House BILL NO. 471

INTRODUCED BY Grilla Hurdle HEAVY RUNNER Swanson W Ryan Ewer Harper Pease

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM PROPERTY TAX THE FIRST $25,000 OR LESS OF CLASS EIGHT PROPERTY; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Except as provided in subsection (5), ~~Class~~ class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, 1995;

(b) 8% of its market value for tax year 1996;

(c) 7% of its market value for tax year 1997; and

(d) 6% of its market value for tax years beginning after December 31, 1997.

(5) The first $25,000 or less of market value of class eight property is exempt from property tax."

Section 2. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land they occupy and furnishings in the buildings, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) property owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, the mentally ill, or the vocationally handicapped as defined in 18-5-101 and that is not operated for gain or profit and property owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) the first ~~$15,000~~ $25,000 or less of market value of ~~tools owned by the taxpayer that are customarily hand-held and that are used to:~~

~~(i) construct, repair, and maintain improvements to real property; or~~

~~(ii) repair and maintain machinery, equipment, appliances, or other personal~~ class eight property as provided in 15-6-138;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers and semitrailers that have a licensed gross weight of 26,000 pounds or more or that are registered through a proportional registration agreement under 61-3-721. For purposes of this subsection (1)(v), the terms "trailer" and "semitrailer" mean a vehicle with or without motive power that is:

(i) designed and used only for carrying property;

(ii) designed and used to be drawn by a motor vehicle; and

(iii) either constructed so that no part of its weight rests upon the towing vehicle or constructed so that some part of its weight and the weight of its load rests upon or is carried by another vehicle.

(w) all vehicles registered under 61-3-456.

(2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity" includes any organization that meets the following requirements:

(i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(ii) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

<u>NEW SECTION.</u> **Section 3. Effective date.** [This act] is effective July 1, 1997.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0471, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act exempting from property tax the first $25,000 or less of class eight property and providing an effective date.

ASSUMPTIONS:
1. The proposal is effective July 1, 1997. The $25,000 exemption would not be implemented until January 1, 1998.
2. The taxable valuation rate for personal property will be 6% in 1998 and future years.
3. The loss in taxable value due to exempting the first $25,000 market value personal property would be $41.5 million in tax year 1998 and tax year 1999.
4. The loss in taxable value due to exempting the first $25,000 market value of personal property on which the 9 mill state assumption of welfare is levied is $12.5 million in tax years 1998 and 1999.
5. The loss in taxable value due to exempting the first $25,000 market value of personal property on which the 1.5 vo-tech mill is levied is $10.4 million in tax years 1998 and 1999.
7. Thirty eight percent of personal property taxes are paid in FY98 and 62% in FY99 for tax year 1998 assessments. Thirty eight percent of personal property taxes are paid in FY99 for tax year 1999 assessments.
8. The estimated taxable value loss under this proposal is determined by exempting the first $25,000 of market value per assessment code of class 8 property that had a taxable valuation rate of 9% in 1995 and that did not already receive an exemption such as that received by handheld tools. The estimates are understated by the removal of property receiving local option abatements and overstated by not having included handheld tools.
9. The decrease in market value and the corresponding decrease in taxable value for class 8 property under the proposal would increase the costs of SB417 personal property reimbursements.
10. The current computer system assigns taxable value by classification code. It does not have the capability to roll-up all market value of class 8 property, exempt the first $25,000 and then assign a taxable value corresponding to the remaining market value. **The cost to redesign the CAMAS, BEVS and MODS systems and keep the assessment process automated is $4.047 million which has been requested in HB188.**

FISCAL IMPACT:

Expenditures: (General Fund)

	FY98 Difference	FY99 Difference
Computer System Redesign	4,047,000	0

Revenues:

	FY98 Difference	FY99 Difference
101 Mills	(1,593,000)	(4,193,000)
9 Mill Assumption	(43,000)	(112,000)
1.5 Vo-tech	(6,000)	(16,000)
Total	(1,642,000)	(4,321,000)

(Fiscal Impact - continued page 2)

Dave Lewis 2-12-97

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

KIM GILLAN, PRIMARY SPONSOR DATE

HB471

FISCAL IMPACT:

Revenues: (continued)

Under SB417, reimbursements to taxing jurisdictions that experience an increase in in class 8 market value, relative to the 1995 level, are to be reduced relative to what they would be in the absence of any growth. To the extent that the loss in market value of class 8 property under the proposal offsets an increase in market value due to growth, the reimbursement to a taxing jurisdiction would be increased. Thus the cost of the SB417 reimbursement program would increase. The extent of this is not known.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There could be losses to local governments in FY98 and FY99 to the extent that they could not adjust their mill levies to make up for the loss in taxable value due to the proposal.

