use.

- 4 (2) Class three property is taxed at the taxable
 5 percentage rate "P"-of-its-productive-capacity applicable to
 6 class four property, as provided in 15-6-134(2)(a).
 - (3)--Until-July-1;-1986;-the-taxable-percentage-rate-*P*
 for-class-three-property-is-30%;
- 9 (4)--Prior--to--July--ly-1986y-the-department-of-revenue
 10 shall-determine-the-taxable-percentage-rate--**P**-applicable
 11 to--class-three-property-for-the-revaluation-cycle-beginning
 12 January-ly-1986y-as-follows:

 - tb)--The-taxable-value-of-property--in--class--three--is

 determined---as---a--function--of--the--certified--statewide

 percentage-increase--in--accordance--with--the--table--shown

 below-
- 24 (c)--This-table-limits-the-statewide-increase-in-taxable
 25 valuation--resulting--from-reappraisal-to-8%--In-calculating

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the-percentage-increase;-the--department--may--not--consider
agricultural-use-changes-during-calendar-year-1985;

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interpolation-to-coincide--with--the--nearest--whole--number
certified--statewide--percentage-increase-from-the-following
table:

| 7 | Certified-Statewide | Class-Three-Taxable |
|----|---------------------|---------------------|
| 8 | Percentage-Increase | Percentage-#P# |
| 9 | - 0 | 30.00 |
| 10 | ± 0 | 27-27 |
| 11 | 20 | 25+00 |
| 12 | 30 | 23-00 |
| 13 | 46 | 21-43 |
| 14 | 50 | 20-00 |

(5)--After-July-17-19867-no-adjustment-may--be--made--by
the--department--to--the-taxable-percentage-rate-APM-until-a
revaluation-has-been-made-as-provided-in-15-7-111:"

Section 2. Section 15-7-201, MCA, is amended to read:

"15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be

-5-

classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

4 (2) Agricultural land shell must be classified 5 according to its use, which classifications shall include but are not be limited to irrigated use, nonirrigated use, 7 and grazing use. Within each class, land shall must be assessed at a value that is fairly based on its ability to 9 produce, taking into consideration the classification system in existence on January 1, 1986, provided,-however, that the 10 11 department may consolidate tillable irrigated land classes. 12 With relation to irrigated land, water costs shall must be taken into consideration, except at no time may the 13 14 resulting value of irrigated land be reduced below the value 15 such that the land would have if it were not irrigated.

(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shall may not be used in determining assessed values.

15-7-201. (Applicable to 1993 1994 and later land valuation schedules) Legislative intent — value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be

- classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.
- (2) Agricultural land shall must be classified according to its use, which classifications shall include but are not be limited to irrigated use, nonirrigated use, and grazing use.
- (3) Within each class, land shall--be-assessed-at-a value-that-is-fairly-based-on-its-productive--capacity must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.

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- (4) In computing the agricultural land valuation schedules to take effect on the-date--that--the--revaluation cycle--commencing--January-27-19867-takes-effect-pursuant-to 15-7-111 January 1, 1994, and, thereafter, on the effective date when each revaluation cycle takes effect pursuant to 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula V = I/R where:
- 21 (a) V is the per-acre productive capacity value of 22 agricultural land in each land use and production category;
- 23 (b) I is the per-acre net income of agricultural land
 24 in each land use and production category and is to be
 25 determined by-the-department-using-the-formula-I---(P---C)-U

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| 1 | where: |
|------------|--|
| 2 | <pre>fijI-is-the-per-acre-net-income;</pre> |
| 3 | tit)-Pistheper-unitpriceof-the-commodity-being |
| 4 | produced; |
| 5 | (iii)-0-is-the-per-unit-production-cost-of-the-commodity |
| 6 | being-produced;-and |
| 7 | (iv)-U-is-the-yield-in-units-peracre as provided in |
| 8 | subsection (5); and |
| 9 | (c) R is the capitalization rate to-be-determined-by |
| L O | the-department-as-provided-in-subsection-(9) and is equal to |
| 11 | 6.4%. This capitalization rate must remain in effect until |
| . 2 | new agricultural land valuation schedules are computed as |
| 13 | required by law. |
| 4 | (5)Net-income-shall-be: |
| 15 | (a)calculated-for-each-year-of-a-base-periody-which-is |
| 16 | the-most-recent-3-year-period-for-which-data-areavailable, |
| 17 | priorto-a-revaluation-of-property-as-provided-in-15-7-111; |
| 18 | and |
| 19 | (b)based-on-commodity-price-and-productioncostdata |
| 20 | forthebase-period-from-such-sources-as-may-be-considered |
| 21 | appropriate-by-the-departmenty-which-sourcesshallinclude |
| 22 | Nontana-state-university: |
| 23 | (5) (a) Net income must be determined separately in |

each land use based on production categories.

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(b) Net income must be based on commodity price data,

-8-

| | grazing | fees, | crop | share | arrangements, | and | production | WATER |
|---|----------|-------|--------|--------|---------------|-----|------------|-------|
| ! | cost dat | a for | the ba | se per | riod. | | | |

- 3 (I) Commodity price data, AND grazing fees, -- and
 4 production -- cost -- data for the base period must be obtained
 5 from the Montana Agricultural Statistics and from the
 6 Montana crop and livestock reporting service.
- 7 (11) CROP SHARE ARRANGEMENTS ARE BASED ON THE RENTAL
 8 VALUE OF THE LAND AND AVERAGE LANDOWNER COSTS.
- 9 (III) ALLOWABLE WATER COSTS CONSIST ONLY OF THE PER-ACRE
 10 LABOR COSTS AND ENERGY COSTS OF IRRIGATION.
- 11 (A) LABOR COSTS ARE ZERO FOR PIVOT SPRINKLER IRRIGATION
 12 SYSTEMS; \$4.50 AN ACRE FOR TOW LINES, SIDE ROLL, AND LATERAL
 13 SPRINKLER IRRIGATION SYSTEMS; AND \$9 AN ACRE FOR HAND-MOVED
 14 AND FLOOD IRRIGATION SYSTEMS.
 - (B) ENERGY COSTS MUST BE BASED ON PER-ACRE ENERGY COSTS

 INCURRED IN 1992. BY JULY 1, 1993, AN OWNER OF IRRIGATED

 LAND SHALL PROVIDE THE DEPARTMENT, ON A FORM PRESCRIBED BY

 THE DEPARTMENT, WITH ENERGY COSTS INCURRED IN 1992. IN THE

 EVENT THAT NO ENERGY COSTS WERE INCURRED IN 1992, THE OWNER

 OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT WITH ENERGY
- 21 COSTS FROM THE MOST RECENT YEAR AVAILABLE, THE DEPARTMENT
- 22 SHALL ADJUST THE MOST RECENT YEAR'S ENERGY COSTS TO REFLECT
- 23 <u>COSTS IN 1992.</u>

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24 (c) The base crop for valuation of irrigated land is 25 alfalfa HAY, ADJUSTED TO 80% OF SALES PRICE, and the base

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| 1 | crop for valuation of nonirrigated land is wheat. The base |
|---|--|
| 2 | unit for valuation of grazing lands is the average grazing |
| 3 | fee for a 1,000-pound animal. |

- 4 (d) The base period used to determine net income must
 5 be the most recent 7 years for which data is available prior
 6 to the date the revaluation cycle ends. Commodity price
 7 data7 AND grazing fees7-and-production-cost-data referred to
 8 in subsection (5)(b) must be averaged for the 7-year period,
 9 but the average must exclude the lowest and highest
 10 commodity prices or grazing fees and-the-lowest-and-highest
 11 production-costs in the period.
- 12 (6)--To--the--degree--available;--the--department--shall
 13 compile:
- 14 {a}--commodity--price-data-reflecting-the-average-prices 15 received--per--unit--of--measure--by--Montana--farmers---and 16 ranchers:--Such--data--may-be-obtained-from-all-geographical 17 areas-of-the-state:--Commodity--prices--may--include--wheat; 18 barleyy--alfalfa--hayy--grass--hayy-corn-for-grainy-corn-for 19 silage,-sugar-beets,-dry-beans,-potatoes,-cattle,-and-sheep,-20 Government--payments--may--be--considered---Typical---rental 21 arrangements-may-be-considered:
- tb)--production--cost--data-reflecting-average-costs-per unit-of-measure-paid-by-Montana-farmers-and--ranchers---Such data--may--be--obtained--from--all-geographical-areas-of-the state--Such-production-costs-may-include-costs--relating--to

SB 168 -10- SB 168

| irrigationyfertilizationyfuely-seedy-weed-controly-hire |
|---|
| labory-managementy-insurancey-repairs-andmaintenanceyan |
| miscellaneousitems:-Variations-in-specific-production-cos |
| datay-when-affected-by-different-levels-ofproductionyan |
| typical-rental-arrangements-may-be-considered: |

(6) The department shall compile data and develop valuation manuals adopted by rule to implement the valuation method established by subsections (4) and (5).

