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House BILL NO. 156

INTRODUCED BY

Cobb

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT PERSONAL PROPERTY THAT HAS BEEN DEPRECIATED TO HAVE A SALVAGE VALUE OF LESS THAN \$1,000 IS CONSIDERED TO HAVE NO MARKET VALUE FOR PROPERTY TAX PURPOSES; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. 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 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 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 shall prepare valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

(3) The department 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

1 prepare a supplemental manual in which the values reflect the same depreciation as those found in the
2 official guide; and

3 (c) properties in 15-6-138, under class eight, that when acquired by the taxpayer had a market
4 value in excess of \$1,000 are considered to have no market value for property tax purposes when the
5 properties have depreciated to a salvage value of less than \$1,000 according to rules adopted by the
6 department; and

7 ~~(e)~~(d) as otherwise authorized in Title 15 and Title 61.

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

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

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

12 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
13 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
14 15-23-516, or 15-23-517.

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

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

19 (d) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value
20 of the land when valued as forest land.

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

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

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

25 (c) the land is outside an incorporated city or town."

26

27 **NEW SECTION. Section 2. Applicability.** [This act] applies to tax years beginning after December
28 31, 1995.

29

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0156, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act to provide that personal property that has been depreciated to have a salvage value of less than \$1,000 is considered to have no market value for property tax purposes; and providing an applicability date.

ASSUMPTIONS:

1. This proposal would be effective for the tax year beginning January 1, 1996.

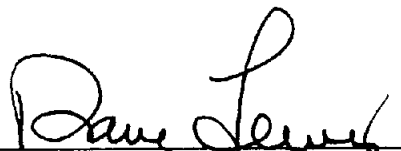
FISCAL IMPACT:

Expenditures:

There would be administrative expenses associated with this proposal, but the department does not have the data necessary to estimate the extent of these expenses.

Revenues:

This proposal would reduce property tax revenues. Due to the technical intricacies of the proposal, the department does not have the data necessary to estimate the extent of revenue loss.

 1-18-95

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

JOHN COBB, PRIMARY SPONSOR DATE
Fiscal Note for HB0156, as introduced

HB 156