

HOUSE BILL 16

Introduced by Cobb

11/23	Introduced
11/23	Fiscal Note Requested
11/24	Referred to Taxation
11/29	Hearing
11/29	First Reading
11/30	Fiscal Note Received
11/30	Fiscal Note Printed
12/15	Taken From Committee
12/16	2nd Reading Do Pass Motion Failed

HOUSE BILL NO. 16
INTRODUCED BY COBB

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE CLASS FOUR PROPERTY TAX RATE TO ALLOW FOR A ZERO PERCENT INCREASE IN THE STATEWIDE TAXABLE VALUE OF PROPERTY IN CLASS FOUR DUE TO REAPPRAISAL; REQUIRING THE DEPARTMENT OF REVENUE TO CALCULATE THE TAXABLE PERCENTAGE RATE FOR CLASS FOUR PROPERTY FOR THE REAPPRAISAL CYCLE BEGINNING JANUARY 1, 1997, TO ENSURE A ZERO PERCENT INCREASE IN STATEWIDE TAXABLE VALUE OF PROPERTY IN CLASS FOUR DUE TO REAPPRAISAL; AMENDING SECTION 15-6-134, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

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

Section 1. 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 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). For the purposes of this subsection (c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(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(2), 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), (1)(b), and (1)(e)

1 is taxed at ~~3.86%~~ 3.60% of its market value.

2 (b) (i) Property described in subsection (1)(c) is
3 taxed at ~~3.86%~~ 3.60% of its market value multiplied by a
4 percentage figure based on income and determined from the
5 following table:

6	Income	Income	Percentage
7	Single Person	Married Couple	Multiplier
8		Head of Household	
9	\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
10	1,001 - 2,000	1,201 - 2,400	10%
11	2,001 - 3,000	2,401 - 3,600	20%
12	3,001 - 4,000	3,601 - 4,800	30%
13	4,001 - 5,000	4,801 - 6,000	40%
14	5,001 - 6,000	6,001 - 7,200	50%
15	6,001 - 7,000	7,201 - 8,400	60%
16	7,001 - 8,000	8,401 - 9,600	70%
17	8,001 - 9,000	9,601 - 10,800	80%
18	9,001 - 10,000	10,801 - 12,000	90%

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

23 (A) multiplying the appropriate dollar amount from the
24 table in subsection (2)(b)(i) by the ratio of the PCE for
25 the second quarter of the year prior to the year of

1 application to the PCE for the second quarter of 1986; and

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

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

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

11 ~~{3}--After--July--1,--1986,--an--adjustment--may--not--be--made~~
12 ~~by--the--department--to--the--taxable--percentage--rate--for--class~~
13 ~~four--property--until--a--revaluation--has--been--made--as--provided~~
14 ~~in--15-7-111.~~

15 ~~{4}{3}~~ Within the meaning of comparable property as
16 defined in 15-1-101, property assessed as commercial
17 property is comparable only to other property assessed as
18 commercial property, and property assessed as other than
19 commercial property is comparable only to other property
20 assessed as other than commercial property."

21 **Section 2.** Section 15-6-134, MCA, is amended to read:

22 **"15-6-134. Class four property -- description --**
23 **taxable percentage. (1) Class four property includes:**

24 (a) all land except that specifically included in
25 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 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). For the purposes of this subsection (c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) 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(2), 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), (1)(b), and (1)(e) is taxed at 3.86% the taxable percentage rate "P" of its market value.

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

Income	Income	Percentage
Single Person	Married Couple	Multiplier
	Head of Household	
\$ 0 - \$ 1,000	\$ 0 - \$ 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
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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

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

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

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

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

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

17 (3) Until January 1, 1997, the taxable percentage rate
18 "P" for class four property is 3.60%.

19 (4) Prior to July 1, 1997, the department shall
20 determine the taxable percentage rate "P" applicable to
21 class four property for the revaluation cycle beginning
22 January 1, 1997, as follows:

23 (a) The director of the department shall certify to the
24 governor before July 1, 1997, the percentage by which the
25 appraised value of all property in the state classified

1 under class four as of January 1, 1997, has increased due to
2 the revaluation conducted under 15-7-111. This figure is the
3 certified statewide percentage increase.

4 (b) For tax years beginning January 1, 1997, and
5 thereafter, the taxable percentage rate "P" applicable to
6 class four property is $3.60\% / (1 + C)$, where C is the
7 certified statewide percentage increase rounded upward to
8 the nearest 0.01%. The taxable percentage rate "P" must be
9 rounded downward to the nearest 0.01% and must be calculated
10 by the department before July 1, 1997. In calculating the
11 certified statewide percentage increase, the department may
12 not consider changes resulting from new construction,
13 expansion, replacement, or remodeling of improvements.

14 {3}{5} After July 1, 1986 1997, an adjustment may not
15 be made by the department to the taxable percentage rate for
16 class four property until a revaluation has been made as
17 provided in 15-7-111.

18 {4}{6} Within the meaning of comparable property as
19 defined in 15-1-101, property assessed as commercial
20 property is comparable only to other property assessed as
21 commercial property, and property assessed as other than
22 commercial property is comparable only to other property
23 assessed as other than commercial property."

