# SENATE BILL 25

Introduced by Van Valkenburg, et al.

- 12/02 Introduced
- 12/02 Referred to Taxation
- 12/02 First Reading
- 12/02 Fiscal Note Requested
- 12/04 Hearing
- 12/08 Fiscal Note Received
  - (Not Signed by Sponsor)
- 12/09 Fiscal Note Printed
- 12/15 Hearing
- 12/15 Committee Report--Bill Passed as Amended
- 12/15 2nd Reading Passed 12/15 3rd Reading Passed

# Transmitted to House

- 12/16 First Reading
- 12/16 Referred to Taxation 12/16 Hearing
- - Died in Committee

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1) Barlana-STUBILL NO. 25 INTRODUCED BY North "AN ACT ADDRESSING IMMEDIATE CONCERNS OF THE GOVERNOR'S TAX ADVISORY COUNCIL FOR PROPERTY OWNERSHIP; INCREASING THE INCOME LEVELS UNDER THE LOW-INCOME PROPERTY TAX EXEMPTION PROGRAM; ALLOWING AN EXTENSION OF TIME FOR APPLICATION FOR THE 1993 PROPERTY TAX EXEMPTION PROGRAM: PROVIDING THAT FOR TAX YEARS 1994 AND 1995, THE INCREASE IN 1993 VALUES OF CLASS FOUR PROPERTY WILL BE PHASED IN: AMENDING SECTIONS 15-6-134, 15-6-151, AND 11 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND 12 A TERMINATION DATE." 13

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 15

NEW SECTION. Section 1. Short Title. [This act] may be 16 cited as the "Montana Homeowners Equity Act of 1993". 17

Section 2. Section 15-6-134, MCA, is amended to read: 18 \*15-6-134. Class four property -- description 19 taxable percentage. (1) Class four property includes: 20

(a) all land except that specifically included in 21 22 another class;

(b) all improvements, including trailers or mobile 23 used as a residence, except those specifically homes 24 included in another class; 25

(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 16 17 actually and necessarily used for that purpose, that consist 18 of at least 9 nine holes and not less than 3,000 lineal 19 yards; and

20 (e) all improvements on land that is eligible for 21 valuation, assessment, and taxation as agricultural land 22 under 15-7-202(2), including 1 acre of real property beneath 23 the agricultural improvements. The 1 acre must be valued at 24 market value.

(2) Class four property is taxed as follows:

SB25 INTRODUCED BILL



#### LC 0115/01

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(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% of its market value.

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

8	Income	Income	Percentage
9	Single Person	Married Couple	Multiplier
10		Head of Household	
11	\$ 0 - \$-17000	\$ 0 - <del>\$</del> -17200	0%
12	\$ - <u>\$ 3,750</u>	\$ - <u>\$ 5,000</u>	
13	17881 - 27888	17201 - 27400	<del>10</del> 8
14	<u>3,751</u> - <u>7,500</u>	<u>5,001</u> - <u>10,000</u>	25%
15	27001 - 37000	27401 - 37600	20%
16	7,501 - 12,250	<u>10,001</u> - <u>15,000</u>	<u>50%</u>
17	37001 - 47000	37601 - 47800	30%
18	<u>12,251</u> - <u>15,000</u>	<u>15,001</u> - <u>20,000</u>	<u>758</u>
19	-4700157000	-4788167888	40%
20	-5700167000	-6,0017,200	50%
21	-6700177000	-7720187400	68%
22	-7700187000	-8740197600	7 <del>8</del> %
<b>2</b> 3	-8788197888	-97601107000	<del>80</del> %
24	-97001107000	±0700±±27000	98%
25	(ii) The incom	e levels contained	in the table

subsection (2)(b)(i) must be adjusted for inflation annually
 by the department of revenue. The adjustment to the income
 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 nearest9 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) After July 1, 1986, an adjustment may not be made 18 by the department to the taxable percentage rate for class 19 four property until a revaluation has been made as provided 20 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<sub>7</sub> and property assessed as other than commercial property is comparable only to other property

LC 0115 01

1 assessed as other than commercial property."