- committee of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared——by——Montana—state—university—and—advise—the department—on—the—implementation—of—subsections—(2)——through (6) required by subsections (4) and (5). The advisory committee shall include one member of the Montana state university, college of agriculture, staff. The advisory committee shall recommend agricultural land valuation schedules to the department. WITH RESPECT TO IRRIGATED LAND, THE VALUE OF IRRIGATED LAND MAY NOT BE BELOW THE VALUE THAT THE LAND WOULD HAVE IF IT WERE NOT IRRIGATED.
- (8)--Net-income-shall-be-determined-separately-for-lands
 in-irrigated-usey-nonirrigated-usey--and--grazing--use--and
 shall--be--calculated--for--each--use--and--production-level
 according-to-the-provisions-of-subsections-(4)-through-(7)+
 +91--The-capitalization-rate--shall--be--calculated--for

each--year--of--the--base--period--and-is-the-annual-average interest-rate-on--agricultural--loans--as--reported--by--the federal--land--bank-association-of-Spokaney-Washingtony-plus the-effective-tax-rate-in-Montana-

(10)-The-effective-tax-rate-shall-be-calculated-by-the department--for-each-year-of-the-base-period-by-dividing-the total-estimated-tax-due-on-agricultural-land-in-the-state-by the-total-productive-capacity-value-of-agricultural-land-in the-state-"

NBW-SECTION: -- Section-3. -- Phasein--of--agricultural-land--values: -- The-increase--or--decrease--in--productive--capacity values--of--agricultural-land-determined-in-l5-7-201-must-be phased-in-over-two-reappraisal-cycles; -as-follows:

(i)--Por-the--revaluation--cycle--beginning--January--ly
19947--and--ending--Becember-3ly-19967-the-assessed-value-of
agricultural-land-in-each-land-use-and--production--category
must--increase--or-decrease-by-50%-of-the-difference-between
the--productive--capacity---value---of---agricultural---land
determined-in-l5-7-20l-for-1994-land-valuation-schedules-and
the--assessed--value-of-agricultural-land-as-of-Becember-3ly
1993-

t2)--Beginning-January-17-19977-the--assessed--value--of
agricultural--land--in-each-land-use-and-production-category
must--be--100%--of--the---productive---capacity----value---of
agricultural-land-determined-in-15-7-201-

-11- SB 168

-12- SB 168

| NEW-SECTION Section 4 Advisory committeereview |
|--|
| of-water-costsThe-department-of-revenue-shallappointan |
| advisorycommitteeknowledgeable-in-irrigated-agricultural |
| operations-to-review-water-costs-associatedwithirrigated |
| landsandtorecommendto-the-department-how-water-costs |
| should-be-consideredfordeterminingtheirrigatedland |
| valuationschedulesthattake-effect-January-1,-1997;-The |
| committeeshallpresentitsrecommendationstothe |
| department-by-danuary-ly-1995- |
| Section-5Section-15-8-1117-MCA7-is-amended-to-read: |
| #15-8-111:Assessmentmarketvaluestandard |
| exceptions:-(1)-All-taxable-propertymustbeassessedat |
| 100%-of-its-market-value-except-as-otherwise-provided- |
| (2)(a)-Marketvalueisthevalue-at-which-property |
| would-change-hands-between-a-willingbuyerandawilling |
| seller;-neither-being-under-any-compulsion-to-buy-or-to-sell |
| and-both-having-reasonable-knowledge-of-relevant-facts- |
| (b)Ifthedepartmentusesconstruction-cost-as-one |
| approximation-of-market-value,-thedepartmentshallfully |
| considerreduction-in-value-caused-by-depreciationy-whether |
| through-physical-depreciation;-functionalobsolescence;or |
| economic-obsolescence. |
| {c}Exceptasprovidedin-subsection-(3);-the-market |
| walna-af-all-matas-truckssoriculturaltablesimplements- |

| 1 | limitedtoboatsandallwatercraft;istheaverage |
|----|---|
| 2 | Wholesalevalueshowninnationalappraisalguides-and |
| 3 | manuals-or-the-value-of-thevehiclebeforereconditioning |
| 4 | andprofitmarginThe-department-of-revenue-shall-prepare |
| 5 | valuation-schedules-showing-the-average-wholesale-value-whe |
| 6 | no-national-appraisal-guide-exists- |
| 7 | (3)The-department-of-revenue-oritsagentsmayno |
| 8 | adoptalowerordifferent-standard-of-value-from-marke |
| 9 | value-in-making-the-official-assessment-and-appraisal-of-th |
| 10 | value-of-property;-except: |
| 11 | (a)the-wholesale-value-for-agricultural-implements-and |
| 12 | machinery-is-the-loan-value-as-shown-in-the-OfficialGuide |
| 13 | TractorandParm-Equipmenty-published-by-the-national-far |
| 14 | andpowerequipmentdealersassociation,Stbouis |
| 15 | Missouri ₇ |
| 16 | (b)foragriculturalimplementsandmachineryno |
| 17 | listed-in-the-official-guidey-the-department-shall-prepare- |
| 18 | supplementalmanualwherethevaluesreflectthesam |
| 19 | depreciation-as-those-found-in-the-official-guide;-and |
| 20 | <pre>(c)as-otherwise-authorized-in-Title-15-and-Title-61-</pre> |
| 21 | <pre>{4}Por-purposes-of-taxation;assessedvalueisth</pre> |
| 22 | same-as-appraised-value. |
| 23 | (5)Thetaxablevalueforallpropertyisth |
| 24 | percentage-of-market-or-assessed-value-established-foreac |
| 25 | class-of-property: |

and-machinery;-and-vehicles-of-all-kinds;-including-but-not

| L | (6)TheassessedVaideorpropertiesinis-b-isi |
|----|--|
| 2 | through-15-6-133-is-as-follows: |
| 3 | (a)Propertiesin15-6-1317underclassoneyare |
| 4 | assessedat-100%-of-the-annual-net-proceeds-after-deducting |
| 5 | the-expenses-specifiedandallowedbyl5-23-503or7if |
| б | applicable;-as-provided-in-15-23-515-or-15-23-516- |
| 7 | (b)Propertiesin15-6-1327underclasstwo7are |
| 8 | assessed-at-100%-of-the-annual-gross-proceeds: |
| 9 | te)Properties-in15-6-1337underclassthree7are |
| 0 | assessed-at-100%-of-the-productive-capacity-of-the-landsas |
| 1 | providedin{section3}, whenvaluedforagricultural |
| 2 | purposesAll-lands-that-meet-the-qualifications-of-15-7-202 |
| 3 | are-valued-as-agricultural-lands-for-tax-purposes- |
| 4 | (d)BeginningJanuary-ly-1998y-and-ending-December-3ly |
| 5 | 19937-properties-in-15-6-1437-under-class-ten7-areassessed |
| 6 | at100%ofthecombinedappraised-value-of-the-standing |
| 7 | timber-and-grazing-productivity-of-the-land-whenvaluedas |
| 8 | timberland. |
| 9 | (e)BeginningJanuary-17-19947-properties-in-15-6-1437 |
| 0 | underclasstenyareassessedat100%oftheforest |
| 1 | productivity-value-of-the-land-when-valued-as-forest-land; |
| 2 | (7)band-and-the-improvementsthereonareseparately |
| :3 | assessed-when-any-of-the-following-conditions-occur: |
| 4 | <pre>+a)ownershipoftheimprovementsis-different-from</pre> |
| 5 | ownership-of-the-land; |

```
1
         tb;--the-taxpayer-makes-a-written-request;-or
2
         tet--the-land-is-outside-an-incorporated-city--or--town-
3
     (Subsection--(6)(d)-terminates-January-1,-1994--sec:-19,-Chr
     7837-br-1991-1ª
         NEW SECTION. SECTION 3. PHASEIN OF THE TAXABLE VALUE
 5
     OF AGRICULTURAL LAND. THE INCREASE OR DECREASE IN TAXABLE
     VALUE OF AGRICULTURAL LAND RESULTING FROM THE CHANGE IN THE
     METHOD OF DETERMINING PRODUCTIVE CAPACITY VALUE UNDER
     15-7-201 MUST BE PHASED IN BEGINNING JANUARY 1, 1994, AS
10
      FOLLOWS:
         (1) FOR THE YEAR BEGINNING JANUARY 1, 1994, AND ENDING
11
12
      DECEMBER 31, 1994, THE TAXABLE VALUE OF AGRICULTURAL LAND IN
13
      EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR
      DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 25% OF THE
14
15
      DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY
16
      VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER
17
      15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE
18
      VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
19
          (2) FOR THE YEAR BEGINNING JANUARY 1, 1995, AND ENDING
20
      DECEMBER 31, 1995, THE TAXABLE VALUE OF AGRICULTURAL LAND IN
21
      EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR
22
      DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 50% OF THE
23
      DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY
24
      VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER
25
      15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE
```

-16-

MEMBER

(D) ONE

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| 1 | VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993. |
|----|--|
| 2 | (3) FOR THE YEAR BEGINNING JANUARY 1, 1996, AND ENDING |
| 3 | DECEMBER 31, 1996, THE TAXABLE VALUE OF AGRICULTURAL LAND IN |
| 4 | EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR |
| 5 | DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 75% OF THE |
| 6 | DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY |
| 7 | VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER |
| 8 | 15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE |
| 9 | VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993. |
| 10 | (4) BEGINNING JANUARY 1, 1997, THE TAXABLE VALUE OF |
| 11 | AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY |
| 12 | IS EQUAL TO 100% OF THE PRODUCTIVE CAPACITY VALUE OF |
| 13 | AGRICULTURAL LAND DETERMINED UNDER 15-7-201 TIMES THE CLASS |
| 14 | THREE TAX RATE. |
| 15 | NEW SECTION. SECTION 4. ADVISORY COMMITTEE REVIEW |
| 16 | OF WATER COSTS AND CROP SHARE ARRANGEMENTS. (1) THE GOVERNOR |
| 17 | SHALL APPOINT AN ADVISORY COMMITTEE TO REVIEW WATER COSTS, |
| 18 | CROP SHARE ARRANGEMENTS, AND OTHER ISSUES INVOLVING THE |
| 19 | ASSESSMENT AND VALUATION OF AGRICULTURAL LAND. THE |
| 20 | MEMBERSHIP OF THE COMMITTEE MUST INCLUDE: |
| 21 | (A) ONE MEMBER REPRESENTING URBAN INTERESTS; |
| 22 | (B) TWO MEMBERS REPRESENTING WATER USERS, ONE OF WHOM |
| 23 | MUST BE AN INDIVIDUAL WATER USER AND ONE OF WHOM MUST BE A |
| 24 | REPRESENTATIVE OF AN ORGANIZED IRRIGATION DISTRICT; |

