

1  
2 INTRODUCED BY Cobb House BILL NO. 181  
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX RELIEF FOR LOW- TO  
5 MODERATE-INCOME HOUSEHOLDS; INCREASING THE MARKET VALUE OF CLASS FOUR PROPERTY  
6 THAT IS ELIGIBLE FOR A REDUCED TAX RATE; REVISING THE INCOME LIMITATIONS FOR TAXATION  
7 OF CLASS FOUR PROPERTY; PROVIDING A TEMPORARY DEADLINE FOR APPLICATION FOR  
8 CLASSIFICATION OF CLASS FOUR PROPERTY; AMENDING SECTIONS 15-6-134, 15-6-151, AND  
9 15-7-102, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
10 APPLICABILITY DATE."

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13  
14 **Section 1.** Section 15-6-134, MCA, is amended to read:

15 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property  
16 includes:

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

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

20 (c) the first ~~\$80,000~~ \$100,000 or less of the market value of any improvement on real property,  
21 including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract  
22 for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any  
23 person whose total income from all sources, including net business income and otherwise tax-exempt  
24 income of all types but not including social security income paid directly to a nursing home, is not more  
25 than ~~\$10,000~~ \$16,000 for a single person or ~~\$12,000~~ \$20,000 for a married couple or a head of  
26 household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (c), net  
27 business income is gross income less ordinary operating expenses but before deducting depreciation or  
28 depletion allowance, or both.

29 (d) all golf courses, including land and improvements actually and necessarily used for that  
30 purpose, that consist of at least ~~8~~ nine holes and not less than 3,000 lineal yards; and

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

4 (2) Class four property is taxed as follows:

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

| 9  | Income                 | Income                 | Percentage |
|----|------------------------|------------------------|------------|
| 10 | Single Person          | Married Couple         | Multiplier |
| 11 | Head of Household      |                        |            |
| 12 | \$ 0 - \$ 1,000        | \$ 0 - \$ 1,200        | 0%         |
| 13 | <u>\$ 0 - \$ 1,600</u> | <u>\$ 0 - \$ 2,000</u> |            |
| 14 | 1,001 - 2,000          | 1,201 - 2,400          | 10%        |
| 15 | <u>1,601 - 3,200</u>   | <u>2,001 - 4,000</u>   |            |
| 16 | 2,001 - 3,000          | 2,401 - 3,600          | 20%        |
| 17 | <u>3,201 - 4,800</u>   | <u>4,001 - 6,000</u>   |            |
| 18 | 3,001 - 4,000          | 3,601 - 4,800          | 30%        |
| 19 | <u>4,801 - 6,400</u>   | <u>6,001 - 8,000</u>   |            |
| 20 | 4,001 - 5,000          | 4,801 - 6,000          | 40%        |
| 21 | <u>6,401 - 8,000</u>   | <u>8,001 - 10,000</u>  |            |
| 22 | 5,001 - 6,000          | 6,001 - 7,200          | 50%        |
| 23 | <u>8,001 - 9,600</u>   | <u>10,001 - 12,000</u> |            |
| 24 | 6,001 - 7,000          | 7,201 - 8,400          | 60%        |
| 25 | <u>9,601 - 11,200</u>  | <u>12,001 - 14,000</u> |            |
| 26 | 7,001 - 8,000          | 8,401 - 9,600          | 70%        |
| 27 | <u>11,201 - 12,800</u> | <u>14,001 - 16,000</u> |            |
| 28 | 8,001 - 9,000          | 9,601 - 10,800         | 80%        |
| 29 | <u>12,801 - 14,400</u> | <u>16,001 - 18,000</u> |            |
| 30 | 9,001 - 10,000         | 10,801 - 12,000        | 90%        |

1                   14,401 - 16,000

1                   18,001 - 20,000

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

4                   (A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of  
5                   the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter  
6                   of ~~1986~~ 1994; and

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

8                   (iii) "PCE" means the implicit price deflator for personal consumption expenditures as published  
9                   quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of  
10                   commerce.

11                   (c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate  
12                   established in subsection (2)(a).

13                   ~~(3) After July 1, 1986, an adjustment may not be made by the department to the taxable  
14                   percentage rate for class four property until a revaluation has been made as provided in 15-7-111.~~

15                   ~~(4)(3) Within the meaning of comparable property as defined in 15-1-101, property assessed as  
16                   commercial property is comparable only to other property assessed as commercial property, and property  
17                   assessed as other than commercial property is comparable only to other property assessed as other than  
18                   commercial property."~~

19

20                   **Section 2.** Section 15-6-151, MCA, is amended to read:

21                   **"15-6-151. Application for certain class four classifications.** (1) A person applying for classification  
22                   of property described in subsection (1)(c) of 15-6-134 shall make an affidavit to the department of revenue,  
23                   on a form provided by the department without cost, stating:

24                   (a) ~~his~~ the applicant's income;

25                   (b) the fact that ~~he~~ the applicant maintains the land and improvements as his primary residential  
26                   dwelling, ~~where~~ when applicable; and

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

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

1      eligibility. The department may inquire by mail whether any change in eligibility has taken place and may  
2      require a new statement of eligibility at any time it considers necessary.

3      (b) For tax year 1995, application may be made until [45 days after the effective date of this act].

