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House BILL NO. 590

INTRODUCED BY

*S. Hanson* *Keenan*

A BILL FOR AN ACT ENTITLED: "AN ACT ADJUSTING TAX RATES FOR CLASS THREE, FOUR, AND TEN PROPERTY TO COMPENSATE FOR INCREASED VALUATION OF TAXABLE PROPERTY; PROVIDING AN EXEMPTION TO THE PROPERTY TAX LIMITATION FOR TAXING JURISDICTIONS TO INCREASE PROPERTY TAX MILL LEVIES WITH THE APPROVAL OF THEIR ELECTORATE; AMENDING SECTIONS 15-6-133, 15-6-134, 15-6-143, AND 15-10-412, 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 that 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

1 be devoted to a commercial or industrial purpose.

2 (2) Class three property is taxed at ~~the taxable percentage rate applicable to class four property,~~  
3 ~~as provided in 15-6-134(2)(a)~~ 3.645%.

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

7

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

9 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property  
10 includes:

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

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

14 (c) the first \$100,000 or less of the market value of any improvement on real property, including  
15 trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and  
16 actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total  
17 income from all sources, including net business income and otherwise tax-exempt income of all types but  
18 not including social security income paid directly to a nursing home, is not more than \$15,000 for a single  
19 person or \$20,000 for a married couple or a head of household, as adjusted according to subsection  
20 (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary  
21 operating expenses but before deducting depreciation or depletion allowance, or both.

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

24 (e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural  
25 land under 15-7-202, including 1 acre of real property beneath improvements on land described in  
26 15-6-133(1)(c). The 1 acre must be valued at market value.

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

28 (a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a),  
29 (1)(b), and (1)(e) is taxed at ~~3.86%~~ 2.78% of its market value.

30 (b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed

1 at ~~3.86%~~ 2.78% of its market value multiplied by a percentage figure based on income and determined  
2 from the following table:

3 Income	4 Income	5 Percentage
6 Single Person	7 Married Couple	8 Multiplier
9	10 Head of Household	11
12 \$ 0 - \$ 6,000	13 \$ 0 - \$ 8,000	14 20%
15 6,001 - 9,200	16 8,001 - 14,000	17 50%
18 9,201 - 15,000	19 14,001 - 20,000	20 70%

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

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

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

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

30 (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."

24

25 **Section 3.** Section 15-6-143, MCA, is amended to read:

26 **"15-6-143. Class ten property -- description -- taxable percentage -- alternative classification.** (1)

27 Class ten property includes all forest lands as defined in 15-44-102.

28 (2) Class ten property is taxed at the percentage rate "**P**" 0.35% of its forest productivity value.

29 ~~(3) For taxable years beginning January 1, 1994, and thereafter, the taxable percentage rate "**P**"~~  
30 ~~applicable to class ten property is 4%/B, where B is the certified statewide percentage increase to be~~

1 ~~determined by the department of revenue as provided in subsection (4). The taxable percentage rate "P"~~  
 2 ~~must be rounded downward to the nearest 0.01% and must be calculated by the department before July~~  
 3 ~~1, 1994.~~

4 ~~(4) (a) Prior to July 1, 1994, the department shall determine the certified statewide percentage~~  
 5 ~~increase for class ten property using the formula  $B = X/Y$ , where:~~

6 ~~(i) X is the appraised value, as of January 1, 1994, of all property in the state, excluding use~~  
 7 ~~changes occurring during the preceding year, classified under class ten as class ten is described in this~~  
 8 ~~section; and~~

9 ~~(ii) Y is the appraised value, as of January 1, 1993, of all property in the state that would be~~  
 10 ~~classified under class ten as class ten is described in this section as this section reads in 1993.~~

11 ~~(b) B must be rounded downward to the nearest 0.0001%."~~

12

13 **NEW SECTION. Section 4. Voter approval for taxing unit to levy additional mills to compensate**  
 14 **for 1997 revaluation and property tax rate adjustments.** (1) The number of mills levied by a taxing  
 15 jurisdiction may be increased if authorized by the electorate of the taxing jurisdiction as provided in this  
 16 section.

17 (2) (a) If because of the implementation of the 1997 statewide revaluation of property and  
 18 subsequent adjustments of tax rates to compensate for the statewide average increase in property values  
 19 the anticipated property tax revenue of the taxing jurisdiction for tax year 1998 will be less than the  
 20 property tax revenue of the taxing jurisdiction for tax year 1997, the electorate may authorize the levy of  
 21 an additional number of mills, not to exceed the number of mills necessary to raise the same amount of  
 22 property tax revenue raised by the taxing jurisdiction in 1997.