(C) ONE MEMBER REPRESENTING GRAZING INTERESTS;

-17-

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| 2 | INTERESTS; |
|----|--|
| 3 | (E) ONE MEMBER REPRESENTING MULTIPLE-USE FARMERS AND |
| 4 | RANCHERS; |
| 5 | (F) ONE MEMBER REPRESENTING FINANCIAL INSTITUTIONS; |
| 6 | (G) TWO MEMBERS OF THE LEGISLATURE, NOT OF THE SAME |
| 7. | POLITICAL PARTY, ONE OF WHOM MUST BE A MEMBER OF THE SENATE |
| 8 | AND ONE OF WHOM MUST BE A MEMBER OF THE HOUSE OF |
| 9 | REPRESENTATIVES; AND |
| 10 | (H) ONE MEMBER REPRESENTING LOCAL GOVERNMENT. |
| 11 | (2) THE COMMITTEE SHALL REVIEW WATER COSTS AND CROP |
| 12 | SHARE ARRANGEMENTS ASSOCIATED WITH IRRIGATED LANDS AND |
| 13 | RECOMMEND TO THE DEPARTMENT OF REVENUE BY JULY 1, 1994, HOW |
| 14 | WATER COSTS AND CROP SHARE ARRANGEMENTS SHOULD BE CONSIDERED |
| 15 | FOR THE VALUATION OF IRRIGATED LAND. THE COMMITTEE MAY |
| 16 | RECOMMEND THE ADJUSTMENT IN THE VALUATION OF OTHER |
| 17 | AGRICULTURAL LAND CLASSES IN ORDER TO PREVENT A REDUCTION IN |
| 18 | THE LEVEL OF STATEWIDE TAXABLE VALUATION OF AGRICULTURAL |
| 19 | LAND. |
| 20 | SECTION 5. SECTION 7-13-2527, MCA, IS AMENDED TO READ: |
| 21 | "7-13-2527. List of property owners. (1) A copy of the |

order creating the district shall must be delivered to the

given each year, prepare and certify a list of all persons

(2) The assessor shall, on or before August 1 of any

county assessor of each county within the district.

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REPRESENTING NONIRRIGATED CROPLAND

owning class four or-class-eleven property within such the
district and deliver a copy of such the list to the board of
trustees of said the district."

SECTION 6. SECTION 15-6-134, MCA, IS AMENDED TO READ:

- 5 *15-6-134. Class four property -- description -6 taxable percentage. (1) Class four property includes:
- 7 (a) all land except that specifically included in 8 another class:

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- (b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;
- (c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, 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 net business income or loss and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);
- 24 (d) all golf courses, including land and improvements
 25 actually and necessarily used for that purpose, that consist

- of at least 9 holes and not less than 3,000 lineal yards+<u>;</u>
 and
- 3 (e) all improvements on land that is eligible for
 4 valuation, assessment, and taxation as agricultural land
 5 under 15-7-202(2), including 1 acre of real property beneath
 6 the agricultural improvements. The 1 acre must be valued at
 7 market value.
 - (2) Class four property is taxed as follows:
- 9 (a) Except as provided in 15-24-1402 or 15-24-1501,
 10 property described in subsections (1)(a), and (1)(b), and
 11 (1)(e) is taxed at 3.86% of its market value.
- 12 (b) (i) Property described in subsection (1)(c) is 13 taxed at 3.86% of its market value multiplied by a 14 percentage figure based on income and determined from the 15 following table:

| 16 | Income | Income | Percentage |
|----|-----------------|-------------------|------------|
| 17 | Single Person | Married Couple | Multiplier |
| 18 | | Head of Household | |
| 19 | \$ 0 - \$ 1,000 | \$ 0 - \$ 1,200 | 0% |
| 20 | 1,001 - 2,000 | 1,201 - 2,400 | 10% |
| 21 | 2,001 - 3,000 | 2,401 - 3,600 | 20% |
| 22 | 3,001 - 4,000 | 3,601 - 4,800 | 30% |
| 23 | 4,001 - 5,000 | 4,801 - 6,000 | 40% |
| 24 | 5,001 - 6,000 | 6,001 - 7,200 | 50% |
| 25 | 6,001 - 7,000 | 7,201 - 8,400 | 60% |

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| 1 | 7,001 - | 8,000 | 8,401 - | 9,600 | 70% |
|---|---------|--------|----------|--------|-----|
| 2 | B,001 - | 9,000 | 9,601 - | 10,800 | 80% |
| 3 | 9,001 - | 10.000 | 10,801 - | 12,000 | 90% |

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- 4 (ii) The income levels contained in the table in 5 subsection (2)(b)(i) must be adjusted for inflation annually 6 by the department of revenue. The adjustment to the income 7 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
- 12 (B) rounding the product thus obtained to the nearest
 13 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.
- 18 (c) Property described in subsection (1)(d) is taxed at
 19 one-half the taxable percentage rate established in
 20 subsection (2)(a).
- 21 (3) After July 1, 1986, no adjustment may be made by 22 the department to the taxable percentage rate for class four 23 property until a revaluation has been made as provided in 24 15-7-111.
- 25 (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 7. SECTION 15-10-402, MCA, IS AMENDED TO READ:

- 7 "15-10-402. Property tax limited to 1986 levels. (1)
 8 Except as provided in subsections (2) and (3), the amount of
 9 taxes levied on property described in 15-6-133, 15-6-134,
 10 and 15-6-136,--and--+5-6-+44 may not, for any taxing
 11 jurisdiction, exceed the amount levied for taxable year
 12 1986.
- 13 (2) The limitation contained in subsection (1) does not 14 apply to levies for rural improvement districts, Title 7, 15 chapter 12, part 21; special improvement districts, Title 7, 16 chapter 12, part 41; elementary and high school districts, 17 Title 20; juvenile detention programs authorized under 18 7-6-502; or bonded indebtedness.
- 19 (3) New construction or improvements to or deletions 20 from property described in subsection (1) are subject to 21 taxation at 1986 levels.
- 22 (4) As used in this section, the "amount of taxes
 23 levied" and the "amount levied" mean the actual dollar
 24 amount of taxes imposed on an individual piece of property,
 25 notwithstanding an increase or decrease in value due to

-22-

- inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or
- SECTION 8. SECTION 15-10-412, MCA, IS AMENDED TO READ:

decrease in the value of a mill."

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- "15-10-412. Property tax limited to 1986 levels -
 Clarification -- extension to all property classes. Section

 15-10-402 is interpreted and clarified as follows:
- 9 (1) The limitation to 1986 levels is extended to apply
 10 to all classes of property described in Title 15, chapter 6,
 11 part 1.
 - (2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.
- 24 (3) The limitation on the amount of taxes levied does
 25 not mean-that-no prohibit a further increase may-be-made in

- the total taxable valuation of a taxing unit as a result of:
- 2 (a) annexation of real property and improvements into a
- 3 taxing unit;
- 4 (b) construction, expansion, or remodeling of
- 5 improvements;
- (c) transfer of property into a taxing unit;
- 7 (d) subdivision of real property;
- B (e) reclassification of property;
- 9 (f) increases in the amount of production or the value
- 10 of production for property described in 15-6-131 or
- 11 15-6-132;
- 12 (q) transfer of property from tax-exempt to taxable
- 13 status; or
- 14 (h) revaluations caused by:
- (i) cyclical reappraisal; or
- 16 (ii) expansion, addition, replacement, or remodeling of
- 17 improvements.
- 18 (4) The limitation on the amount of taxes levied does
- 19 not mean-that-no prohibit a further increase may-be-made in
- 20 the taxable valuation or in the actual tax liability on
- 21 individual property in each class as a result of:
- 22 (a) a revaluation caused by:
- 23 (i) construction, expansion, replacement, or remodeling

-24-

- of improvements that adds value to the property; or
- 25 (ii) cyclical reappraisal;

- 1 (b) transfer of property into a taxing unit;
- 2 (c) reclassification of property;
- 3 (d) increases in the amount of production or the value 4 of production for property described in 15-6-131 or 5 15-6-132:
- (e) annexation of the individual property into a newtaxing unit; or
- 8 (f) conversion of the individual property from9 tax-exempt to taxable status.
- 10 (5) Property in elasses <u>class</u> four and-eleven is valued
 11 according to the procedures used in 1986, including the
 12 designation of 1982 as the base year, until the reappraisal
 13 cycle beginning January 1, 1986, is completed and new
 14 valuations are placed on the tax rolls and a new base year
 15 designated, if the property is:
- 16 (a) new construction:
- 17 (b) expanded, deleted, replaced, or remodeled 18 improvements;
- 19 (c) annexed property; or
- 20 (d) property converted from tax-exempt to taxable 21 status.
- 22 (6) Property described in subsections (5)(a) through
 23 (5)(d) that is not class four or-class--eleven property is
 24 valued according to the procedures used in 1986 but is also
 25 subject to the dollar cap in each taxing unit based on 1986

