

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

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

5 **Section 2.** Section 15-8-111, MCA, is amended to read:

6 "15-8-111. **Assessment -- market value standard --**  
7 **exceptions.** (1) All taxable property must be assessed at  
8 100% of its market value except as otherwise provided.

9 (2) (a) Market value is the value at which property  
10 would change hands between a willing buyer and a willing  
11 seller, neither being under any compulsion to buy or to sell  
12 and both having reasonable knowledge of relevant facts.

13 (b) If the department of revenue uses construction cost  
14 as one approximation of market value, the department shall  
15 fully consider reduction in value caused by depreciation,  
16 whether through physical depreciation, functional  
17 obsolescence, or economic obsolescence.

18 (c) Except as provided in subsection (3), the market  
19 value of all motor trucks; agricultural tools, implements,  
20 and machinery; and vehicles of all kinds, including but not  
21 limited to boats and all watercraft, is the average  
22 wholesale value shown in national appraisal guides and  
23 manuals or the value of the vehicle before reconditioning  
24 and profit margin. The department ~~of-revenue~~ shall prepare  
25 valuation schedules showing the average wholesale value when

1 a national appraisal guide does not exist.

2 (3) The department ~~of-revenue~~ or its agents may not  
3 adopt a lower or different standard of value from market  
4 value in making the official assessment and appraisal of the  
5 value of property, except:

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

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

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

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

18 (5) The taxable value for all property is the  
19 percentage of market or assessed value established for each  
20 class of property.

21 (6) The assessed value of properties in 15-6-131  
22 through ~~15-6-133~~ 15-6-134 and 15-6-143 is as follows:

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

1 applicable, as provided in 15-23-515, 15-23-516, or  
2 15-23-517.

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

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

10 (d) ~~Beginning January 1, 1990, and ending December 31,~~  
11 ~~1993, properties in 15-6-143, under class ten, are assessed~~  
12 ~~at 100% of the combined appraised value of the standing~~  
13 ~~timber and grazing productivity of the land when valued as~~  
14 ~~timberland.~~ Owner-occupied residences, under class four, are  
15 subject to the assessment adjustment provided for in  
16 [section 1].

17 (e) Beginning January 1, 1994, properties in 15-6-143,  
18 under class ten, are assessed at 100% of the forest  
19 productivity value of the land when valued as forest land.

20 (7) Land and the improvements on the land are  
21 separately assessed when any of the following conditions  
22 occur:

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

25 (b) the taxpayer makes a written request; or

1 (c) the land is outside an incorporated city or town.  
2 ~~{Subsection (6)(d) terminates January 1, 1994--sect 19--Ch~~  
3 ~~7837-B-1991.}~~"

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

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

12 NEW SECTION. Section 5. Effective date --  
13 applicability. [This act] is effective January 1, 1994, and  
14 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.

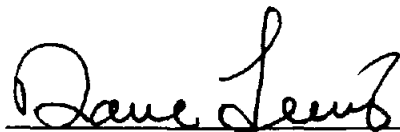
FISCAL IMPACT:Revenues:

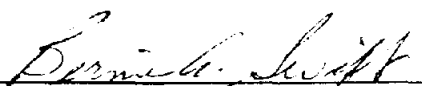
The proposal results in a total net decrease in property tax revenue of \$14,712,000 in FY95. There would be a property tax revenue decrease in each subsequent fiscal year. The property tax revenue decrease would be dependant on several factors, including: the increase in valuation due to the 1993 reappraisal,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

Change in Property Tax Revenues:

	<u>FY94</u>	<u>FY95</u>
Universities	\$ 0	\$ (234,000)
State Equalization (95 mills)	0	(3,705,000)
Total	\$ 0	\$ (3,939,000)

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

 12/7/93  
BERNIE A. SWIFT, PRIMARY SPONSOR DATE  
Fiscal Note for SB0012, as introduced

SB 12

Fiscal Note Request, SB0012, as introduced  
Form BD-15 page 2  
(continued)

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)