Section 3. Section 15-6-151, MCA, is amended to read:
"15-6-151. Application for certain class four
classifications. (1) A person applying for classification of
property described in subsection (1)(c) of 15-6-134 shall
make an affidavit to the department of revenue, on a form
provided by the department without cost, stating:

(a) his the applicant's income;

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9 (b) the fact that he <u>the applicant</u> maintains the land 10 and improvements as his <u>the applicant's</u> primary residential 11 dwelling, where when applicable; and

12 (c) such other information as that is relevant to the
13 applicant's eligibility.

(2) (a) This Except as provided in subsection (2)(b), 14 the application must be made before March 1 of the year 15 after the applicant becomes eligible. The application 16 remains in effect in subsequent years unless there is a 17 change in the applicant's eligibility. The taxpayer shall 18 inform the department of any change in eligibility. The 19 department may inquire by mail whether any change in 20 eligibility has taken place and may require a new statement 21 of eligibility at any time it considers necessary. 22

(b) For tax year 1993, application may be made until
[90 days after the effective date of this act].

25 (3) The affidavit is sufficient if the applicant signs

1 a statement affirming the correctness of the information 2 supplied, whether or not the statement is signed before a 3 person authorized to administer oaths, and mails the 4 application and statement to the department of revenue. This 5 signed statement shall-be is treated as a statement under 6 oath or equivalent affirmation for the purposes of 45-7-202, 7 relating to the criminal offense of false swearing."

8 Section 4. Section 15-8-111, MCA, is amended to read:
9 "15-8-111. Assessment -- market value standard -10 exceptions. (1) All taxable property must be assessed at
11 100% of its market value except as otherwise provided.
12 (2) (a) Market value is the value at which property
13 would change hands between a willing buyer and a willing

14 seller, neither being under any compulsion to buy or to sell 15 and both having reasonable knowledge of relevant facts.

(b) If the department 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

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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.

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5 (3) The department of revenue or its agents may not 6 adopt a lower or different standard of value from market 7 value in making the official assessment and appraisal of the 8 value of property, except:

9 (a) the wholesale value for agricultural implements and 10 machinery is the loan value as shown in the Official Guide, 11 Tractor and Farm Equipment, published by the national farm 12 and power equipment dealers association, St. Louis, 13 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 Fittle Titles 15 and
Fittle 61.

20 (4) For purposes of taxation, assessed value is the21 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.

25 (δ) The assessed value of properties in 15-6-131

1 through 15-6-133 is as follows:

2 (a) Properties in 15-6-131, under class one, are 3 assessed at 100% of the annual net proceeds after deducting 4 the expenses specified and allowed by 15-23-503 or, if 5 applicable, as provided in 15-23-515, 15-23-516, or 6 15-23-517.

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

9 (c) Properties in 15-6-133, under class three, are 10 assessed at 100% of the productive capacity of the lands 11 when valued for agricultural purposes. All lands that meet 12 the qualifications of 15-7-202 are valued as agricultural 13 lands for tax purposes.

(d) Beginning--January-17-19907-and-ending-Becember-317 14 15 19937-properties-in-15-6-1437-under-class-ten7-are-assessed 16 at--100%--of--the--combined--appraised-value-of-the-standing 17 timber-and-grazing-productivity-of-the-land-when--valued--as timberiand For tax years 1994 and 1995, properties in 18 15-6-134, under class four, are assessed based upon an 19 20 adjusted value as provided in [section 5]. (e) Beginning January 1, 1994, properties in 15-6-143, 21

22 under class ten, are assessed at 100% of the forest 23 productivity value of the land when valued as forest land.

24 (7) Land and the improvements on the land are25 separately assessed when any of the following conditions

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1 occur:

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2 (a) ownership of the improvements is different from3 ownership of the land;

(b) the taxpayer makes a written request; or

5 (c) the land is outside an incorporated city or town.
6 (Subsection-(6)(d)-terminates-January-17-1994--sec.-197--Ch.
7 7837-b--1991-7"

8 <u>NEW SECTION.</u> Section 5. Phasein of taxable value of 9 land. (1) An increase in the appraised value of class four 10 property in 1993 resulting from the reappraisal cycle must 11 be phased in beginning January 1, 1994, as follows:

(a) For the tax year beginning January 1, 1994, and
ending December 31, 1994, the assessed value of the property
must be increased from the January 1, 1992, value of the
property by one-third of the difference between the assessed
value on January 1, 1992, and the 1993 appraisal value of
the property.