TECHNICAL NOTES:

The July 1, 1997 effective date is unclear. Most class 8 property is assessed as of January 1 of the year of assessment. Therefore, this exemption to market value under the proposal would not be implemented until tax year 1998.

The bill does not provide a method for administering the exemption. Since different classification codes within class 8 property have different taxable valuation rates; it is not clear to which classification code the exemption of the first $25,000 of market value should go first.

MOTION TO TAKE FROM TABLE,
PRINT & PLACE ON 2ND READING

COMMITTEE ON TAXATION

House BILL NO. 471

INTRODUCED BY Gillan Hurdle HEAVY RUNNER
Swanson W Ryan Ewer Harper Pease

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM PROPERTY TAX THE FIRST $25,000 OR LESS OF CLASS EIGHT PROPERTY; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Except as provided in subsection (5), ~~Class~~ class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, 1995;

(b) 8% of its market value for tax year 1996;

(c) 7% of its market value for tax year 1997; and

(d) 6% of its market value for tax years beginning after December 31, 1997.

(5) The first $25,000 or less of market value of class eight property is exempt from property tax."

Section 2. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land they occupy and furnishings in the buildings, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) property owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, the mentally ill, or the vocationally handicapped as defined in 18-5-101 and that is not operated for gain or profit and property owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) the first ~~$15,000~~ $25,000 or less of market value of ~~tools owned by the taxpayer that are customarily hand-held and that are used to:~~

~~(i) construct, repair, and maintain improvements to real property; or~~

~~(ii) repair and maintain machinery, equipment, appliances, or other personal~~ class eight property as provided in 15-6-138;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers and semitrailers that have a licensed gross weight of 26,000 pounds or more or that are registered through a proportional registration agreement under 61-3-721. For purposes of this subsection (1)(v), the terms "trailer" and "semitrailer" mean a vehicle with or without motive power that is:

(i) designed and used only for carrying property;

(ii) designed and used to be drawn by a motor vehicle; and

(iii) either constructed so that no part of its weight rests upon the towing vehicle or constructed so that some part of its weight and the weight of its load rests upon or is carried by another vehicle.

(w) all vehicles registered under 61-3-456.

(2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity" includes any organization that meets the following requirements:

(i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(ii) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 1997.

-END-

HOUSE BILL NO. 471

INTRODUCED BY GILLAN, HURDLE, HEAVY RUNNER, SWANSON, RYAN, EWER, HARPER, PEASE

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM PROPERTY TAX THE FIRST ~~$25,000~~ $10,000 OR LESS OF CLASS EIGHT PROPERTY; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE, AN APPLICABILITY DATE, AND A CONTINGENT VOIDNESS PROVISION."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"**15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R) ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(c) all manufacturing machinery, fixtures, equipment, tools THAT ARE NOT EXEMPT UNDER 15-6-201(1)(R) ~~that are not exempt under 15-6-201(1)(r)~~, and supplies except those included in class five;

(d) all trailers and semitrailers, including those prorated under 15-24-102, except those subject to taxation under 61-3-504(2) or exempt under 15-6-201(1)(v);

(e) all goods and equipment intended for rent or lease, except goods and equipment specifically included and taxed in another class;

(f) buses and trucks having a rated capacity of more than 1 ton, including those prorated under 15-24-102;

(g) truck toppers weighing more than 300 pounds;

(h) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(i) x-ray and medical and dental equipment;

(j) citizens' band radios and mobile telephones;

(k) radio and television broadcasting and transmitting equipment;

(l) cable television systems;

(m) coal and ore haulers;

(n) theater projectors and sound equipment; and

(o) all other property not included in any other class in this part, except that property subject to a fee in lieu of a property tax.