- 1 mills levied.
- 2 (7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries 5 of local government officers, and all other matters in which 7 total taxable valuation is an integral component are not 8 affected by 15-10-401 and 15-10-402 except for the use of 9 taxable valuation in fixing tax levies. In fixing tax 10 levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax 11 12 limitations in 15-10-401 and 15-10-402, while understanding 13 that regardless of the amount of mills levied, a taxpayer's 14 liability may not exceed the dollar amount due in each 15 taxing unit for the 1986 tax year unless:
- or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it waluation decreases by 5% or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in-no-case-may the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.
- 23 (b) a levy authorized under Title 20 raised less 24 revenue in 1986 than was raised in either 1984 or 1985, in 25 which case the taxing unit may, after approval by the voters

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- in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;
- (c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.
- 12 (8) The limitation on the amount of taxes levied does
 13 not apply to the following levy or special assessment
 14 categories, whether or not they are based on commitments
 15 made before or after approval of 15-10-401 and 15-10-402:
 - (a) rural improvement districts;

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- (b) special improvement districts;
- 18 (c) levies pledged for the repayment of bonded 19 indebtedness, including tax increment bonds;
 - (d) city street maintenance districts;
 - (e) tax increment financing districts;
 - (f) satisfaction of judgments against a taxing unit;
- 23 (g) street lighting assessments;
- 24 (h) revolving funds to support any categories specified
- 25 in this subsection (8);

- 1 (i) levies for economic development authorized pursuant 2 to 90-5-112(4);
- 3 (j) levies authorized under 7-6-502 for juvenile
 4 detention programs; and
 - (k) elementary and high school districts.
- 6 (9) The limitation on the amount of taxes levied does 7 not apply in a taxing unit if the voters in the taxing unit 8 approve an increase in tax liability following a resolution 9 of the governing body of the taxing unit containing:
- 10 (a) a finding that there are insufficient funds to
 11 adequately operate the taxing unit as a result of 15-10-401
 12 and 15-10-402:
- (b) an explanation of the nature of the financial emergency;
- 15 (c) an estimate of the amount of funding shortfall 16 expected by the taxing unit:
- (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted:
- 19 (e) a finding that there are no alternative sources of 20 revenue:
- 21 (f) a summary of the alternatives that the governing 22 body of the taxing unit has considered; and
- 23 (g) a statement of the need for the increased revenue
 24 and how it will be used.
- 25 (10) (a) The limitation on the amount of taxes levied

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does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

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- (b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:
- (i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.
- (ii) county, city, or town ambulance services authorized
 by a vote of the electorate under 7-34-102(2).
 - (11) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.
- 20 (12) The limitation on the amount of taxes levied does
 21 not apply to a levy increase to repay taxes paid under
 22 protest in accordance with 15-1-402."
- 23 NEW SECTION. SECTION 9. REPEALER. SECTION 15-6-144,
 24 MCA, IS REPEALED.
- 25 NEW SECTION. Section 10. Codification instruction.

- 1 [Sections 3 and 4] are intended to be codified as an
- 2 integral part of Title 15, chapter 7, part 2, and the
- 3 provisions of Title 15, chapter 7, part 2, apply to
- 4 [sections 3 and 4].
- 5 NEW SECTION. Section 11. Severability. If a part of
- 6 [this act] is invalid, all valid parts that are severable
- 7 from the invalid part remain in effect. If a part of [this
- 8 act] is invalid in one or more of its applications, the part
- 9 remains in effect in all valid applications that are
- 10 severable from the invalid applications.
- 11 NEW SECTION. Section 12. Termination. [Section 4]
- 12 terminates January 1, 1997 1995.
- NEW SECTION. Section 13. Effective date -
- 14 applicability. [This act] is effective on passage and
- 15 approval and applies to tax years beginning on or after
- 16 January 1, 1994.

-End-

25

| 2 | INTRODUCED BY BECK, M. HANSON, GRINDE, KELLER, |
|----|--|
| 3 | GRADY, HIBBARD, DEBRUYCKER, HARP, |
| 4 | CRIPPEN, MESAROS, LYNCH |
| 5 | BY REQUEST OF THE DEPARTMENT OF REVENUE |
| 6 | |
| 7 | A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE |
| 8 | TAXATION OF AGRICULTURAL LAND; REVISING THE METHOD OF |
| 9 | VALUING AGRICULTURAL LANDS IN CLASS THREE PROPERTY FOR |
| .0 | PROPERTY TAX PURPOSES; PROVIDING FOR THE DETERMINATION OF |
| 1 | NET INCOME FROM AGRICULTURAL LAND; HOLDING CONSTANT THE |
| .2 | STATENIDE TOTAL TAXABLE VALUE OF CLASS THREE PROPERTY |
| .3 | Between Reappraisal Cycles; Phasing in Over-TwoReappraisab |
| .4 | CYCLES THE CHANGE IN THE PRODUCTIVE-CAPACITY TAXABLE VALUE |
| .5 | OF AGRICULTURAL LANDS; TAXING CLASS THREE PROPERTY AT THE |
| .6 | RATE APPLICABLE TO CLASS FOUR PROPERTY; ESTABLISHING AN |
| .7 | ADVISORY COMMITTEE TO REVIEW ALL RELEVANT COSTS, INCLUDING |
| 8 | WATER COSTS, IN DETERMINING THE PRODUCTIVE CAPACITY OF |
| .9 | IRRIGATED LANDS; ELIMINATING CLASS ELEVEN PARMSTEAD PROPERTY |
| 0 | BY COMBINING IT WITH CLASS FOUR PROPERTY; AMENDING SECTIONS |
| 1 | 7-13-2527, 15-6-133, 15-6-134, 15-7-201, AND15-8-1117 |
| 2 | 15-10-402, AND 15-10-412, MCA; REPEALING SECTION 15-6-144, |
| 23 | MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, AN |
| 4 | APPLICABILITY DATE AND A REDMINATION DATE |

SENATE BILL NO. 168

| - | HARMAN INS HOUSERER DESIGNATIONS AND A LUMB IN 197. |
|-----|---|
| 2 | FOR CYCLICAL REAPPRAISAL OF MONAGRICULTURAL LAND; AND |
| 3 | WHEREAS, MONAGRICULTURAL LAND HAS BEEN THROUGH THREE |
| 4 | REAPPRAISAL CYCLES SINCE 1972, WITH THE VALUES OF THE THIRD |
| 5 | CYCLE BECOMING EFFECTIVE JANUARY 1, 1993; AND |
| 6 | WHEREAS, AGRICULTURAL LAND HAS NOT BEEN REAPPRAISE |
| 7 | SINCE 1963 AND THE NONTANA LEGISLATURE HAS DETERMINED THAT |
| 8 | REAPPRAISAL OF AGRICULTURAL LAND IS NECESSARY FOR THE |
| 9 | OVERALL IMPROVEMENT OF MONTANA'S PROPERTY TAX SYSTEM; AND |
| l O | WHEREAS, THE MONTANA LEGISLATURE HAS TRADITIONALLY KEP |
| 11 | THE TOTAL TAXABLE VALUE OF AN ENTIRE CLASS OF PROPERTY |
| 12 | RELATIVELY CONSTANT BETWEEN REAPPRAISAL CYCLES BY ADJUSTING |
| 13 | TAX RATES; AND |
| 14 | WHEREAS, THE MONTANA LEGISLATURE DESIRES TO KEEP THE |
| 15 | TOTAL TAXABLE VALUE OF AGRICULTURAL LAND CONSTANT DESPITE |
| 16 | REAPPRAISAL; AND |
| 17 | WHEREAS, THE NEW METHOD OF DETERMINING PRODUCTIVE |
| 18 | CAPACITY OF VARIOUS SUBCLASSES OF AGRICULTURAL LAND RESULT |
| 19 | IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUA |
| วถ | PRADDRATSED VALLIES: AND |

THERE ARE NO CHANGES IN THIS BILL AND WILL NOT BE REPRINTED. PLEASE REFER TO YELLOW COPY FOR COMPLETE TEXT.