(b) For the tax year beginning January 1, 1995, and
ending December 31, 1995, the assessed value of the property
must be increased from the January 1, 1992, value of the
property by two-thirds of the difference between the
assessed value on January 1, 1992, and the 1993 appraisal
value of the property.

(c) For the tax year beginning January 1, 1996, and
ending December 31, 1996, the assessed value of the property

1 is the 1993 appraisal value of the property.

2 (2) If the appraised value of property decreased in
3 1993 because of the reappraisal cycle, the decreased value
4 is the assessed value effective for the tax year beginning
5 after December 31, 1992.

NEW SECTION. Section 6. Effective date. [This act] is
effective on passage and approval.

8 <u>NEW SECTION.</u> Section 7. Termination. [Sections 4 and

9 5] terminate 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 SB0025, as introduced.

#### DESCRIPTION OF PROPOSED LEGISLATION:

An act addressing immediate concerns of the Governor's Tax Advisory Council for Property Ownership; increasing the income levels under the low-income property tax exemption program; allowing an extension of time for application for the 1993 property tax exemption program; providing that for tax years 1994 and 1995, the increase in 1993 values of class four property will be phased in; and providing an immediate effective date and a termination 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** (1986) top income levels for the low-income exemption table are changed to \$15,000 and \$20,000 for single filers and married couples, respectively. When the inflation adjustment is applied to these values, the top income levels for program eligibility become \$19,461 and \$25,948 for tax year 1993.
- 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 88,608 homes will be eligible for the program, with 29,536 applying and receiving an average tax reduction of \$300, for a total reduction of tax liability of \$8,860,800.
- 6. Total increased tax cost of the program is approximately \$7.0 million.

## Phase-In of 1993 Assessed Values

- 1. In 1993, approximately 57% of all Class 4 properties (208,250) received an increase in appraised value, while 43% of all properties (157,100) received a decrease in appraised values.
- 2. Under the proposal, <u>increases in appraised values</u> from 1992 to 1993 would be phased in one-third for tax year 1994, and two-thirds for tax year 1995; in tax year 1996 property values would return to their 1993 levels. <u>Decreases in appraised values</u> are implemented immediately in 1993 and do not change over the period 1993 to 1996.
- 3. The phase-in provisions of the proposal reduce total taxable valuation \$59,395,800 in tax year 1994 (of this amount \$29,886,350 is located in cities and towns); and \$29,697,900 in tax year 1995 (of this amount \$14,993,175 is located in cities and towns).
- 4. Average mill levies for class 4 residential property are 6 mills for universities, 95 mills for state equalization, 78 mills for counties, 159 mills for local schools, and 97 mills for cities and towns.
- 5. Average mill levies for class 4 commercial property are 6 mills for universities, 95 mills for state equalization, 76 mills for counties, 157 mills for local schools, and 96 mills for cities and towns.

FISCAL IMPACT: (see pext page) DAVE LEWIS, BUDGET DIRECTOR DATE

Office of Budget and Program Planning

The sponsor of SB 25 does not concur in the conclusions set forth in the fiscal note and has chosen not to sign the note.

> FRED VAN VALKENBURG, PRIMARY SPONSOR DATE Fiscal Note for <u>SB0025</u>, as introduced



Fiscal Note Request, <u>SB0025,as introduced</u> Form ED-15 page 2 (continued)

### FISCAL IMPACT:

<u>Expenditures:</u> (General Fund)

In order to implement the provisions of this bill, administrative costs increase a total of \$554,350 in fiscal year 1994 (\$11,100 for personal services; \$48,250 for operating expenses; and \$495,000 for computer system upgrades).

## <u>Revenues:</u>

Note: The tax impacts shown in this fiscal note are based on the assumption that mill levies remain at their 1993 level. the extent that the reductions in taxable value stemming from the low-income and phase-in provisions result in increases in mills levied by local governments and schools, the revenue impacts shown for these taxing jurisdictions are overstated.