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

(3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(4) Except as provided in subsection (5), ~~Class~~ class eight property is taxed at:

(a) 9% of its market value for tax years ending on or before December 31, 1995;

(b) 8% of its market value for tax year 1996;

(c) 7% of its market value for tax year 1997; and

(d) 6% of its market value for tax years beginning after December 31, 1997.

(5) The first ~~$25,000~~ $10,000 or less of THE NONEXEMPT market value of class eight property is exempt from property tax AS PROVIDED IN 15-6-201(1)(X)."

Section 2. Section 15-6-201, MCA, is amended to read:

"**15-6-201. Exempt categories.** (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land they occupy and furnishings in the buildings, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) property owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. This property is also exempt from taxation under 61-3-504(2) and 61-3-537.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes, travel trailers, and campers;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, the mentally ill, or the vocationally handicapped as defined in 18-5-101 and that is not operated for gain or profit and property owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

(q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and not held or used for private or corporate gain or profit. For purposes of this subsection (q), "nonprofit corporation" means an organization exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.

(r) the first ~~$15,000~~ ~~$25,000~~ $15,000 or less of market value of ~~tools owned by the taxpayer that are customarily hand-held and that are used to:~~

~~(i) construct, repair, and maintain improvements to real property; or~~

~~(ii) repair and maintain machinery, equipment, appliances, or other personal~~ ~~class eight~~ ~~property~~ as ~~provided in 15-6-138~~ TOOLS OWNED BY THE TAXPAYER THAT ARE CUSTOMARILY HAND-HELD AND THAT ARE USED TO:

(I) CONSTRUCT, REPAIR, AND MAINTAIN IMPROVEMENTS TO REAL PROPERTY; OR

(II) REPAIR AND MAINTAIN MACHINERY, EQUIPMENT, APPLIANCES, OR OTHER PERSONAL PROPERTY;

(s) harness, saddlery, and other tack equipment;

(t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in 33-25-105;

(u) timber as defined in 15-44-102;

(v) all trailers and semitrailers that have a licensed gross weight of 26,000 pounds or more or that are registered through a proportional registration agreement under 61-3-721. For purposes of this subsection (1)(v), the terms "trailer" and "semitrailer" mean a vehicle with or without motive power that is:

(i) designed and used only for carrying property;

(ii) designed and used to be drawn by a motor vehicle; and

(iii) either constructed so that no part of its weight rests upon the towing vehicle or constructed so that some part of its weight and the weight of its load rests upon or is carried by another vehicle.

(w) all vehicles registered under 61-3-456;

(X) AFTER THE EXEMPTION OF ALL PROPERTY ALLOWED UNDER THIS SECTION, AN ADDITIONAL $10,000 OF MARKET VALUE OF CLASS EIGHT PROPERTY UNDER 15-6-138.

(2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity" includes any organization that meets the following requirements:

(i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(ii) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:

(i) actually used by the governmental entity or nonprofit organization as a part of its public display;

(ii) held for future display; or

(iii) used to house or store a public display.

(3) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $20,000 in the case of a single-family residential dwelling;

(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

NEW SECTION. **SECTION 3. CONTINGENT VOIDNESS.** IN ORDER TO MAINTAIN A BALANCED BUDGET, BECAUSE [THIS ACT] REDUCES REVENUE, IT MAY NOT BE TRANSMITTED TO THE GOVERNOR UNLESS A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS CONTAINED IN HOUSE BILL NO. 2. IF A CORRESPONDING IDENTIFIED REDUCTION IN SPENDING IS NOT CONTAINED IN HOUSE BILL NO. 2, [THIS ACT] IS VOID.

NEW SECTION. **Section 4. Effective date -- APPLICABILITY.** [This act] is effective July 1, 1997, AND APPLIES TO TAX YEARS BEGINNING AFTER DECEMBER 31, 1997.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0471, third reading

DESCRIPTION OF PROPOSED LEGISLATION:
An act exempting from property tax the first $10,000 or less of class eight property and providing an effective date, an applicability date, and a contingent voidness provision.