| 2 | INTRODUCED BY BECK, M. HANSON, GRINDE, KELLER, |
|----|--|
| 3 | GRADY, HIBBARD, DEBRUYCKER, HARP, |
| 4 | CRIPPEN, MESAROS, LYNCH |
| 5 | BY REQUEST OF THE DEPARTMENT OF REVENUE |
| 6 | |
| 7 | A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE |
| 8 | TAXATION OF AGRICULTURAL LAND; REVISING THE METHOD OF |
| 9 | VALUING AGRICULTURAL LANDS IN CLASS THREE PROPERTY FOR |
| 10 | PROPERTY TAX PURPOSES; PROVIDING FOR THE DETERMINATION OF |
| 11 | NET INCOME FROM AGRICULTURAL LAND; HOLDING CONSTANT THE |
| 12 | STATEWIDE TOTAL TAXABLE VALUE OF CLASS THREE PROPERTY |
| 13 | BETWEEN REAPPRAISAL CYCLES; PHASING IN OVER-TWOREAPPRAISAL |
| 14 | CYCLES THE CHANGE IN THE PRODUCTIVE-CAPACITY TAXABLE VALUE |
| 15 | OF AGRICULTURAL LANDS; TAXING CLASS THREE PROPERTY AT THE |
| 16 | RATE APPLICABLE TO CLASS FOUR PROPERTY; ESTABLISHING AN |
| 17 | ADVISORY COMMITTEE TO REVIEW ALL RELEVANT COSTS, INCLUDING |
| 18 | WATER COSTS, IN DETERMINING THE PRODUCTIVE CAPACITY OF |
| 19 | IRRIGATED LANDS; ELIMINATING CLASS ELEVEN FARMSTEAD PROPERTY |
| 20 | BY COMBINING IT WITH CLASS FOUR PROPERTY; AMENDING SECTIONS |
| 21 | 7-13-2527, 15-6-133, <u>15-6-134</u> , 15-7-201, AND 15-0-111 , |
| 22 | 15-10-402, AND 15-10-412, MCA; REPEALING SECTION 15-6-144, |
| 23 | MCA; AND PROVIDING AN IMMEDIATE EPPECTIVE DATE, AN |
| 24 | APPLICABILITY DATE, AND A TERMINATION DATE." |
| 25 | |
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SENATE BILL NO. 168

| | MREKERS; THE MONTARK DESISERIORE ADDITED A 1244 IN 1773 |
|-----|--|
| 2 | POR CYCLICAL REAPPRAISAL OF NONAGRICULTURAL LAND; AND |
| 3 | WHEREAS, NONAGRICULTURAL LAND HAS BEEN THROUGH THREE |
| 4 | REAPPRAISAL CYCLES SINCE 1972, WITH THE VALUES OF THE THIRD |
| 5 | CYCLE BECOMING EFFECTIVE JANUARY 1, 1993; AND |
| 6 | WHEREAS, AGRICULTURAL LAND HAS NOT BEEN REAPPRAISED |
| 7 | SINCE 1963 AND THE MONTANA LEGISLATURE HAS DETERMINED THAT |
| 8 | REAPPRAISAL OF AGRICULTURAL LAND IS NECESSARY FOR THE |
| 9 | OVERALL IMPROVEMENT OF MONTANA'S PROPERTY TAX SYSTEM; AND |
| 0 | WHEREAS, THE MONTANA LEGISLATURE HAS TRADITIONALLY KEPT |
| 1 | THE TOTAL TAXABLE VALUE OF AN ENTIRE CLASS OF PROPERTY |
| 2 | RELATIVELY CONSTANT BETWEEN REAPPRAISAL CYCLES BY ADJUSTING |
| . 3 | TAX RATES; AND |
| 4 | WHEREAS, THE MONTANA LEGISLATURE DESIRES TO KEEP THE |
| L 5 | TOTAL TAXABLE VALUE OF AGRICULTURAL LAND CONSTANT DESPITE |
| 16 | REAPPRAISAL; AND |
| 17 | WHEREAS, THE NEW METHOD OF DETERMINING PRODUCTIVE |
| 18 | CAPACITY OF VARIOUS SUBCLASSES OF AGRICULTURAL LAND RESULTS |
| 19 | IN SIGNIFICANT INCREASES OR DECREASES IN INDIVIDUAL |
| 20 | REAPPRAISED VALUES; AND |
| 21 | WHEREAS, THE MONTANA LEGISLATURE FINDS THAT IT IS |
| 22 | EQUITABLE AND DESIRABLE FOR THE TAX SYSTEM AS A WHOLE THAT |
| 23 | THE INCREASES AND DECREASES IN TAXABLE VALUE OF AGRICULTURAL |
| 24 | LAND BE PHASED IN OVER THE APPRAISAL CYCLE; AND |
| 25 | WHEREAS, THE MONTANA LEGISLATURE CONSIDERS IT |
| 40 | MODREAD: THE MUNICIPAL LEGISLATURE CONSIDERS II |

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| APPROPRIATE | TO PRO | VIDE FOR | THE REAL | PRAISAL O | P AGRICULTURAL |
|--------------|-----------|-----------|----------|-----------|----------------|
| LAND AND TO | PROVIDE | POR A PH | ASEIN OP | THE CHANG | ES IN TAXABLE |
| VALUES OVER | THE REAL | PRAISAL | CYCLE. | | |
| | | | | | |
| BE IT ENACTE | ED BY THI | E LEGISLA | TURE OF | THE STATE | OF MONTANA: |

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- Section 1. Section 15-6-133, MCA, is amended to read:
- "15-6-133. Class three property -- description -taxable percentage. (1) Class three property includes:
 - (a) agricultural land as defined in 15-7-202;
- (b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:
- (i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for such other purposes.
- (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which such the improvements are located and that is reasonably required for the use of the improvements.

| 1 | (iii) | Non | prod | uctiv | e pat | ented | mining | claim | property | must |
|---|-----------|-----|------|-------|-------|-------|--------|-------|----------|-------|
| 2 | be valued | as | if | the | land | were | devote | ed to | agricul | tural |
| 3 | grazing u | se. | | | | | | | | |

- 4 (2) Class three property is taxed at the taxable percentage rate "P"-of-its-productive-capacity applicable to class four property, as provided in 15-6-134(2)(a).
 - (3)--Until-July-ly-1986y-the-taxable-percentage-rate-#P# for-class-three-property-is-30%:
 - t4)--Prior--to--duly--ly-19867-the-department-of-revenue shall-determine-the-taxable-percentage-rate--*P*--applicable to--class-three-property-for-the-revaluation-cycle-beginning January-17-19867-as-follows:
 - tat--The-director-of-the--department--of--revenue--shall certify--to-the-governor-before-July-17-19867-the-percentage by-which-the-appraised-value-of-all-property--in--the--state classified-under-class-three-as-of-January-17-19867-has increased-due-to-the-revaluation-conducted--under--15-7-111+ This---fiqure---is---the---#certified--statewide--percentage increase*-
 - tby--The-taxable-value-of-property--in--class--three--is determined---as---a--function--of--the--certified--statewide percentage-increase--in--accordance--with--the--table--shown belows
 - (c)--This-table-limits-the-statewide-increase-in-taxable Valuation--resulting--from-reappraisal-to-6%:-In-calculating

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the-percentage-increase;-the--department--may--not--consider
agricultural-use-changes-during-calendar-year-1985;

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(d)--The---taxable--percentage--must--be--calculated--by
interpolation-to-coincide--with--the--nearest--whole--number
certified--statewide--percentage-increase-from-the-following
table:

| 7 | Certified-Statewide | Class-Three-Taxable |
|----|---------------------|---------------------|
| 8 | Percentage-Increase | Percentage-#P# |
| 9 | - ⊕ | 30-80 |
| 10 | ± 0 | 27-27 |
| 11 | 20 | 25+00 |
| 12 | 30 | 23-08 |
| 13 | 40 | 21:43 |
| 14 | 50 | 20.00 |

(5)--After-July-17-19867-no-adjustment-may--be--made--by
the--department--to--the-taxable-percentage-rate-MPX-until-a
revaluation-has-been-made-as-provided-in-15-7-111-

Section 2. Section 15-7-201, MCA, is amended to read:

*15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since Because the market value of many agricultural properties is based upon speculative purchases which that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be

-5-

classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall must be classified according to its use, which classifications shall include 6 but are not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land shall must be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in existence on January 1, 1986, provided, however, that the 10 department may consolidate tillable irrigated land classes. 11 12 With relation to irrigated land, water costs shall must be taken into consideration, except at no time may 13 resulting value of irrigated land be reduced below the value 14 such that the land would have if it were not irrigated. 15

16 (3) Capital costs, such as improved water distribution,
17 fertilizer, and land shaping that increase productivity,
18 shall may not be used in determining assessed values.

19 15-7-201. (Applicable to 1993 1994 and later land
20 valuation schedules) Legislative intent — value of
21 agricultural property. (1) Since Because the market value of
22 many agricultural properties is based upon speculative
23 purchases which that do not reflect the productive
24 capability of agricultural land, it is the legislative
25 intent that bona fide agricultural properties shall be

| classifi | ed and assess | ed a | ta va | lue | that | is | exclusive | of |
|----------|---------------|------|-------|-----|--------|-----|------------|-----|
| values | attributed | to | urban | inf | luence | 8 0 | r speculat | ive |
| purposes | ١. | | | | | | | |

(2) Agricultural land shall must be classified according to its use, which classifications shall include but are not be limited to irrigated use, nonirrigated use, and grazing use.

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- (3) Within each class, land shall-be-assessed-at-a value-that-is-fairly-based-on-its-productive-capacity must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.
- (4) In computing the agricultural land valuation schedules to take effect on the-date--that--the--revaluation cycle--commencing--danuary-27-19867-takes-effect-pursuant-to 15-7-111 January 1, 1994, and, thereafter, on the effective date when each revaluation cycle takes effect pursuant to 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula V = I/R where:
- 21 (a) V is the per-acre productive capacity value of 22 agricultural land in each land use and production category;
- 23 (b) I is the per-acre net income of agricultural land
 24 in each land use and production category and is to be
 25 determined by-the-department-using-the-formula-I-=-(P---C)-U

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| 1 | where: |
|----|--|
| 2 | (i)I-is-the-per-acre-net-income; |
| 3 | (ii)-Pistheper-unitpriceof-the-commodity-being |
| 4 | produced; |
| 5 | (iii)-0-is-the-per-unit-production-cost-of-the-commodity |
| 6 | being-produced;-and |
| 7 | (iv)-U-is-the-yield-in-units-peracre as provided in |
| 8 | subsection (5); and |
| 9 | (c) R is the capitalization rate to-be-determined-by |
| 0 | the-department-as-provided-in-subsection-(9) and is equal to |
| .1 | 6.4%. This capitalization rate must remain in effect until |
| 2 | new agricultural land valuation schedules are computed as |
| 3 | required by law. |
| 4 | (5)Net-income-shall-be: |
| 15 | ta)calculated-for-each-year-of-a-base-period;-which-is |
| 6 | the-most-recent-3-year-period-for-which-data-areavailable; |
| 17 | priorto-a-revaluation-of-property-as-provided-in-15-7-111; |
| 8 | and |
| 9 | tb)based-on-commodity-price-and-productioncostdata |
| 20 | forthebase-period-from-such-sources-as-may-be-considered |
| 21 | appropriate-by-the-departmenty-which-sourcesshallinclude |
| 22 | Montana-state-university: |
| 23 | (5) (a) Net income must be determined separately in |

(b) Net income must be based on commodity price data,

each land use based on production categories.