## Change in State Property Tax Revenues

The proposal results in a total net <u>decrease</u> in property tax revenue of \$7,003,819 in FY94 and \$29,905,402 in FY95. The results are summarized in the tables below:

	FY94	FY95
Universities	\$ ( 106,831)	\$ (463,206)
State Equalization (95 mills)	(1,691,476)	(7,334,075)
Total	\$(1,798,307)	\$ (7,797,281)

## EFFECT ON LOCAL REVENUES:

#### Change in Property Tax Revenue:

	<u>FY94</u>	<u>FY95</u>
Counties	\$ (1,419,626)	\$ (6,021,229)
Local Schools	(2,836,714)	(12,249,376)
Cities/Towns	<u>(949,172)</u>	(3.837.516)
Total	\$ (5,205,512)	\$ (22,108,121)

(continued next page)

Fiscal Note Request, <u>SB0025</u>, as introduced Form ED-15 page 3 (continued)

## LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The reduction in taxable valuation in tax year 1995 impacts fiscal year revenues as follows:

	FY96
Universities	\$ (285,019)
State Equalization (95 mills)	(4,512,776)
Total	\$ (4,797,795)
	FY96
Counties	\$ (3,720,428)
Local Schools	(7,543,046)
Cities/Towns	(2,393,345)
Total	\$ (13,656,819)

## TECHNICAL NOTES:

- 1. The bill provides for an expansion of the low-income exemption program, and an extension of time to file for the exemption for the 1993 tax year. This creates two problems. First, there is no direction in the bill on how the Department is to accommodate changes in the low-income exemptions of households who have already claimed the exemption, and for those households who will claim the exemption for the first time due to the expansion of the income levels used. For example, will the Department be required to cut checks for the increase in tax liability reductions, or will tax bills for the second half payment in May be credited? Second, local government and school budgets have already levied mills based on the taxable value reductions claimed previously under this program. Expanding the program could reduce the revenue available to meet these budgets for the current tax year.
- 2. The reduction in taxable value of Class 4 properties in tax years 1994 and 1995 reduces the weight of this component in the calculation of the tax rate applicable to Class 12 property (railroads and airlines). This acts to increase slightly the tax rate applicable to Class 12 properties for fiscal year 1995 and 1996, resulting in a minimal increase in tax liability for these properties.

## STATE OF MONTANA - FISCAL NOTE Form BD-15 In compliance with a written request, there is hereby submitted a Fiscal Note for SB0025, second reading.

#### DESCRIPTION OF PROPOSED LEGISLATION:

An act addressing immediate concerns of the Governor's Tax Advisory Council for Property Ownership; increasing the income levels under the low-income property tax exemption program; allowing an extension of time for application for the 1993 property tax exemption program; and providing effective dates.

## ASSUMPTIONS :

## Low-Income Exemption Program

- 1. The changes to the low-income exemption program apply to tax year 1994.
- 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 \$13,361 and \$16,034 for tax year 1994.
- 3. Under the proposal, the base year (1993) top income levels for the low-income exemption table are changed to \$15,000 and \$20,000 for single filers and married couples, respectively. These levels do not change in tax year 1994.
- 4. Under current law, approximately 46,746 homes were eligible for the program in tax year 1993 (based on 1990 Census data), with 9,565 actual applicants receiving an average tax reduction of \$194.13, for a total reduction of tax liability of \$1,856,830. This reflects a current law participation rate of 21 percent.
- 5. Under the proposal, approximately 62,620 homes will be eligible for the program, with the number of taxpayers actually applying for and receiving relief dependent on the assumption regarding participation rate. The average benefit under the proposal is \$240.

(Continued)

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

Fred Van Valkenburg, PRIMARY SPONSOR DATE Fiscal Note for <u>SB25, second reading</u>.

5125 #2

Fiscal Note Request, <u>SB0025, second reading</u> Form BD-15 page 2 (continued)

6. Total increased tax cost of the program is dependent on the assumption regarding participation rate. The following table shows total program costs at alternative participation rates:

Eligible	Participation	Нотев	Average	Program	Current	Net
Homes	Rate	Participating	Benefit	Cost	Cost	Impact
62,620	20%	12,524	\$240	\$3,005,760	\$1,856,830	\$1,148,930
62,620	25%	15,655	\$240	\$3,757,200	\$1,856,830	\$1,900,370
62,620	30%	18,786	\$240	\$4,508,640	\$1,856,830	\$2,651,810
62,620	33%	20,665	\$240	\$4,959,504	\$1,856,830	\$3,102,674
62,620	35%	21,917	\$240	\$5,260,080	\$1,856,830	\$3,403,250
62,620	408	25,048	\$240	\$6,011,520	\$1,856,830	\$4,154,690
62,620	50%	31,310	\$240	\$7,514,400	\$1,856,830	\$5,657,570