ASSUMPTIONS:
1. The proposal will be applicable to tax years beginning January 1, 1998.
2. The taxable valuation rate for personal property will be 6% in 1998 and future years.
3. The loss in taxable value due to exempting the first $10,000 market value of personal property would be $23.8 million in tax year 1998 and tax year 1999.
4. The loss in taxable value due to exempting the first $10,000 market value of personal property on which the 9 mill state assumption of welfare is levied is $7.9 million in tax years 1998 and 1999.
5. The loss in taxable value due to exempting the first $10,000 market value of personal property on which the 1.5 vo-tech mill is levied is $6.4 million in tax years 1998 and 1999.
7. Thirty eight percent of personal property taxes are paid in FY98 and 62% in FY99 for tax year 1998 assessments. Thirty eight percent of personal property taxes are paid in FY99 for tax year 1999 assessments.
8. The estimated taxable value loss under this proposal is determined by exempting the first $10,000 of market value per location per assessment code of class 8 property that had a taxable valuation rate of 9% in 1995 and that did not already receive an exemption such as that received by handheld tools. The estimates are understated by the removal of property receiving local option abatements and handheld tools over $15,000 market value.
9. The decrease in market value and the corresponding decrease in taxable value for class 8 property under the proposal would increase the costs of SB417 personal property reimbursements.
10. It will take 2,080 programming hours at $43.87 per hour to modify the current personal property system (BEVS) to implement this proposal, $8,000 in computer processing costs in FY98 and $6,200 in computer costs in FY99. The total cost for this modification will be $99,250 in FY98 and $6,200 in FY99.
11. Modifications to DOR computer systems will be necessary to calculate SB417 personal property reimbursement. This modification will require; 240 hours of programing at $43.87 per hour (total $10,500) in and $10,000 in computer processing expenses in. In addition, modifications at the county level will be $40,000 for computer programming and processing, two FTE grade 7 for 6 months each (total $19,116), and $4,560 in equipment costs. These costs will be incurred in FY98.

FISCAL IMPACT:

Expenditures: (General Fund)	FY98 Difference	FY99 Difference
Personnel Services	$ 140,866	$ 0
Operating Expenses	58,000	6,200
Equipment Expenses	4,560	0
Total	$ 183,426	$ 6,200

Revenues:	FY98 Difference	FY99 Difference
101 Mills	(915,000)	(2,408,000)
9 Mill Assumption	(27,000)	(71,000)
1.5 Vo-tech	(4,000)	(10,000)
Total	(946,000)	(2,489,000)

(continued)

Dave Lewis 4-4-97

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

KIM GILLAN, PRIMARY SPONSOR DATE

HB 471 #2

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
There could be losses to local governments in FY98 and FY99 to the extent that they could not adjust their mill levies to make up for the loss in taxable value due to the proposal.

TECHNICAL NOTES:
The bill does not provide for a precise method of administering the exemption. Not all class 8 property is taxed at a uniform rate of taxation. Various class 8 properties that receive a local option abatement under MCA, 15-24-1401 and 1402 may be taxed at several different taxable valuation rates, depending on the length of time the property has been receiving the abatement. Since different classification codes within class 8 property have different taxable valuation rates, it is not clear to which classification code the exemption of the first $10,000 of market value should go first. In this analysis, the exemption wwas given first to those class codes which are taxed at the highest class 8 taxable valuation rate.

The exemption of $10,000 of market value is not specific as to how many times the same taxpayer can qualify. For purposes of the fiscal note a "business" is given a $10,000 exemption for every county in which it is located; similarly,a taxpayer is given a $10,000 tax exemption for each business.

The proposal contains a contingent voidness provision. Therefore, it cannot take effect unless specific reductions are made to HB 2 of an equal and offsetting amount.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0471, third reading, revised

DESCRIPTION OF PROPOSED LEGISLATION:
An act exempting from property tax the first $10,000 or less of class eight property and providing an effective date, an applicability date, and a contingent voidness provision.