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| 1 | grazing fees, crop share arrangements, and production WATER |
|----|---|
| 2 | cost data for the base period. |
| 3 | (I) Commodity price datay AND grazing feesyand |
| 4 | productioncostdata for the base period must be obtained |
| 5 | from the Montana Agricultural Statistics and from the |
| 6 | Montana crop and livestock reporting service. |
| 7 | (II) CROP SHARE ARRANGEMENTS ARE BASED ON THE RENTAL |
| 8 | VALUE OF THE LAND AND AVERAGE LANDOWNER COSTS. |
| 9 | (111) ALLOWABLE WATER COSTS CONSIST ONLY OF THE PER-ACRE |
| 10 | LABOR COSTS AND ENERGY COSTS OF IRRIGATION. |
| 11 | (A) LABOR COSTS ARE ZERO FOR PIVOT SPRINKLER IRRIGATION |
| 12 | SYSTEMS; \$4.50 AN ACRE FOR TOW LINES, SIDE ROLL, AND LATERAL |
| 13 | SPRINKLER IRRIGATION SYSTEMS; AND \$9 AN ACRE FOR HAND-MOVED |
| 14 | AND FLOOD IRRIGATION SYSTEMS. |
| 15 | (B) ENERGY COSTS MUST BE BASED ON PER-ACRE ENERGY COSTS |
| 16 | INCURRED IN 1992. BY JULY 1, 1993, AN OWNER OF IRRIGATED |
| 17 | LAND SHALL PROVIDE THE DEPARTMENT, ON A FORM PRESCRIBED BY |
| 18 | THE DEPARTMENT, WITH ENERGY COSTS INCURRED IN 1992. IN THE |
| 19 | EVENT THAT NO ENERGY COSTS WERE INCURRED IN 1992, THE OWNER |

OF IRRIGATED LAND SHALL PROVIDE THE DEPARTMENT WITH ENERGY

COSTS FROM THE MOST RECENT YEAR AVAILABLE. THE DEPARTMENT

SHALL ADJUST THE MOST RECENT YEAR'S ENERGY COSTS TO REPLECT

alfalfa HAY, ADJUSTED TO 80% OF SALES PRICE, and the base

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(c) The base crop for valuation of irrigated land is

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COSTS IN 1992.

| L | crop for valuation of nonirrigated land is wheat. The base |
|---|---|
| ? | unit for valuation of grazing lands is the average grazing |
| 3 | fee for a 1,000-pound animal. |
| 1 | (d) The base period used to determine net income must |
| 5 | be the most recent 7 years for which data is available prior |
| 5 | to the date the revaluation cycle ends. Commodity price |
| 7 | data ₇ AND grazing fees ₇ -and-production-cost-data referred to |
| 3 | in subsection (5)(b) must be averaged for the 7-year period, |
| • | but the average must exclude the lowest and highest |
|) | commodity prices or grazing fees and-the-lowest-andhighest |
| ı | production-costs in the period. |
| 2 | <pre>{6}Tothedegreeavailable;thedepartmentshall</pre> |
| 3 | compiler |
| 4 | {a}commodityprice-data-reflecting-the-average-prices |
| 5 | receivedperunitofmeasurebyMontanafarmersand |
| 6 | ranchers:Suchdatamay-be-obtained-from-all-geographical |
| 7 | areas-of-the-state:Commoditypricesmayincludewheat; |
| 8 | barley;alfalfahay;grasshay;-corn-for-grain;-corn-for |
| 9 | silage;-sugar-beets;-dry-beans;-potatoes;-cattle;-and-sheep; |
| 0 | Governmentpaymentsmaybeconsidered:Typicalrental |
| 1 | arrangements-may-be-considered. |
| 2 | (b)productioncostdata-reflecting-average-costs-per |
| 3 | unit-of-measure-paid-by-Montana-farmers-andranchersSuch |
| 4 | datamaybeobtainedfromali-geographical-areas-of-the |
| 5 | stateSuch-production-costs-may-include-costsrelatingto |

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irrigationy--fertilisationy--fuely-meedy-weed-controly-hired labory-managementy-insurancey-repairs-and--maintenancey--and miscellaneous--itemsy-Variations-in-specific-production-cost datay-when-affected-by-different-levels-of--productiony--and typical-rental-arrangements-may-be-consideredy

- (6) The department shall compile data and develop valuation manuals adopted by rule to implement the valuation method established by subsections (4) and (5).
- committee of persons knowledgeable in agriculture and agricultural economics to compile and review the data prepared—by—Montana—state—university—and—advise—the department—on—the—implementation—of—subsections—(2)——through (6) required by subsections (4) and (5). The advisory committee shall include one member of the Montana state university, college of agriculture, staff. The advisory committee shall recommend agricultural land valuation schedules to the department. WITH RESPECT TO IRRIGATED LAND, THE VALUE OF IRRIGATED LAND MAY NOT BE BELOW THE VALUE THAT THE LAND WOULD HAVE IF IT WERE NOT IRRIGATED.
- (8)--Net-income-shall-be-determined-separately-for-lands in-irrigated-usey-nonirrigated-usey--and-grazing--use--and shall--be--calculated--for--each--use--and--production-lavel according-to-the-provisions-of-subsections-(4)-through-(7)+
- 25 +9;--The-capitalization-rate--shall--be--calculated--for

1 each--year--of--the--base--period--and-is-the-annual-average
2 interest-rate-on--agricultural--loans--as--reported--by--the
3 federal--land--bank-association-of-Spokaney-Washingtony-plus
4 the-effective-tax-rate-in-Montanar

(10)-The-effective-tax-rate-shall-be-calculated-by-the department--for-each-year-of-the-base-period-by-dividing-the total-estimated-tax-due-on-agricultural-land-in-the-state-by the-total-productive-capacity-value-of-agricultural-land--in the-state-"

NBW-SBCTION: -- Section 3. -- Phasein--of--agricultural-land--values: -The-increase--or--decrease--in--productive--capacity values--of--agricultural-land-determined-in-15-7-201-must-be phased-in-over-two-reappraisal-cycles: -as-follows:

tit--Por-the--revaluation--cycle--beginning--danuary--ly
1994y--and--ending--Becember-3ly-1996y-the-assessed-value-of
agricultural-land-in-each-land-use-and--production--category
must--increase--or-decrease-by-50%-of-the-difference-between
the--productive--capacity---value---of---agricultural---land
determined-in-15-7-20%-for-1994-land-valuation-schedules-and
the--assessed--value-of-agricultural-land-as-of-December-3ly
1993:

t2)--Beginning-January-17-19977-the--assessed--value--of
agricultural--land--in-each-land-use-and-production-category
aust--be--1004--of--the---productive---capacity---value---of
agricultural-land-determined-in-15-7-2017

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ciss-of-property:

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| 1 | NBW-886TION:Section-4Advisorycommitteereview- |
|----|---|
| 2 | of-water-costs:-The-department-of-revenue-shallappointan |
| 3 | advisorycommitteeknowledgemble-in-irrigated-agricultural |
| 4 | operations-to-review-water-costs-associatedwithirrigated |
| 5 | landsandtorecommendto-the-department-how-water-costs |
| 6 | should-be-consideredfordeterminingtheirrigatedland |
| 7 | valuationschedulesthattake-effect-January-17-1997;-The |
| 8 | committeeshallpresentitsrecommendationstothe |
| 9 | department-by-danuary-17-1995; |
| 10 | Section-5Bection-15-6-1117-MCAy-is-amended-to-read: |
| 11 | *15-8-111:Assessmentmarketvaluestandard |
| 12 | exceptions:-{i}-Ali-taxable-propertymustbeassessedat |
| 13 | 1884-of-its-market-value-except-as-otherwise-provided. |
| 14 | (2)(a)-Marketvalueisthevalue-at-which-property |
| 15 | would-change-hands-between-a-willingbuyerandawilling |
| 16 | sellery-neither-being-under-any-compulsion-to-buy-or-to-sell |
| 17 | and-both-having-reasonable-knowledge-of-relevant-facts- |
| 18 | (b)Ifthedepartmentusesconstruction-cost-as-one |
| 19 | approximation-of-market-valuey-thedepartmentshallfully |
| 20 | consider reduction-in-value-caused-by-depreciation; - whether |
| 21 | through-physical-depreciationy-functionalobsolescenceyor |
| 22 | economic-obsolescence; |
| 23 | <pre>te)Exceptasprovidedin-subsection-(3);-the-market</pre> |
| 24 | value-of-all-motor-trucks;-agriculturaltools;implements; |
| 25 | and-machineryy-and-vehicles-of-all-kindsy-including-but-not |