- 7. The above table shows the <u>reduction</u> in tax revenue due to the proposal. The net impact <u>in fiscal year 1995</u> will be distributed approximately 1.5% to universities; 24.2% to state equalization (95 mills); 20.3% to counties; 40.5% to local schools; and 13.5% to cities and towns.
- 8. The proposal will also impact FY 94 property tax revenues by allowing for a three month window to apply for the current low-income property tax relief program. The total reduction in property tax revenues is uncertain and depends on the number of taxpayers applying within the window period. On average, total property tax revenues will be reduced by approximately \$186,000 for each 10% increase in current utilization of the program. The impact will be distributed as noted in 7).
- 9. The proposed three month window extension will result in additional expenditures in FY 94. Their magnitude cannot be reasonably estimated in the time allowed for completion of this fiscal note.

53rd Legislature Special Session 11/93

#### SB 0025/02

1	SENATE BILL NO. 25
2	INTRODUCED BY VAN VALKENBURG, SWANSON, KENNEDY, FRANKLIN,
3	BARDANOUVE, J. JOHNSON, TOOLE, LARSON, TUSS, BARNHART,
4	HALLIGAN, BIANCHI, YELLOWTAIL, BARTLETT, WELDON, REA,
5	KADAS, BLAYLOCK, CHRISTIAENS, BOHLINGER, MENAHAN,
6	WATERMAN, EWER, FAGG, REAM, RYAN, ECK, JACOBSON,
7	WHALEN, SCHYE, KLAMPE, ENDY, TOWE, ELLIOTT, BROOKE,
8	S. HANSEN, DOHERTY, JERGESON
9	
10	A BILL FOR AN ACT ENTITLED: "AN ACT ADDRESSING IMMEDIATE
11	CONCERNS OF THE GOVERNOR'S TAX ADVISORY COUNCIL FOR PROPERTY
12	OWNERSHIP; INCREASING THE INCOME LEVELS UNDER THE LOW-INCOME
13	PROPERTY TAX EXEMPTION PROGRAM; ALLOWING AN EXTENSION OF
14	TIME FOR APPLICATION FOR THE 1993 PROPERTY TAX EXEMPTION
15	PROGRAM; PROVIDINGTHATPORTAX-YEARS-1994-AND-19957-THE
16	INCREASE-IN-1993-VALUESOPCLASSPOURPROPERTYWILLBE
17	PHASEDIN; AMENDING SECTIONS 15-6-134; AND 15-6-151, AND
18	15-8-1117 MCA; AND PROVIDING AN-IMMEDIATE EFFECTIVE DATE-AND
19	A-TERMINATION-DATE DATES."

20

21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 22 <u>NEW SECTION.</u> Section 1. Short Title. [This act] may be 23 cited as the "Montana Homeowners Equity Act of 1993".

Section 2. Section 15-6-134, MCA, is amended to read:
\*15-6-134. Class four property -- description --



1 taxable percentage. (1) Class four property includes:

2 (a) all land except that specifically included in3 another class;

4 (b) all improvements, including trailers or mobile
5 homes used as a residence, except those specifically
6 included in another class;

7 (c) the first \$80,000 or less of the market value of 8 any improvement on real property, including trailers or 9 mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for 10 11 at least 10 months a year as the primary residential 12 dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt 13 income of all types but not including social security income 14 paid directly to a nursing home, is not more than \$10,000 15 for a single person or \$12,000 for a married couple or a 16 17 head of household, as adjusted according to subsection 18 (2)(b)(ii). For the purposes of this subsection (c), net 19 business income is gross income less ordinary operating 20 expenses but before deducting depreciation or depletion 21 allowance, or both.

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

-2- SB 25 SECOND READING

1 (e) all improvements on land that is eligible for 2 valuation, assessment, and taxation as agricultural land 3 under 15-7-202(2), including 1 acre of real property beneath 4 the agricultural improvements. The 1 acre must be valued at 5 market value.

