SENATE BILL 182

Introduced by Doherty

1/18	Introduced
1/18	Fiscal Note Requested
1/18	Referred to Taxation
1/18	First Reading
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1/27	Hearing
3/27	Tabled in Committee

Senate BILL NO. 182

INTRODUCED BY Doherty

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY TAXATION PURPOSES; ELIMINATING CLASS ELEVEN PROPERTY BY COMBINING IT WITH CLASS FOUR PROPERTY; AMENDING SECTIONS 7-13-2527, 15-6-134, 15-7-202, 15-10-402, AND 15-10-412, MCA; REPEALING SECTION 15-6-144, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 7-13-2527, MCA, is amended to read:

"**7-13-2527. List of property owners.** (1) A copy of the order creating the district ~~shall~~ must be delivered to the county assessor of each county within the district.

(2) The assessor shall, on or before August 1 of ~~any given~~ each year, prepare and certify a list of all persons 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 2. Section 15-6-134, MCA, is amended to read:

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

(a) all land except that specifically included in

another class;

(b) all improvements, 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);

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

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

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

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

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 1,000	$ 0 - $ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

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

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

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

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

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

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

(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

Section 3. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. ~~(1)--Contiguous--parcels--of-land-totaling-20 acres-or-more-under-one--ownership--shall--be--eligible--for valuation,--assessment,--and--taxation--as-agricultural-land each--year--that--none--of--the--parcels--is--devoted--to--a commercial-or-industrial-use.~~

~~(2)~~(1) Except as provided in subsection (8), contiguous or noncontiguous parcels of land ~~totaling-less-than-20-acres~~ under one ownership that are actively devoted to agricultural use ~~shall--be~~ are eligible for valuation, assessment, and taxation as ~~herein~~ provided in this section each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than ~~$1,500~~ $5,000 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

(b) the parcels would have met the qualification set out in subsection ~~(2)(a)~~ (1)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

~~(3)~~(2) Parcels that do not meet the qualifications set out in ~~subsections~~ subsection (1) ~~and-(2)-shall~~ may not be classified or valued as agricultural if they are part of a

platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

~~(4)~~(3) Land may not be classified or valued as agricultural if it is subdivided land with stated restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection only, "subdivided land" includes parcels of land larger than 20 acres that have been subdivided for commercial or residential purposes.

(4) Land may not be classified or valued as agricultural if it is devoted to residential, commercial, or industrial use.

(5) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise ~~shall~~ may not be considered a bona fide agricultural operation.

(6) If land has been valued, assessed, and taxed as agricultural land in any year, it ~~shall~~ must continue to be ~~so~~ valued, assessed, and taxed as agricultural until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

(7) For the purposes of this part, growing timber is not an agricultural use.

(8) Subject to the provisions of subsections ~~(2)(a)~~

(1)(a) and ~~(2)(b)~~ (1)(b), property upon which sod, ornamental, nursery, or horticultural crops are raised, grown, or produced must consist of at least 10 acres before the property is eligible to be classified as agricultural land. ~~Improvements--devoted-to-crop-production-described-in this--subsection--may--not--be--included--in--class---eleven property.~~"

Section 4. Section 15-10-402, MCA, is amended to read:

"**15-10-402. Property tax limited to 1986 levels.** (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, and 15-6-136~~,---and--15-6-144~~ may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) are subject to 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, notwithstanding an increase or decrease in value due to 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 decrease in the value of a mill."

Section 5. 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:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, 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:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status; or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not **mean-that-no** prohibit a further increase **may-be-made** in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling

of improvements that adds value to the property; or

(ii) cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from 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:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four **or-class--eleven** property is

valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(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 of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

(a) the taxing unit's taxable valuation decreases by 5% 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 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.

(b) a levy authorized under Title 20 raised less

revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters 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:

(a) rural improvement districts;

(b) special improvement districts;

(c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

(d) city street maintenance districts;

(e) tax increment financing districts;

(f) satisfaction of judgments against a taxing unit;

(g) street lighting assessments;

(h) revolving funds to support any categories specified in this subsection (8);

(i) levies for economic development authorized pursuant to 90-5-112(4);

(j) levies authorized under 7-6-502 for juvenile detention programs; and

(k) elementary and high school districts.

(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

(a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

(b) an explanation of the nature of the financial emergency;

(c) an estimate of the amount of funding shortfall expected by the taxing unit;

(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;

(e) a finding that there are no alternative sources of revenue;

(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

(g) a statement of the need for the increased revenue

and how it will be used.

(10) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(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.

(12) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402."

<u>NEW SECTION.</u> **Section 6.** **Repealer.** Section 15-6-144,

MCA, is repealed.

NEW SECTION. **Section 7. Effective date -- applicability.** [This act] is effective July 1, 1993, and applies to tax years beginning on or after January 1, 1994.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0182 , as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act generally revising the greenbelt appraisal definition of agricultural land for real property taxation purposes; eliminating class eleven property by combining it with class four property; and providing an effective date and an applicability date.

ASSUMPTIONS:
1. Tax year 1992 taxable value of class eleven property (farmsteads) is $60,258,864. Increasing the taxable rate on this property from 3.088% to 3.86% increases the taxable value of class eleven property to $75,323,580.
2. 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.
3. Under the proposal, some land currently being assessed as agricultural land would be reclassified and assessed as class four land. This would result in an increase in taxable valuation. The department does not have the data necessary to estimate the extent on this increase; however, it should be noted that **the extent most likely is significant.**
4. To qualify as greenbelt property the taxpayer will have to apply each year and prove that their property meets the income requirements included in the proposal. The exact number of taxpayers that would apply for greenbelt status is unknown and difficult to estimate. For the purposes of this note, it is assumed that 28,500 taxpayers would apply in FY 94 and 31,350 would apply in FY 95. This is out of approximately 57,000 agricultural taxpayers in the state.
5. Given the applicability date the proposal will impact fiscal year 94 and fiscal year 95 expenditures and fiscal year 95 property tax revenues.

FISCAL IMPACT:

Revenues:
Property tax revenues would increase from two sources; increasing the taxable rate on current class eleven property, and reclassification of some current agricultural land as class four land. Data is available to estimate only the increase due to the taxable rate change on current class eleven property. **The following revenue tables represent only a portion of the total increase in taxable value and property tax revenue due to the proposal.**

Increase in Current Class Eleven Property Tax Revenues:

	FY94	FY95
Universities	$ 0	$ 90,000
School Foundation	0	1,431,000
Total	$ 0	$ 1,521,000

Dave Lewis 1·23·93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Steve Doherty 1/23/93
STEVE DOHERTY, PRIMARY SPONSOR DATE
Fiscal Note for SB0182, as introduced

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Net Impact:

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Increase in Current Class Eleven Property Tax Revenues:

	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 $319,859 in FY 94, and $343,421 in FY 95.

Property Valuation	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	398.66	408.66	10.00	398.66	410.66	12.00
Personal Services	$ 11,885,655	$ 12,153,682	$ 268,027	$ 11,913,545	$ 12,233,453	$ 319,908
Operating Expenses	2,180,406	2,232,238	51,832	2,192,109	2,215,622	23,513
Equipment	222,278	222,278	0	205,648	0	0
Debt Service	269,800	269,800	0	269,800	0	0
Total	$ 14,558,139	$ 14,877,998	$ 319,859	$ 14,581,102	$ 14,924,523	$ 343,421
General Fund	$ 14,558,139	$ 14,877,998	$ 319,859	$ 14,581,102	$ 14,924,523	$ 343,421

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