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limited--to--boats--and--all--watercrafty--is--the---average
wholesale---value--shown--in--national--appraisal---quides-and
manuala-or-the-value-of-the--vehicle--before--reconditioning
and--profit--margin:-The-department-of-revenue-shall-prepare
valuation-schedules-showing-the-average-wholesale-value-when
no-national-appraisal-quide-exists+
    +3}--The-department-of-revenue-or--its--agents--may--not
adopt--a-lower--or--different-standard-of-value-from-market
value-in-making-the-official-assessment-and-appraisal-of-the
value-of-propertyy-except:
    fai--the-wholesale-value-for-agricultural-implements-and
machinery-is-the-loan-value-as-shown-in-the-Official--Guidey
Tractor--and--Parm-Bquipmenty-published-by-the-national-farm
and--power--equipment--dealers---association---St----bouisy
Missouri;
    tb}--for---agricultural--implements--and--machinery--not
listed-in-the-official-quidey-the-department-shall-prepare-a
supplemental--manual--where--the--values--reflect--the--same
depreciation-as-those-found-in-the-official-quide;-and
    tct--as-otherwise-authorized-in-Title-15-and-Title-61:
    f4}--Por-purposes-of-taxationy--assessed--value--is--the
same-as-appraised-valuer
    t5}--The---taxable---value---for--all--property--is--the
percentage-of-market-or-assessed-value-established-for--each
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| | +6}Theassessedvalueofpropertiesin15-6-131 |
|---|--|
| ! | through-15-6-133-is-as-follows: |
| 1 | (a)Propertiesin15-6-1317underclassoneyare |
| | assessedat-100%-of-the-annual-net-proceeds-after-deducting |
| , | the-expenses-specifiedandallowedby15-23-503oryif |
| 5 | applicable;-as-provided-in-15-23-515-or-15-23-516+ |
| , | (b)Propertiesin15-6-1327underclasstwoyare |
| 3 | assessed-at-100%-of-the-annual-gross-proceeds- |
| 9 | (c)Properties-in15-6-133yunderclassthreeyare |
| 0 | assessed-at-100%-of-the-productive-capacity-of-the-landsas |
| 1 | providedin{section3}, whenvaluedforagricultural |
| 2 | purposes:-All-lands-that-meet-the-qualifications-of-15-7-202 |
| 3 | are-valued-as-agricultural-lands-for-tax-purposes: |
| 4 | (d)BeginningJanuary-ly-1990y-and-ending-Becember-31y |
| 5 | 1993y-properties-in-15-6-143y-under-class-teny-areassessed |
| 6 | at100%ofthecombinedappraised-value-of-the-standing |
| 7 | timber-and-grazing-productivity-of-the-land-whenvaluedas |
| 8 | timberland: |
| 9 | te}BeginningJanuary-ly-1994;-properties-in-15-6-143; |
| 0 | underclasstenyareassessedat100%oftheforest |
| 1 | productivity-value-of-the-land-when-valued-as-forest-land- |
| 2 | <pre>+7}band-and-the-improvementsthereonareseparately</pre> |
| 3 | assessed-when-any-of-the-following-conditions-occur: |
| 4 | (a)ownershipoftheimprovementsis-different-from |
| 5 | ownership-of-the-land; |

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1
         tb}--the-taxpayer-makes-a-written-request;-or
2
         tc}--the-land-is-outside-an-incorporated-city--or--townr
3
     tSubsection--+6}{d}-terminates-January-17-1994--secr-197-Chr
     7837-b:-1991-1ª
         NEW SECTION. SECTION 3. PHASEIN OF THE TAXABLE VALUE
5
     OF AGRICULTURAL LAND. THE INCREASE OR DECREASE IN TAXABLE
     VALUE OF AGRICULTURAL LAND RESULTING FROM THE CHANGE IN THE
     METHOD OF DETERMINING PRODUCTIVE CAPACITY VALUE UNDER
     15-7-201 MUST BE PHASED IN BEGINNING JANUARY 1, 1994, AS
9
10
     FOLLOWS:
11
         (1) FOR THE YEAR BEGINNING JANUARY 1, 1994, AND ENDING
12
     DECEMBER 31, 1994, THE TAXABLE VALUE OF AGRICULTURAL LAND IN
13
      EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR
     DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 25% OF THE
14
15
     DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY
16
      VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER
17
      15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE
18
     VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
19
         (2) FOR THE YEAR BEGINNING JANUARY 1, 1995, AND ENDING
20
      DECEMBER 31, 1995, THE TAXABLE VALUE OF AGRICULTURAL LAND IN
      EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR
21
22
      DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 50% OF THE
23
      DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY
      VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER
24
      15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE
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| 1 | VALUE OF | AGRICULTURAL | LAND AS | OF DECEMBER | 31, | 1993. |
|---|----------|--------------|---------|-------------|-----|-------|
| | | | | | | |

- 2 (3) FOR THE YEAR BEGINNING JANUARY 1, 1996, AND ENDING
- 3 DECEMBER 31, 1996, THE TAXABLE VALUE OF AGRICULTURAL LAND IN
- 4 EACH LAND USE AND PRODUCTION CATEGORY MUST INCREASE OR
- DECREASE FROM THE DECEMBER 31, 1993, VALUE BY 75% OF THE
- 6 DIFFERENCE BETWEEN THE PRODUCT OF THE PRODUCTIVE CAPACITY
- 7 VALUE OF AGRICULTURAL LAND FOR 1994 DETERMINED UNDER
- 8 15-7-201 TIMES THE CLASS THREE TAX RATE AND THE TAXABLE
- 9 VALUE OF AGRICULTURAL LAND AS OF DECEMBER 31, 1993.
- 10 (4) BEGINNING JANUARY 1, 1997, THE TAXABLE VALUE OF
- 11 AGRICULTURAL LAND IN EACH LAND USE AND PRODUCTION CATEGORY
- 12 IS EQUAL TO 100% OF THE PRODUCTIVE CAPACITY VALUE OF
- 13 AGRICULTURAL LAND DETERMINED UNDER 15-7-201 TIMES THE CLASS
- 14 THREE TAX RATE.
- 15 NEW SECTION. SECTION 4. ADVISORY COMMITTEE -- REVIEW
- 16 OF WATER COSTS AND CROP SHARE ARRANGEMENTS. (1) THE GOVERNOR
- 17 SHALL APPOINT AN ADVISORY COMMITTEE TO REVIEW WATER COSTS,
- 18 CROP SHARE ARRANGEMENTS, AND OTHER ISSUES INVOLVING THE
- 19 ASSESSMENT AND VALUATION OF AGRICULTURAL LAND. THE
- 20 MEMBERSHIP OF THE COMMITTEE MUST INCLUDE:
- 21 (A) ONE MEMBER REPRESENTING URBAN INTERESTS;
- 22 (B) TWO MEMBERS REPRESENTING WATER USERS, ONE OF WHOM
- 23 MUST BE AN INDIVIDUAL WATER USER AND ONE OF WHOM MUST BE A
- 24 REPRESENTATIVE OF AN ORGANIZED IRRIGATION DISTRICT;
- 25 (C) ONE MEMBER REPRESENTING GRAZING INTERESTS;

- 1 (D) ONE MEMBER REPRESENTING NONIRRIGATED CROPLAND
 2 INTERESTS;
- 3 (E) ONE MEMBER REPRESENTING MULTIPLE-USE FARMERS AND 4 RANCHERS;
- 5 (F) ONE MEMBER REPRESENTING FINANCIAL INSTITUTIONS;
- 6 (G) TWO MEMBERS OF THE LEGISLATURE, NOT OF THE SAME
- 7. POLITICAL PARTY, ONE OF WHOM MUST BE A MEMBER OF THE SENATE
- 8 AND ONE OF WHOM MUST BE A MEMBER OF THE HOUSE OF
 - REPRESENTATIVES; AND
- 10 (H) ONE MEMBER REPRESENTING LOCAL GOVERNMENT.
- 11 (2) THE COMMITTEE SHALL REVIEW WATER COSTS AND CROP
- 12 SHARE ARRANGEMENTS ASSOCIATED WITH IRRIGATED LANDS AND
- 13 RECOMMEND TO THE DEPARTMENT OF REVENUE BY JULY 1, 1994, HOW
- 14 WATER COSTS AND CROP SHARE ARRANGEMENTS SHOULD BE CONSIDERED
- 15 FOR THE VALUATION OF IRRIGATED LAND. THE COMMITTEE MAY
- 16 RECOMMEND THE ADJUSTMENT IN THE VALUATION OF OTHER
- AGRICULTURAL LAND CLASSES IN ORDER TO PREVENT A REDUCTION IN
- 18 THE LEVEL OF STATEWIDE TAXABLE VALUATION OF AGRICULTURAL
- 19 LAND.

SECTION 5. SECTION 7-13-2527, MCA, IS AMENDED TO READ:

- 21 "7-13-2527. List of property owners. (1) A copy of the
- 22 order creating the district shall must be delivered to the
- 23 county assessor of each county within the district.
- 24 (2) The assessor shall, on or before August 1 of any
- 25 given each year, prepare and certify a list of all persons

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owning class four or-class-eleven property within such the district and deliver a copy of such the list to the board of trustees of said the district."