(2) Class four property is taxed as follows:

6

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

10 (b) (i) Property described in subsection (1)(c) is 11 taxed at 3.86% of its market value multiplied by a 12 percentage figure based on income and determined from the 13 following table:

14	Income	Income	Percentage
15	Single Person	Married Couple	Multiplier
16		Head of Household	
17	\$ 0 - <del>\$-17000</del>	\$ 0 - <del>\$</del> -17200	0 %
18	\$ - <u>\$ 3,750</u>	\$ - <u>\$ 5,000</u>	
19	17001 - 27000	17201 ~ 27400	<del>10</del> %
20	<u>3,751</u> - <u>7,500</u>	5,001 - 10,000	25%
21	27001 - 37000	<del>27401 - 37600</del>	20%
22	<u>7,501</u> - <u>12,250</u>	<u>10,001</u> - <u>15,000</u>	50%
23	37001 - 47000	37681 - 47888	388
24	<u>12,251</u> - <u>15,000</u>	<u>15,001</u> - <u>20,000</u>	<u>75%</u>
2.5	-4700157000	-4788167888	40%

1	-5700167000	-6700177200	50%
2	-6700177000	-7720107400	60%
3	-7700187000	-8740197600	78%
4	-8700197000	-97601107000	888
5	-97001107000	107801127000	988

6 (ii) The income levels contained in the table in
7 subsection (2)(b)(i) must be adjusted for inflation annually
8 by the department of revenue. The adjustment to the income
9 levels is determined by:

10 (A) multiplying the appropriate dollar amount from the 11 table in subsection (2)(b)(i) by the ratio of the PCE for 12 the second quarter of the year prior to the year of 13 application to the PCE for the second quarter of <del>1906</del> <u>1993</u>; 14 and

15 (B) rounding the product thus obtained to the nearest 16 whole dollar amount.

17 (iii) "PCE" means the implicit price deflator for
18 personal consumption expenditures as published quarterly in
19 the Survey of Current Business by the bureau of economic
20 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).

24 (3) After July 1, 1986 1993, an adjustment may not be
25 made by the department to the taxable percentage rate for

SB 0025/02

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class four property until a revaluation has been made as
 provided in 15-7-111.

3 (4) Within the meaning of comparable property as 4 defined in 15-1-101, property assessed as commercial 5 property is comparable only to other property assessed as 6 commercial property, and property assessed as other than 7 commercial property is comparable only to other property 8 assessed as other than commercial property."

9 Section 3. Section 15-6-151, MCA, is amended to read:
10 "15-6-151. Application for certain class four
11 classifications. (1) A person applying for classification of
12 property described in subsection (1)(c) of 15-6-134 shall
13 make an affidavit to the department of revenue, on a form
14 provided by the department without cost, stating:

(a) his the applicant's income;

15

16 (b) the fact that he <u>the applicant</u> maintains the land
17 and improvements as his <u>the applicant's</u> primary residential
18 dwelling, where when applicable; and

19 (c) such other information as <u>that</u> is relevant to the 20 applicant's eligibility.

(2) (a) This Except as provided in subsection (2)(b),
the application must be made before March 1 of the year
after the applicant becomes eligible. The application
remains in effect in subsequent years unless there is a
change in the applicant's eligibility. The taxpayer shall

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inform the department of any change in eligibility. The 1 2 department may inquire by mail whether any change in 3 eligibility has taken place and may require a new statement of eligibility at any time it considers necessary. 4 5 (b) For tax year 1993, application may be made until [90 days after the effective date of this act SECTION]. 6 7 (3) The affidavit is sufficient if the applicant signs 8 a statement affirming the correctness of the information supplied, whether or not the statement is signed before a 9 10 person authorized to administer oaths, and mails the application and statement to the department of revenue. This 11 12 signed statement shall--be is treated as a statement under 13 oath or equivalent affirmation for the purposes of 45-7-202, 14 relating to the criminal offense of false swearing." 15 Section 4 -- Section-15-8-1117-MCA7-is-amended-to-read---#15-8-111---Assessment----market--value--standard-----16 17 18 100%-of-its-market-value-except-as-otherwise-provided-+2+--+a+-Market-value-is-the--value--at--which--property 19 20 would--change--hands--between--a-willing-buyer-and-a-willing 21 seller7-neither-being-under-any-compulsion-to-buy-or-to-sell 22 and-both-having-reasonable-knowledge-of-relevant-facts-(b)---If-the-department-uses--construction--cost--as--one 23 24 approximation--of--market--value--the-department-shall-fully