ASSUMPTIONS:
1. The proposal will be applicable to tax years beginning January 1, 1998.
2. The taxable valuation rate for personal property will be 6% in 1998 and future years.
3. The loss in taxable value due to exempting the first $10,000 market value of personal property would be $23.8 million in tax year 1998 and tax year 1999.
4. The loss in taxable value due to exempting the first $10,000 market value of personal property on which the 9 mill state assumption of welfare is levied is $7.9 million in tax years 1998 and 1999.
5. The loss in taxable value due to exempting the first $10,000 market value of personal property on which the 1.5 vo-tech mill is levied is $6.4 million in tax years 1998 and 1999.
7. Thirty eight percent of personal property taxes are paid in FY98 and 62% in FY99 for tax year 1998 assessments. Thirty eight percent of personal property taxes are paid in FY99 for tax year 1999 assessments.
8. The estimated taxable value loss under this proposal is determined by exempting the first $10,000 of market value per location per assessment code of class 8 property that had a taxable valuation rate of 9% in 1995 and that did not already receive an exemption such as that received by handheld tools. The estimates are understated by the removal of property receiving local option abatements and handheld tools over $15,000 market value.
9. The decrease in market value and the corresponding decrease in taxable value for class 8 property under the proposal would increase the costs of SB417 personal property reimbursements.
10. It will take 2,080 contract programming hours at $43.87 per hour to modify the current personal property system (BEVS) to implement this proposal, $8,000 in computer processing costs in FY98 and $6,200 in computer costs in FY99. The total cost for this modification will be $99,250 in FY98 and $6,200 in FY99.
11. Modifications to DOR computer systems will be necessary to calculate SB417 personal property reimbursement. This modification will require; 240 hours of contract programing at $43.87 per hour (total $10,500) and $10,000 in computer processing expenses. In addition, modifications at the county level will be $40,000 for computer programming and processing, two FTE grade 7 for 6 months each (total $19,116), and $4,560 in equipment costs. These costs will be incurred in FY98.

FISCAL IMPACT:

Expenditures: (General Fund)	FY98 Difference	FY99 Difference
FTE	1.00	0.00
Personnel Services	$ 120,866	$ 0
Operating Expenses	58,000	6,200
Equipment Expenses	4,560	0
Total	$ 183,426	$ 6,200

Revenues:	FY98 Difference	FY99 Difference
101 Mills	(915,000)	(2,408,000)
9 Mill Assumption	(27,000)	(71,000)
1.5 Vo-tech	(4,000)	(10,000)
Total	(946,000)	(2,489,000)

(continued)

Dave Lewis 4-14-97

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

KIM GILLAN, PRIMARY SPONSOR DATE

HB 471 # 3

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
There could be losses to local governments in FY98 and FY99 to the extent that they could not adjust their mill levies to make up for the loss in taxable value due to the proposal.

TECHNICAL NOTES:
The bill does not provide for a precise method of administering the exemption. Not all class 8 property is taxed at a uniform rate of taxation. Various class 8 properties that receive a local option abatement under MCA, 15-24-1401 and 1402 may be taxed at several different taxable valuation rates, depending on the length of time the property has been receiving the abatement. Since different classification codes within class 8 property have different taxable valuation rates, it is not clear to which classification code the exemption of the first $10,000 of market value should go first. In this analysis, the exemption wwas given first to those class codes which are taxed at the highest class 8 taxable valuation rate.

The exemption of $10,000 of market value is not specific as to how many times the same taxpayer can qualify. For purposes of the fiscal note a "business" is given a $10,000 exemption for every county in which it is located; similarly,a taxpayer is given a $10,000 tax exemption for each business.

The proposal contains a contingent voidness provision. Therefore, it cannot take effect unless specific reductions are made to HB 2 of an equal and offsetting amount.

APPROVED BY COM
ON TAXATION

HOUSE BILL NO. 471

INTRODUCED BY GILLAN, HURDLE, HEAVY RUNNER, SWANSON, RYAN, EWER, HARPER, PEASE

A BILL FOR AN ACT ENTITLED: "AN ACT EXEMPTING FROM PROPERTY TAX THE FIRST ~~$25,000~~ $10,000 OR LESS OF CLASS EIGHT PROPERTY; AMENDING SECTIONS 15-6-138 AND 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE, AN APPLICABILITY DATE, AND A CONTINGENT VOIDNESS PROVISION."

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

THERE ARE NO CHANGES IN THIS BILL AND IT WILL NOT BE REPRINTED. PLEASE REFER TO THIRD READING COPY (BLUE) FOR COMPLETE TEXT.