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SECTION 6. SECTION 15-6-134, MCA, IS AMENDED TO READ:

- 5 *15-6-134. Class four property -- description -6 taxable percentage. (1) Class four property includes:
 - (a) all land except that specifically included in another class;
- 9 (b) all improvements, including trailers or mobile 10 homes used as a residence, except those specifically 11 included in another class;
 - (c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, 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 net business income or loss and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);
- 24 (d) all golf courses, including land and improvements
 25 actually and necessarily used for that purpose, that consist

- of at least 9 holes and not less than 3,000 lineal yards = 1 and
- 3 (e) all improvements on land that is eligible for
 4 valuation, assessment, and taxation as agricultural land
 5 under 15-7-202(2), including 1 acre of real property beneath
 6 the agricultural improvements. The 1 acre must be valued at
 7 market value.
- 8 (2) Class four property is taxed as follows:
- 9 (a) Except as provided in 15-24-1402 or 15-24-1501,
 10 property described in subsections (1)(a), and (1)(b), and
 11 (1)(e) is taxed at 3.86% of its market value.
- 12 (b) (i) Property described in subsection (1)(c) is
 13 taxed at 3.86% of its market value multiplied by a
 14 percentage figure based on income and determined from the
 15 following table:

| 16 | Income | Income | Percent age |
|----|-----------------|-------------------|--------------------|
| 17 | Single Person | Married Couple | Multiplier |
| 18 | | Head of Household | |
| 19 | \$ 0 - \$ 1,000 | \$ 0 - \$ 1,200 | 01 |
| 20 | 1,001 - 2,000 | 1,201 - 2,400 | 10% |
| 21 | 2,001 - 3,000 | 2,401 - 3,600 | 20% |
| 22 | 3,001 - 4,000 | 3,601 - 4,800 | 30% |
| 23 | 4,001 - 5,000 | 4,801 - 6,000 | 40% |
| 24 | 5,001 - 6,000 | 6,001 - 7,200 | 50% |
| 25 | 6,001 - 7,000 | 7,201 - 8,400 | 60% |

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| | 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% |

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- (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
- 12 (B) rounding the product thus obtained to the nearest
 13 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) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).
- 21 (3) After July 1, 1986, no adjustment may be made by 22 the department to the taxable percentage rate for class four 23 property until a revaluation has been made as provided in 24 15-7-111.
- 25 (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 7. SECTION 15-10-402, MCA, IS AMENDED TO READ:

- 7 "15-10-402. Property tax limited to 1986 levels. (1)
 8 Except as provided in subsections (2) and (3), the amount of
 9 taxes levied on property described in 15-6-133, 15-6-134,
 10 and 15-6-1367--and--15-6-144 may not, for any taxing
 11 jurisdiction, exceed the amount levied for taxable year
 12 1986.
- 13 (2) The limitation contained in subsection (1) does not
 14 apply to levies for rural improvement districts, Title 7,
 15 chapter 12, part 21; special improvement districts, Title 7,
 16 chapter 12, part 41; elementary and high school districts,
 17 Title 20; juvenile detention programs authorized under
 18 7-6-502; or bonded indebtedness.
- 19 (3) New construction or improvements to or deletions
 20 from property described in subsection (1) are subject to
 21 taxation at 1986 levels.
 - (4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property,

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25 notwithstanding an increase or decrease in value due to

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inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or 3 decrease in the value of a mill."

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SECTION 8. SECTION 15-10-412, MCA, IS AMENDED TO READ:

- *15-10-412, Property tax limited to 1986 levels -clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:
- 9 (1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, 10 11 part 1.
 - (2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for the 1985 tax year.
 - (3) The limitation on the amount of taxes levied does not mean-that-no prohibit a further increase may-be-made in

- the total taxable valuation of a taxing unit as a result of:
- 2 (a) annexation of real property and improvements into a
- 4 taxing unit;

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- (b) construction, expansion. remodeling of 5 improvements:
- 6 (c) transfer of property into a taxing unit:
- 7 (d) subdivision of real property;
- a (e) reclassification of property;
- 9 (f) increases in the amount of production or the value of production for property described in 15-6-131 or 10 11 15-6-132:
- (g) transfer of property from tax-exempt to taxable 12 13 status; or
- 14 (h) revaluations caused by:
 - (i) cyclical reappraisal; or
- 16 (ii) expansion, addition, replacement, or remodeling of improvements. 17
- 18 (4) The limitation on the amount of taxes levied does 19 not mean-that-no prohibit a further increase may-be-made in
- 20 the taxable valuation or in the actual tax liability on
- 21 individual property in each class as a result of:
- 22 (a) a revaluation caused by:
- 23 (i) construction, expansion, replacement, or remodeling
- 24 of improvements that adds value to the property; or
- 25 (ii) cyclical reappraisal;

- 1 (b) transfer of property into a taxing unit;
- 2 (c) reclassification of property;
- 3 (d) increases in the amount of production or the value
 4 of production for property described in 15-6-131 or
- 5 15-6-132;
- 6 (e) annexation of the individual property into a new
 7 taxing unit; or
- 8 (f) conversion of the individual property from9 tax-exempt to taxable status.
- (5) Property in classes class four and-eleven is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:
- 16 (a) new construction;
- 17 (b) expanded, deleted, replaced, or remodeled improvements:
- 19 (c) annexed property; or
- 20 (d) property converted from tax-exempt to taxable
 21 statum.
- 22 (6) Property described in subsections (5)(a) through
 23 (5)(d) that is not class four or-elass--eleven property is
 24 valued according to the procedures used in 1986 but is also
 25 subject to the dollar cap in each taxing unit based on 1986

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- l mills levied.
- 2 (7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal 3 4 and valuation methodology of the department of revenue 5 intact. Determinations of county classifications, salaries 6 of local government officers, and all other matters in which 7 total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of 9 taxable valuation in fixing tax levies. In fixing tax 10 levies, the taxing units of local government may anticipate 11 deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding 12 13 that regardless of the amount of mills levied, a taxpayer's 14 liability may not exceed the dollar amount due in each 15 taxing unit for the 1986 tax year unless:
- or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it waluation decreases by 5% or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but in-no-case-may the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.
- 23 (b) a levy authorized under Title 20 raised less
 24 revenue in 1986 than was raised in either 1984 or 1985, in
 25 which case the taxing unit may, after approval by the voters

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- 1 in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986:
 - (c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.
 - (8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:
- 16 (a) rural improvement districts;

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- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded 18 indebtedness, including tax increment bonds; 19
- 20 (d) city street maintenance districts:
- 21 (e) tax increment financing districts;
- 22 (f) satisfaction of judgments against a taxing unit;
- 23 (q) street lighting assessments;
- 24
- (h) revolving funds to support any categories specified 25 in this subsection (8);

1 (i) levies for economic development authorized pursuant 2 to 90-5-112(4):

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- 3 (j) levies authorized under 7-6-502 for juvenile detention programs; and
- 5 (k) elementary and high school districts.
- (9) The limitation on the amount of taxes levied does 7 not apply in a taxing unit if the voters in the taxing unit
- 8 approve an increase in tax liability following a resolution
- 9 of the governing body of the taxing unit containing:
- 10 (a) a finding that there are insufficient funds to 11 adequately operate the taxing unit as a result of 15-10-401 12 and 15-10-402;
- (b) an explanation of the nature of the financial 13 14 emergency;
- 15 (c) an estimate of the amount of funding shortfall expected by the taxing unit; 16
- 17 (d) a statement that applicable fund balances are or by 18 the end of the fiscal year will be depleted;
- 19 (e) a finding that there are no alternative sources of 20 revenue:
- 21 (f) a summary of the alternatives that the governing 22 body of the taxing unit has considered; and
- 23 (q) a statement of the need for the increased revenue 24 and how it will be used.
- 25 (10) (a) The limitation on the amount of taxes levied

- 1 does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine. 2 3 conflagration, or other public calamity.
- (b) The limitation set forth in this chapter on the 4 amount of taxes levied does not apply to levies to support: 5

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- (i) a city-county board of health as provided in Title 50. chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.
- 13 (ii) county, city, or town ambulance services authorized 14 by a vote of the electorate under 7-34-102(2).
- 15 (11) The limitation on the amount of taxes levied by a 16 taxing jurisdiction subject to a statutory maximum mill levy 17 does not prevent a taxing jurisdiction from increasing its 18 number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.
- 20 (12) The limitation on the amount of taxes levied does 21 not apply to a levy increase to repay taxes paid under 22 protest in accordance with 15-1-402."
- NEW SECTION. SECTION 9. REPEALER. 23 SECTION 15-6-144, 24 MCA, IS REPEALED.
- NEW SECTION. Section 10. Codification 25 instruction.

- 1 [Sections 3 and 4] are intended to be codified as an
- integral part of Title 15, chapter 7, part 2, and the 2
- provisions of Title 15, chapter 7, part 2, apply to
- 4 (sections 3 and 4).
- NEW SECTION. Section 11. Severability. If a part of 5
- [this act] is invalid, all valid parts that are severable
- from the invalid part remain in effect. If a part of [this
- act] is invalid in one or more of its applications, the part
 - remains in effect in all valid applications that are
- 10 severable from the invalid applications.
- 11 NEW SECTION. Section 12. Termination. Section 41
- 12 terminates January 1, 1997 1995.
- 13 NEW SECTION. Section 13. Effective date
- applicability. [This act] is effective on passage and 14
- 15 approval and applies to tax years beginning on or after
- 16 January 1, 1994.

-End-