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

9

10        **Section 3.** Section 15-7-102, MCA, is amended to read:

11        **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department shall  
12      mail to each owner or purchaser under contract for deed a notice of the classification of the land owned  
13      or being purchased and the appraisal of the improvements on the land only if one or more of the following  
14      changes pertaining to the land or improvements have been made since the last notice:

15                ~~(a)~~(i) change in ownership;

16                ~~(b)~~(ii) change in classification;

17                ~~(c)~~(iii) change in valuation; or

18                ~~(d)~~(iv) addition or subtraction of personal property affixed to the land.

19                (b) When the notice required in subsection (1)(a) is mailed, information must be included informing  
20      the taxpayer that the taxpayer may be eligible for a reduced property tax rate under 15-6-134(2)(b).

21                (2) (a) The department shall assign each assessment to the correct owner or purchaser under  
22      contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the  
23      department, containing sufficient information in a comprehensible manner designed to fully inform the  
24      taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

25                (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an  
26      appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided  
27      in 15-1-402.

28                (3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the  
29      market value of the property as determined by the department or with the classification of the land or  
30      improvements, the owner may request an assessment review by submitting an objection in writing to the

1 department, on forms provided by the department for that purpose, within 15 days after receiving the  
2 notice of classification and appraisal from the department. The review must be conducted informally and  
3 is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part  
4 of the review, the department may consider the actual selling price of the property, independent appraisals  
5 of the property, and other relevant information presented by the taxpayer in support of the taxpayer's  
6 opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer  
7 of the time and place of the review. After the review, the department shall determine the ~~true and~~ correct  
8 appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the  
9 notification, the department shall state its reasons for revising the classification or appraisal. When the  
10 proper appraisal and classification have been determined, the land must be classified and the improvements  
11 appraised in the manner ordered by the department.

12 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust  
13 an appraisal or classification upon the taxpayer's objection unless:

14 (a) the taxpayer has submitted an objection in writing; and  
15 (b) the department has stated its reason in writing for making the adjustment.

16 (5) A taxpayer's written objection to a classification or appraisal and the department's notification  
17 to the taxpayer of its determination and the reason for that determination are public records. The  
18 department shall make the records available for inspection during regular office hours.

19 (6) If any property owner feels aggrieved by the classification or appraisal made by the department  
20 after the review provided for in subsection (3), the property owner has the right to first appeal to the  
21 county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right  
22 of review in the courts. The appeal to the county tax appeal board must be filed within 15 days after notice  
23 of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax  
24 appeal board may consider the actual selling price of the property, independent appraisals of the property,  
25 and other relevant information presented by the taxpayer as evidence of the market value of the property.  
26 If the county tax appeal board or the state tax appeal board determines that an adjustment should be made,  
27 the department shall adjust the base value of the property in accordance with the board's order."

28  
29 **NEW SECTION. Section 4. Effective date -- retroactive applicability.** [This act] is effective on  
30 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after

1      December 31, 1994.

2

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0181, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising property tax relief for low- to moderate-income households; increasing the market value of class four property that is eligible for a reduced tax rate; revising the income limitations for taxation of class four property; providing a temporary deadline for application for classification of class four property; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. This proposal is effective beginning with tax year 1995, with applications for relief allowed to within 45 days after the effective date of the bill.
2. Based on 1990 Census Bureau data, a total of 42,396 households are eligible for the current law low-income abatement program. Under the proposal a total of 64,314 households would be eligible for the program.
3. Under current law, the department estimates that there will be 9,695 applications receiving the low-income property tax abatement (utilization rate of 23%), with an average tax savings of \$222, for a total revenue loss of \$2,152,290.
4. Under the proposal, the department estimates that there will be 16,079 applications receiving the low-income property tax abatement (utilization rate of 25%), with an average tax savings of \$250, for a total revenue loss of \$4,019,750.
5. The additional revenue loss from this proposal is estimated to be \$1,867,460 annually. Revenue losses are distributed 1.5% to universities; 23.6% to the school equalization account; 20% to counties; 41.6% to local schools; and 13.2% to cities and towns (DOR).
6. Retroactive applicability increases administrative expenses by \$11,500 in FY95; the additional qualifying households are estimated to increase administrative expenses by \$3,365 in FY96 and each fiscal year thereafter.

FISCAL IMPACT:

Expenditures: (Department of Revenue)

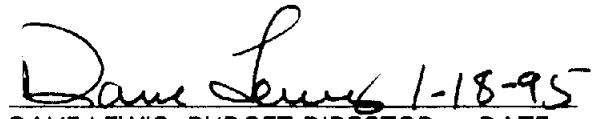
There is a one-time administrative expense impact of \$11,500 in FY95. Administrative expenses are increased \$3,365 in FY96 and each year thereafter.

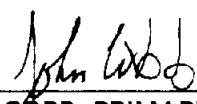
Revenues:

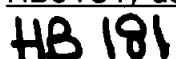
Revenues are reduced an estimated \$27,875 to universities and \$441,356 to the school equalization account in both FY96 and FY97.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Revenues are reduced by \$374,050 for county governments, \$777,777 for local schools, and \$246,403 for cities and towns under this proposal in both FY96 and FY97.

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

  
JOHN COBB, PRIMARY SPONSOR DATE  
Fiscal Note for HB0181, as introduced

  
HB 181