24 NEW SECTION. Section 3. Effective dates --
25 applicability. (1) [Section 1 and this section] are

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- 1 effective on passage and approval and apply to tax years
- 2 beginning after December 31, 1993.
- 3 (2) [Section 2] is effective January 1, 1997.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0016, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act reducing the class four property tax rate to allow for a zero percent increase in the statewide taxable value of property in class four due to reappraisal; requiring the Department of Revenue to calculate the taxable percentage rate for class four property for the reappraisal cycle beginning January 1, 1997, to ensure a zero percent increase in statewide taxable value of property in class four due to reappraisal; and providing effective dates and an applicability date.

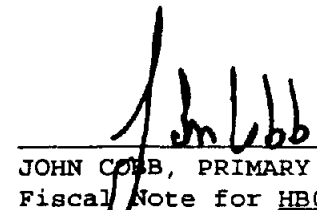
ASSUMPTIONS:

1. Tax year 1993 taxable value of class 3 property (ag land) is \$141,808,953. Decreasing the taxable value rate on class 4 property from 3.86% to 3.60% decreases the taxable value of class 3 property to \$132,257,055.
2. Average mill levies for class 3 property are 6.00 mills for universities, 95.00 mills for the school foundation program, 79.53 mills for counties, and 130.80 mills for local schools.
3. Tax year 1993 taxable value of class 4 property (commercial real and residential real) is \$737,385,420 (with 55.07% in cities and towns.) Decreasing the taxable value rate on class 4 property from 3.86% to 3.60% decreases the taxable value of class 4 property to \$687,716,972.
4. Average mill levies for class 4 property are 6.00 mills for universities, 95.00 mills for the school foundation program, 75.74 mills for counties, 160.53 mills for local schools, and 96.88 for cities and towns.
5. Tax year 1993 taxable value of class 11 property (farmsteads) is \$59,794,266. Taxable value under current law for 1994 (SB 168, 1993 legislature) will be \$74,742,832. Decreasing the taxable value rate on class 4 property from 3.86% to 3.60% decreases the taxable value of class 11 property to \$69,708,341.
6. Average mill levies for class 11 property are 6.00 mills for universities, 95.00 mills for the school foundation program, 77.01 mills for counties, and 139.47 mills for local schools.
7. Tax year 1993 taxable value of class 12 property (railroads and airlines) is \$58,814,944 (with 9.22% in cities and towns.) Decreasing the taxable value rate on class 4 property from 3.86% to 3.60% decreases the taxable value rate on class 12 property from 7.31% to 7.19% resulting in a decrease of taxable value of class 12 property to \$57,849,446.
8. Average mill levies for class 12 property are 6.00 mills for universities, 95.00 mills for the school foundation program, 73.16 mills for counties, 141.61 mills for local schools, and 102.17 for cities and towns.

FISCAL IMPACT:

(See next page)


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


JOHN COBB, PRIMARY SPONSOR DATE
Fiscal Note for HB0016, as introduced

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FISCAL IMPACT:

Revenues:

The proposal results in a total net decrease in property tax revenue of \$24,287,803 in FY 95 and subsequent fiscal years. The results are summarized in the tables below:

Change in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ (391,322)
State Equalization (95 mills)	<u>0</u>	<u>(6,195,932)</u>
Total	\$ 0	\$ (6,587,254)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Change in Property Tax Revenue:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ 0	\$ (4,979,791)
Local Schools	0	(10,061,646)
Cities/Towns	<u>0</u>	<u>(2,659,112)</u>
Total	\$ 0	\$ (17,700,549)

MOTION TO MOVE FROM
COMMITTEE TO 2ND READING

53rd Legislature
Special Session 11/93

HB 0016/01

HB 0016/01

COMMITTEE
ON TAXATION

HOUSE BILL NO. 16

INTRODUCED BY COBB

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PROPERTY TAX RATE TO ALLOW FOR A ZERO PERCENT INCREASE IN
THE STATEWIDE TAXABLE VALUE OF PROPERTY IN CLASS FOUR DUE TO
REAPPRAISAL; REQUIRING THE DEPARTMENT OF REVENUE TO
CALCULATE THE TAXABLE PERCENTAGE RATE FOR CLASS FOUR
PROPERTY FOR THE REAPPRAISAL CYCLE BEGINNING JANUARY 1,
1997, TO ENSURE A ZERO PERCENT INCREASE IN STATEWIDE TAXABLE
VALUE OF PROPERTY IN CLASS FOUR DUE TO REAPPRAISAL; AMENDING
SECTION 15-6-134, MCA; AND PROVIDING EFFECTIVE DATES AND AN
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the agricultural improvements. The 1 acre must be valued at
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SECOND READING

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14 ~~in--15-7-iii--~~

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9 whole dollar amount.

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8 the nearest 0.01%. The taxable percentage rate "P" must be
9 rounded downward to the nearest 0.01% and must be calculated
10 by the department before July 1, 1997. In calculating the
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12 not consider changes resulting from new construction,
13 expansion, replacement, or remodeling of improvements.

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20 property is comparable only to other property assessed as
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24 NEW SECTION. Section 3. Effective dates --
25 applicability. (1) [Section 1 and this section] are

HB 0016/01

- 1 effective on passage and approval and apply to tax years
- 2 beginning after December 31, 1993.
- 3 (2) [Section 2] is effective January 1, 1997.

-End-