House BILL NO. 589

INTRODUCED BY Ream, Harper, Carey, Roe, Swanson, Billings, ...

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE PROPERTY TAX RATE ON CLASS FOUR PROPERTY FROM 3.86 PERCENT TO 2.78 PERCENT; CLARIFYING THAT THE TAX RATE ON CLASS THREE PROPERTY IS 3.86 PERCENT OF ITS PRODUCTIVE CAPACITY VALUE; AMENDING SECTIONS 15-6-133 AND 15-6-134, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 15-6-133, MCA, is amended to read:

"**15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property includes:

(a) agricultural land as defined in 15-7-202;

(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:

(i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or <u>that</u> has a separate and independent value for other purposes.

(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which the improvements are located and that is reasonably required for the use of the improvements.

(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.

(c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1). The land may not be devoted to a commercial or industrial purpose.

(2) ~~Class~~ Except as provided in subsection (3), class three property is taxed at ~~the taxable percentage rate applicable to class four property, as provided in 15-6-134(2)(a)~~ 3.86% of its productive capacity value.

(3) The land described in subsection (1)(c) is valued at the productive capacity value of grazing land, at the average grade of grazing land, and the taxable value is computed by multiplying the value by seven times the taxable rate for agricultural land."

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

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

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

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

(c) the first $100,000 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 7 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 $15,000 for a single person or $20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(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 actually and necessarily used for that purpose, that consist of at least 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, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(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%~~ 2.78% of its market value.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at ~~3.86%~~ 2.78% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$ 0 - $ 6,000	$ 0 -$ 8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

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

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

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

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

(3) 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 and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

NEW SECTION. **Section 3. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 1996.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0589, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act reducing the property tax rate on class four property from 3.86 percent to 2.78 percent; clarifying that the tax rate on class three property is 3.86 percent of its productive capacity value; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:
1. Under the proposal, the taxable value of class 4 property (residential and commercial real property) is estimated to be $357,100,000 *less* in FY98 and $369,600,000 *less* in FY99 (MDOR).
2. The proposal will impact the taxable rate applied to class 12 property (railroads and airlines). The degree of the impact cannot be estimated at this time.
3. Under the proposal, the taxable value of those counties applying the 1.5 Vo-Tech mill levy (20-25-439, MCA) is estimated to be $159,600,000 *less* in FY98 and $165,200,000 *less* in FY99 (MDOR).
4. Under the proposal, the taxable value of those counties applying the 9.0 state assumption of welfare mill levy (53-2-801, MCA) is estimated to be $209,500,000 *less* in FY98 and $216,800,000 *less* in FY99 (MDOR).
5. The result of decreasing the total statewide taxable value is estimated to be an *increase* in the general fund requirement for Guaranteed Tax Base(GTB) payments of $10,600,000 in FY98 and of $3,400,000 in FY99 (OBPP).
6. The revenue estimates in HJR 2 include increased property tax revenues due to reappraisal.

FISCAL IMPACT:
General Fund Impact:

	FY98 Difference	FY99 Difference
Increased GTB Payment	$(10,600,000)	$ (3,400,000)
Change in Tax Base		
1.5 Mills	$ (240,000)	$ (250,000)
95 Mills	(33,900,000)	(35,100,000)
General Fund Impact Total	**$(44,740,000)**	**$(38,750,000)**

Other Fund Impacts:

	FY98 Difference	FY99 Difference
6 Mills (Universities)	$ (2,100,000)	$ (2,200,000)
9 Mills (Assumption of Welfare)	(1,900,000)	(2,000,000)
Other Fund Impact Total	**$(4,000,000)**	**$(4,200,000)**

The above impacts offset the increased state revenues resulting from the reappraisal of class 4 property.

Dave Lewis 2-22-97

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

BOB REAM, PRIMARY SPONSOR DATE

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