25 consider-reduction-in-value-caused-by-depreciation;--whether

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1	throughphysicaldepreciation,-functional-obsolescence,-or
2	economic-obsolescence.
3	<del>(c)Except-as-provided-in-subsection(3);themarket</del>
4	valueofall-motor-trucks7-agricultural-tools7-implements7
5	and-machinery;-and-vehicles-of-all-kinds;-including-butmot
6	limitedtoboatsandallwatercraft;istheaverage
7	wholesale-valueshowninnationalappraisalguidesand
8	manualsorthevalue-of-the-vehicle-before-reconditioning
9	and-profit-marginThe-department-of-revenueshallprepare
10	valuation-schedules-showing-the-average-wholesale-value-when
11	a-national-appraisal-guide-does-not-exist:
12	(3)Thedepartmentofrevenueor-its-agents-may-not
13	adopt-a-lower-or-different-standardofvaluefrommarket
14	value-in-making-the-official-assessment-and-appraisal-of-the
15	value-of-property,-except:
16	<pre>(a)the-wholesale-value-for-agricultural-implements-and</pre>
17	machineryis-the-loan-value-as-shown-in-the-Official-Guide;
18	Tractor-and-Parm-Equipment,-published-by-thenationalfarm
19	andpowerequipmentdealersassociation7Strbouis7
20	Missouri;
21	<pre>(b)foragriculturalimplementsandmachinerynot</pre>
22	listed-in-the-official-guide;-the-department-shall-prepare-a
23	supplementalmanualwhere <u>in-which</u> -the-values-reflect-the
24	same-depreciation-as-those-found-in-the-official-guide;-and
25	te)as-otherwise-authorizedin Title <u>Titles</u> 15and

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1	<b>Title-61</b> ;
2	<pre>t4}Forpurposesoftaxation;assessed-value-is-the</pre>
3	same-as-appraised-value-
4	<pre>(5)Thetaxablevalueforallpropertyisthe</pre>
5	percentageof-market-or-assessed-value-established-for-each
6	class-of-property-
7	<pre>t6)Theassessedvalueofpropertiesini5-6-131</pre>
8	through-15-6-133-is-as-follows:
9	<pre>ta)Propertiesin15-6-1317underclassone;are</pre>
10	assessed-at-100%-of-the-annual-net-proceeds-afterdeducting
11	theexpensesspecifiedandallowedby15-23-503-orif
12	applicable;asprovidedin15-23-515;15-23-516;or
13	±5-23-5±7-
14	(b)Propertiesin15-6-1327underclasstwo;are
15	assessed-at-100%-of-the-annual-gross-proceeds;
16	te)Properties-in15-6-1337underclassthree7are
17	assessedat100%ofthe-productive-capacity-of-the-lands
18	when-valued-for-agricultural-purposesAll-landsthatmeet
19	thequalificationsof15-7-202-are-valued-as-agricultural
20	lands-for-tax-purposes.
21	<del>(d)</del> Beginning-January-17-19907-and-ending-Becember317
22	19937properties-in-15-6-1437-under-class-ten7-are-assessed
23	at-100%-of-the-combinedappraisedvalueofthestanding
24	timberandgrazing-productivity-of-the-land-when-valued-as
25	timberland Portaxyears1994and19957propertiesin

