

HOUSE BILL 73

Introduced by Menahan

12/07	Introduced
12/07	Referred to Taxation
12/07	First Reading
12/07	Fiscal Note Requested
12/09	Fiscal Note Received
12/10	Fiscal Note Printed
12/10	Hearing
	Died in Committee

1 House BILL NO. 73
2 INTRODUCED BY Manahan
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING CERTAIN TAX
5 RATES APPLICABLE TO CERTAIN CLASS FOUR PROPERTY AND
6 AVAILABLE TO CERTAIN ELIGIBLE TAXPAYERS; AMENDING SECTION
7 15-6-134, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND
8 A RETROACTIVE APPLICABILITY DATE."
9

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

11 **Section 1.** Section 15-6-134, MCA, is amended to read:

12 "15-6-134. Class four property -- description --
13 taxable percentage. (1) Class four property includes:

14 (a) all land except that specifically included in
15 another class;

16 (b) all improvements, including trailers or mobile
17 homes used as a residence, except those specifically
18 included in another class;

19 (c) the first \$80,000 or less of the market value of
20 any improvement on real property, including trailers or
21 mobile homes, and appurtenant land not exceeding 5 acres
22 owned or under contract for deed and actually occupied for
23 at least 10 months a year as the primary residential
24 dwelling of any person whose total income from all sources,
25 including net business income and otherwise tax-exempt

1 income of all types but not including social security income
2 paid directly to a nursing home, is not more than ~~\$10,000~~
3 \$25,000 for a single person or ~~\$12,000~~ \$30,000 for a married
4 couple or a head of household, as adjusted according to
5 subsection (2)(b)(ii). For the purposes of this subsection
6 (c), net business income is gross income less ordinary
7 operating expenses but before deducting depreciation or
8 depletion allowance, or both.

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

13 (e) all improvements on land that is eligible for
14 valuation, assessment, and taxation as agricultural land
15 under 15-7-202(2), including 1 acre of real property beneath
16 the agricultural improvements. The 1 acre must be valued at
17 market value.

18 (2) Class four property is taxed as follows:

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

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

Income	Income	Percentage
Single Person	Married Couple Head of Household	Multiplier
\$-----0---\$-1,000	\$-----0---\$-1,200	0%
\$ 0 - \$ 2,500	\$ 0 - \$ 3,000	
-1,001-----2,000	-1,201-----2,400	10%
2,501 - 5,000	3,001 - 6,000	
-2,001-----3,000	-2,401-----3,600	20%
5,001 - 7,500	6,001 - 9,000	
-3,001-----4,000	-3,601-----4,800	30%
7,501 - 10,000	9,001 - 12,000	
-4,001-----5,000	-4,801-----6,000	40%
10,001 - 12,500	12,001 - 15,000	
-5,001-----6,000	-6,001-----7,200	50%
12,501 - 15,000	15,001 - 18,000	
-6,001-----7,000	-7,201-----8,400	60%
15,001 - 17,500	18,001 - 21,000	
-7,001-----8,000	-8,401-----9,600	70%
17,501 - 20,000	21,001 - 24,000	
-8,001-----9,000	-9,601-----10,800	80%
20,001 - 22,500	24,001 - 27,000	
-9,001-----10,000	-10,801-----12,000	90%
22,501 - 25,000	27,001 - 30,000	

(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 1993; 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, an adjustment may not 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

1 assessed as other than commercial property."

2 NEW SECTION. **Section 2. Transition.** (1) A person may
3 make application for the classification described in
4 15-6-134(1)(c) for fiscal year 1994 by applying to the
5 department of revenue before March 1, 1994. The application
6 process described in 15-6-151 must be followed in applying
7 under this subsection.

8 (2) If the person is determined to be eligible for
9 classification under 15-6-134(1)(c) for fiscal year 1994,
10 the department, in cooperation with the county assessor and
11 county treasurer, shall recalculate the amount of taxes that
12 would have been due for fiscal year 1994 had the person been
13 eligible for classification under 15-6-134(1)(c).

14 (3) The department, in cooperation with the county
15 assessor and county treasurer, shall prepare a revised
16 property tax assessment showing the amount due as
17 recalculated by the department under subsection (2). The
18 revised assessment must be mailed to the person prior to May
19 1, 1994.

20 NEW SECTION. **Section 3. Effective date.** [This act] is
21 effective on passage and approval.

22 NEW SECTION. **Section 4. Retroactive applicability.**
23 [This act] applies retroactively, within the meaning of
24 1-2-109, to the tax year beginning January 1, 1993, and to
25 the fiscal year beginning July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0073, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising certain tax rates applicable to certain class four property and available to certain eligible taxpayers; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

Low-Income Exemption Program

1. The changes to the low-income exemption program apply to tax year 1993.
2. Under current law, the **base year** (1986) top income levels for the low-income exemption table are \$10,000 and \$12,000 for single filers and married couples, respectively, as provided for in MCA, 15-6-134. The inflation adjustment provided for in that same statute results in top income levels of \$12,974 and \$15,569 for tax year 1993.
3. Under the proposal, the **base year** is changed to 1993 and the top income levels for the low-income exemption table are changed to \$25,000 and \$30,000 for single filers and married couples, respectively.
4. Under current law, approximately 46,746 homes were eligible for the program in tax year 1993, with 9,565 actual applicants receiving an average tax reduction of \$194.13, for a total reduction of tax liability of \$1,856,830.
5. Under the proposal, approximately 107,885 homes will be eligible for the program, with 37,760 applying for and receiving an average tax reduction of \$350, for a total reduction of tax liability of \$13,216,000.
6. Total increased tax cost of the program is approximately \$11.4 million.

FISCAL IMPACT:

Expenditures: (Department of Revenue - General Fund)

In order to implement the provisions of this bill, administrative costs increase a total of \$45,720 in fiscal year 1994 (\$22,200 for personal services; \$20,700 for operating expenses; and \$2,820 for equipment).

Revenues:

Change in Property Tax Revenues

The proposal results in a total net decrease in property tax revenue of \$11,359,129 in both FY94 and FY95. The results are summarized in the tables below:

(continued next page)

Dave Lewis 12-8
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Menahan 12-10-93
RED MENAHAN, PRIMARY SPONSOR DATE
Fiscal Note for HB0073, as introduced

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(continued)

FISCAL IMPACT: (continued)

State Tax Impacts

	<u>FY94</u>	<u>FY95</u>
Universities	\$ (173,264)	\$ (173,264)
State Equalization (95 mills)	<u>(2,743,317)</u>	<u>(2,743,317)</u>
Total	\$ (2,916,581)	\$ (2,916,581)

EFFECT ON LOCAL REVENUES:

Change in Property Tax Revenue:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ (2,302,417)	\$ (2,302,417)
Local Schools	(4,600,718)	(4,600,718)
Cities/Towns	<u>(1,539,413)</u>	<u>(1,539,413)</u>
Total	\$ (8,442,548)	\$ (8,442,548)

TECHNICAL NOTE:

Local government and school budgets have already levied mills based on the taxable value reductions claimed previously under this program. Expanding the program will reduce the revenue available to meet these budgets for the current tax year.