SENATE BILL 21

Introduced by Towe

12/01	Introduced
12/01	Referred to Taxation
12/01	Fiscal Note Requested
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12/07	Hearing
12/07	Fiscal Note Received
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	Died in Committee

SENATE BILL NO. 21

INTRODUCED BY Swe

A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE INCREASE IN THE ASSESSED VALUE OF ELIGIBLE OWNER-OCCUPIED RESIDENTIAL PROPERTY TO THE PERCENTAGE OF THE STATEWIDE AVERAGE INCREASE IN ASSESSED VALUE; 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. It is the intent of the legislature that the rules adopted by the department prescribe the necessary forms and procedures to be used by owners of owner-occupied residential property in order to receive the benefit of [this act]. The department shall adopt other rules that are 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 trailers or mobile homes used as a residence, and appurtenant land not exceeding 5 acres. The property may be used only for human habitation. 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) A taxpayer is eligible for a limitation in the value of owner-occupied residential property if the owner:

(a) has owned and occupied the property as the owner's principal residence for at least 5 years; and

(b) occupies the property as a residence for at least 8 months a year.

(3) (a) An increase in the assessed value of eligible owner-occupied residential property due to reappraisal conducted pursuant to periodic revaluation of the property by the department of revenue may not exceed the percentage increase in the valuation of all class four property in the state made under the same periodic revaluation. If the valuation of the property increases and the valuation increase exceeds the statewide average increase in valuation of class four property, the department shall adjust the valuation of the eligible owner-occupied residential property to a valuation equal to the prior value of the property plus an increase equal to the statewide average increase.

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(b) During each periodic revaluation, the market value must be determined for eligible owner-occupied residential property and must be used to determine the statewide valuation increase, but the percentage increase must be determined using the prior adjusted valuation as the base valuation. The adjusted valuation must be used to determine whether the new reappraised market value exceeds the statewide average, and if so, the valuation must be readjusted so that the eligible owner-occupied residential property is valued at the prior adjusted value increased by the statewide percentage increase.

(c) Any increase in valuation due to new construction, modification, rehabilitation, or other improvements to the eligible owner-occupied residential property must be reflected in the value of the property and is not limited by this section.

(4) An application for a limitation in the increase in market value of an owner-occupied residential property must be in writing on a form supplied by the department and must:

(a) describe the owner-occupied residential property;

(b) state that the owner-occupied residential property is maintained by the applicant as the applicant's primary residential dwelling;

(c) provide other information required by the department to show that the requirements of this section

have been met; and

(d) be signed and dated by the applicant. The signature is considered an affidavit that the contents of the claim are true.

(5) The application remains in effect in subsequent years unless there is a change in the applicant's eligibility. The taxpayer shall inform the department of any change in eligibility. The department may require a new statement of eligibility at any time it considers necessary.

(6) Upon a change in ownership, the valuation of the property is the assessed value of the property. A transfer to a surviving spouse or former spouse because of the death of a spouse or because of a legal separation or divorce is not considered a change in ownership.

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 <u>of revenue</u> 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~~ Titles 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~~ Eligible owner-occupied residential property, under class four, is subject to assessment adjustment as provided 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 [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, and the provisions of Title 15, chapter 8, 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 SB0021, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act limiting the increase in the assessed value of eligible owner-occupied residential property to the percentage of the statewide average increase in assessed value; and providing an effective date and an applicability date.

ASSUMPTIONS:
1. The proposed legislation will not apply to any statewide property reappraisal occurring before tax year 1994.
2. Statewide reappraisal of residential property will not occur during the current biennium (MDOR).
3. Statewide reappraisal of residential property will occur during fiscal years 1996 and 1997 (MDOR).

FISCAL IMPACT:

Expenditures:
The proposed legislation will not impact department expenditures during the current biennium. However, expenditures will be incurred during the next biennium due to computer and automation concerns within the Property Assessment Division.

Revenues:
The proposed legislation will have no impact to state or local government property tax revenues during the current biennium. It is impossible to determine the impact of the proposed legislation until the next statewide property revaluation is conducted. However, the proposed legislation will decrease future state and local property tax revenues to the extent that future reappraisals result in overall increases in the assessed value of residential property.

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

Thomas E. Towe
THOMAS E. "TOM" TOWE, PRIMARY SPONSOR DATE
Fiscal Note for SB0021, as introduced

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