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1	15-6-1347underclassfour7areassessedbased-upon-an
2	adjusted-value-as-provided-in-{section-5}-
3	{e}Beginning-January-17-19947-properties-in15-6-1437
4	underclassten;areassessedat100%oftheforest
5	productivity-value-of-the-land-when-valued-as-forest-land;
6	<pre>{7}bandandtheimprovementsontheland- are</pre>
7	separately-assessed-when-anyofthefollowingconditions
8	occur:
9	<pre>(a)ownershipoftheimprovementsis-different-from</pre>
10	ownership-of-the-land;
11	(b)the-taxpayer-makes-a-written-request;-or
12	(c)the-land-is-outside-an-incorporated-cityortown-
13	(Subsection+6)+d)-terminates-January-17-1994sec197-Ch-
14	7837-b1991.;"
15	<u>NEW-SECTION:Section-5Phasein-oftaxablevalueof</u>
16	land{l}An-increase-in-the-appraised-value-of-class-four
17	property-in-1993-resulting-from-the-reappraisalcyclemust
18	be-phased-in-beginning-January-17-19947-as-follows:
19	ta)Forthetaxyearbeginning-January-17-19947-and
20	ending-Becember-317-19947-the-assessed-value-of-the-property
21	must-be-increased-from-the-January-1719927valueofthe
22	property-by-one-third-of-the-difference-between-the-assessed
23	value-onJanuary17-19927-and-the-1993-appraisal-value-of
24	the-property-
25	

25 (b)--For-the-tax-year-beginning--January--17--19957--and

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1	ending-December-317-19957-the-assessed-value-of-the-property
2	mustbeincreasedfromthe-January-17-19927-value-of-the
З	propertybytwo-thirdsofthedifferencebetweenthe
4	assessedvalueonJanuary-17-19927-and-the-1993-appraisal
5	value-of-the-property.
6	{c}For-the-tax-year-beginningJanuary1719967and
7	ending-Becember-317-19967-the-assessed-value-of-the-property
8	is-the-1993-appraisal-value-of-the-property-
9	(2)Iftheappraisedvalueof-property-decreased-in
10	1993-because-of-the-reappraisal-cycle;-thedecreasedvalue
11	istheassessed-value-effective-for-the-tax-year-beginning
12	after-Becember-317-1992.
13	NEW SECTION. Section 4. Effective Talle DATES. TTHIS
14	act]-is (1) [SECTIONS 1 AND 3 AND THIS SECTION] ARE
15	effective on passage and approval.
16	(2) [SECTION 2] IS EFFECTIVE JANUARY 1, 1994.
17	<u>NEW-SECTIONSection-7Termination{Sections4-and</u>
18	5 <del>]</del> -terminate-January-17-1997-

-End-

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Montana Legislative Council

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53rd Legislature Special Session 11/93

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SENATE BILL NO. 25 1 2 INTRODUCED BY VAN VALKENBURG, SWANSON, KENNEDY, FRANKLIN, 3 BARDANOUVE, J. JOHNSON, TOOLE, LARSON, TUSS, BARNHART, 4 HALLIGAN, BIANCHI, YELLOWTAIL, BARTLETT, WELDON, REA, 5 KADAS, BLAYLOCK, CHRISTIAENS, BOHLINGER, MENAHAN, 6 WATERMAN, EWER, FAGG, REAM, RYAN, ECK, JACOBSON, 7 WHALEN, SCHYE, KLAMPE, ENDY, TOWE, ELLIOTT, BROOKE, 8 S. HANSEN, DOHERTY, JERGESON 9 A BILL FOR AN ACT ENTITLED: "AN ACT ADDRESSING IMMEDIATE 10 11 CONCERNS OF THE GOVERNOR'S TAX ADVISORY COUNCIL FOR PROPERTY 12 OWNERSHIP: INCREASING THE INCOME LEVELS UNDER THE LOW-INCOME 13 PROPERTY TAX EXEMPTION PROGRAM; ALLOWING AN EXTENSION OF 14 TIME FOR APPLICATION FOR THE 1993 PROPERTY TAX EXEMPTION 15 PROGRAM; PROVIDING--THAT--POR--TAX-YEARS-1994-AND-19957-THE INCREASE-IN-1993-VALUES--OP--CLASS--POUR--PROPERTY--WILL--BE 16 17 PHASED--IN; AMENDING SECTIONS 15-6-134; AND 15-6-151, AND 18 15-8-1117 MCA; AND PROVIDING AN-IMMEDIATE EFFECTIVE BATE-AND 19 A-TERMINATION-BATE DATES." 20 21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Short Title. [This act] may be

\*15-6-134. Class four property -- description --

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

cited as the "Montana Homeowners Equity Act of 1993".

THERE ARE NO CHANGES IN THIS BILL AND WILL NOT BE REPRINTED. PLEASE REFER TO YELLOW COPY FOR COMPLETE TEXT.

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