SENATE BILL 12

Introduced by Swift

11/24	Introduced
11/29	First Reading
11/29	Referred to Taxation
11/30	Fiscal Note Requested
12/07	Fiscal Note Received
12/07	Fiscal Note Printed
12/08	Hearing
	Died in Committee

SENATE BILL NO. 12

INTRODUCED BY SWIFT

A BILL FOR AN ACT ENTITLED: "AN ACT CAPPING THE ASSESSED VALUE OF OWNER-OCCUPIED RESIDENTIAL PROPERTY; PROVIDING FOR A REDUCTION OF ANY INCREASE IN THE ASSESSED VALUE OF OWNER-OCCUPIED RESIDENCES OWNED BY LOW-INCOME PERSONS; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because the bill gives the department of revenue authority to adopt administrative rules to implement the provisions of [section 1]. It is the intent of the legislature that the department:

(1) adopt rules that prescribe the necessary forms and procedures to be used by owners of owner-occupied residential property in order to receive the benefits of [this act]; and

(2) adopt other rules necessary to effectively carry out the purposes of [this act].

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

NEW SECTION. **Section 1.** Valuation adjustment -- owner-occupied residential property. (1) For the purposes of

this section, "owner-occupied residential property" means all improvements, including a trailer or mobile home used as a residence, and appurtenant land not exceeding 5 acres, occupied as a residence by the owner of the property at least 7 months a year. If the improvement has several dwelling units, such as a duplex, owner-occupied residential property includes only the unit and any necessary appurtenant common areas that the owner occupies.

(2) Subject to the adjustment in subsection (3), the maximum assessed value of owner-occupied residential property may not exceed the lesser of:

(a) the reappraised value determined pursuant to periodic revaluation of property by the department of revenue; or

(b) (i) the assessed value of the residence in 1992, increased by 5% compounded annually; or

(ii) if the property has changed ownership after December 31, 1992, the purchase price of the residence, increased by 5% compounded annually.

(3) Any increase in assessed value of an owner-occupied residence must be decreased for certain low-income homeowners as provided in this subsection. If the homeowner meets the income requirements set forth in 15-6-134(1)(c), an increase in assessed value is limited to the amount determined by multiplying the dollar amount of the increase

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in assessed value by the percentage multiplier, based on the homeowner's income, from the table in 15-6-134(2)(b), as those income levels are adjusted for inflation by the department.

Section 2. 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 of revenue 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

a national appraisal guide does not exist.

(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~~ in which 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 class of property.

(6) The assessed value of properties in 15-6-131 through ~~15-6-133~~ 15-6-134 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, 15-23-516, or 15-23-517.

(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.~~ Owner-occupied residences, under class four, are subject to the assessment adjustment provided for in [section 1].

(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) Land and the improvements 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) terminates January 1, 1994--sec. 19, Ch. 783, L. 1991.)~~"

NEW SECTION. **Section 3.** Rulemaking authority. The department of revenue may adopt rules to implement the provisions of [section 1].

NEW SECTION. **Section 4.** Codification instruction. [Sections 1 and 3] are intended to be codified as an integral part of Title 15, chapter 8, part 1, and the provisions of Title 15, chapter 8, part 1, apply to [sections 1 and 3].

NEW SECTION. **Section 5.** Effective date -- applicability. [This act] is effective January 1, 1994, and applies to tax years beginning after December 31, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0012, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act capping the assessed value of owner-occupied residential property; providing for a reduction of any increase in the assessed value of owner-occupied residences owned by low-income persons; and providing an effective date and an applicability date.

ASSUMPTIONS:
1. It is estimated that 115,400 owner-occupied residential properties would be impacted by the bill.
2. Capping the increase in valuation due to reappraisal at 5% would result in a decrease in the total class 4 taxable value of $39,000,000 in FY95, with 44% of this decrease within cities/towns.
3. Average mill levies for the impacted property are 6.00 mills for universities, 95.00 mills for the school foundation program, 76.00 mills for counties, 158.00 mills for local schools, and 96.00 for cities and towns.

FISCAL IMPACT:

Revenues:

The proposal results in a total net decrease in property tax revenue of $14,712,000 in FY95. There would be a property tax revenue decrease in each subsequent fiscal year. The property tax revenue decrease would be dependant on several factors, including: the increase in valuation due to the 1993 reappraisal, economic conditions contributing to market value growth and sale activity, and future reappraisals.

Change in Property Tax Revenues:

	FY94	FY95
Universities	$ 0	$ (234,000)
State Equalization (95 mills)	0	(3,705,000)
Total	$ 0	$ (3,939,000)

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Dave Lewis 12-7
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Bernie A. Swift 12/7/93
BERNIE A. SWIFT, PRIMARY SPONSOR DATE
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FISCAL IMPACT: (continued)

Expenditures:
Implementation of this proposal would require additional total administrative expenses of $695,325 in FY94, and $23,623 in FY95. These expenses include a one-time software change/modification cost of $43,890 and a one-time upgrade of the department's AS/400 mid-range computer at a cost of $495,000.

Property Valuation	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
FTE	0	1.00	1.00	0	1.00	1.00
Personal Services	$ 0	$ 14,520	$ 14,520	$ 0	$ 22,800	$ 22,800
Operating Expenses	0	68,100	68,100		823	823
Equipment	0	612,705	612,705		0	0
Debt Service	0	0	0	0	0	0
Total	$ 0	$ 695,325	$ 695,325	$ 0	$ 23,623	$ 23,623
Funding: General Fund	$ 0	$ 695,325	$ 695,325	$ 0	$ 23,623	$ 23,623

EFFECT ON LOCAL REVENUES:

Change in Property Tax Revenue:

	FY94	FY95
Counties	$ 0	$ (2,964,000)
Local Schools	0	(6,162,000)
Cities/Towns	0	(1,647,000)
Total	$ 0	$(10,773,000)