SENATE BILL 422

Introduced by Christiaens, et al.

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2/18	Referred to Taxation
2/18	First Reading
2/18	Fiscal Note Requested
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3/02	Fiscal Note Printed
3/11	Hearing
3/15	Tabled in Committee

Senate BILL NO. 422

INTRODUCED BY Christiaens Tunn Wilson Pipinich

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE DEPARTMENT OF REVENUE TO USE THE COST APPROACH IN DETERMINING THE ASSESSED VALUE OF RESIDENTIAL IMPROVEMENTS UNDER CLASS FOUR AND CLASS ELEVEN; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

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

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

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell 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.

(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 property, except:

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

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

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

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

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

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class of property.

(6) The department shall determine the assessed value of residential improvements in 15-6-134, under class four, and residential improvements in 15-6-144, under class eleven, by the cost approach. The department shall fully consider reduction in value caused by depreciation.

~~(6)~~(7) The assessed value of properties in 15-6-131 through 15-6-133 and 15-6-143 is as follows:

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

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

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

(d) Beginning January 1, 1990, and ending December 31, 1993, properties in 15-6-143, under class ten, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(e) Beginning January 1, 1994, properties in 15-6-143,

under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

~~(7)~~(8) Land and the improvements ~~thereon~~ on the land are separately assessed when any of the following conditions occur:

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

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town. (Subsection ~~(6)(d)~~ (7)(d) terminates January 1, 1994--sec. 19, Ch. 783, L. 1991.)"

NEW SECTION. **Section 2.** Applicability. [This act] applies to tax years beginning after December 31, 1996.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0422, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act requiring the department of revenue to use the cost approach in determining the assessed value of residential improvements under class four and class eleven; and providing an applicability date.

FISCAL IMPACT:

The proposal will not impact FY94 or FY95 revenues or expenditures.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

It is assumed that the intent of the proposal is to impact appraisal values calculated during the next reappraisal cycle (Jan. 1, 1993 through Dec. 31, 1996). Thus the proposal will first impact assessed values Jan. 1, 1997.

Currently the department uses the market modeling (comparative sales) approach as the primary appraisal method for valuing residential improvements. The proposal requires the use of the cost approach. The goal of appraising residential improvements is the same under both approaches: to estimate the true market value of the property. It is impossible to estimate if reappraisal conducted primarily under the cost approach would result in a higher or lower statewide total valuation than reappraisal conducted primarily under the market modeling approach.

TECHNICAL NOTES:

It is unclear from the text of the proposal whether the applicability date of Dec. 1, 1996 applies to appraisals calculated prior to Dec. 31, 1996. This is of concern since Jan. 1, 1997 is the beginning of a new reappraisal cycle and the appraisals used during this cycle must all be calculated prior to Dec. 31, 1992.

Dave Lewis 2-24-93
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

B F Chris Christiaens 3/2/93
B.F. "CHRIS" CHRISTIAENS, PRIMARY SPONSOR DATE

Fiscal Note for SB0422, as introduced

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