23 (b) If a taxing jurisdiction anticipates that it will raise at least the same amount of property tax  
 24 revenue in tax year 1998 as it raised in tax year 1997, the electorate may authorize the taxing jurisdiction  
 25 to levy an additional number of mills, not to exceed the number of mills that would raise property tax  
 26 revenue equal to the amount that would have been raised by the taxing jurisdiction had the tax rates in  
 27 15-6-133, 15-6-134, and 15-6-143 not been reduced.

28 (3) Unless the ballot measure for approval of the increased millage provides otherwise, an increase  
 29 in the number of mills authorized by this section is not required to be voted upon annually.

30

1           **Section 5.** Section 15-10-412, MCA, is amended to read:

2           **"15-10-412. Property tax limited to 1986 levels -- clarification -- extension to all property classes.**

3 Section 15-10-402 is interpreted and clarified as follows:

4           (1) The limitation to 1986 levels is extended to apply to all classes of property described in Title  
5 15, chapter 6, part 1.

6           (2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise  
7 provided in this section, the actual tax liability for an individual property is capped at the dollar amount due  
8 in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing  
9 unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing  
10 unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in  
11 1986, in which case the actual tax liability for an individual property is capped at the dollar amount due in  
12 that taxing unit for the 1985 tax year.

13           (3) The limitation on the amount of taxes levied does not prohibit a further increase in the total  
14 taxable valuation of a taxing unit as a result of:

- 15           (a) annexation of real property and improvements into a taxing unit;  
16           (b) construction, expansion, or remodeling of improvements;  
17           (c) transfer of property into a taxing unit;  
18           (d) subdivision of real property;  
19           (e) reclassification of property;  
20           (f) increases in the amount of production or the value of production for property described in  
21 15-6-131 or 15-6-132;

22           (g) transfer of property from tax-exempt to taxable status; or

23           (h) revaluations caused by:

24           (i) cyclical reappraisal; or

25           (ii) expansion, addition, replacement, or remodeling of improvements.

26           (4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable  
27 valuation or in the actual tax liability on individual property in each class as a result of:

28           (a) a revaluation caused by:

29           (i) construction, expansion, replacement, or remodeling of improvements that adds value to the  
30 property; or

- 1 (ii) cyclical reappraisal;
- 2 (b) transfer of property into a taxing unit;
- 3 (c) reclassification of property;
- 4 (d) increases in the amount of production or the value of production for property described in
- 5 15-6-131 or 15-6-132;
- 6 (e) annexation of the individual property into a new taxing unit; or
- 7 (f) conversion of the individual property from tax-exempt to taxable status.
- 8 (5) Property in class four is valued according to the procedures used in 1986, including the
- 9 designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed
- 10 and new valuations are placed on the tax rolls and a new base year designated, if the property is:
- 11 (a) new construction;
- 12 (b) expanded, deleted, replaced, or remodeled improvements;
- 13 (c) annexed property; or
- 14 (d) property converted from tax-exempt to taxable status.
- 15 (6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued
- 16 according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on
- 17 1986 mills levied.
- 18 (7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the
- 19 property appraisal and valuation methodology of the department of revenue intact. Determinations of
- 20 county classifications, salaries of local government officers, and all other matters in which total taxable
- 21 valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of
- 22 taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate
- 23 the deficiency in ~~revenues~~ revenue resulting from the tax limitations in 15-10-401 and 15-10-402, while
- 24 understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar
- 25 amount due in each taxing unit for the 1986 tax year unless:
- 26 (a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%
- 27 or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the
- 28 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills
- 29 levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year
- 30 in that taxing unit.

1 (b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or  
2 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year  
3 thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue  
4 raised for that purpose during 1984, 1985, and 1986;

5 (c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills  
6 levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing  
7 unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average  
8 number of mills levied for that purpose during 1984, 1985, and 1986;

9 (d) the electorate of the taxing unit has approved an increase in the number of mills that may be  
10 levied to compensate for 1997 revaluation and tax rate adjustments as provided in [section 4].

11 (8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under  
12 subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills  
13 to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation  
14 is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.

15 (b) When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a)  
16 or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy  
17 additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of  
18 subsection (7)(a) are satisfied.

19 (9) The limitation on the amount of taxes levied does not apply to the following levy or special  
20 assessment categories, whether or not they are based on commitments made before or after approval of  
21 15-10-401 and 15-10-402:

22 (a) rural improvement districts;

23 (b) special improvement districts;

24 (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;

25 (d) city street maintenance districts;

26 (e) tax increment financing districts;

27 (f) satisfaction of judgments against a taxing unit;

28 (g) street lighting assessments;

29 (h) revolving funds to support any categories specified in this subsection (9);

30 (i) levies for economic development authorized pursuant to 90-5-112(4);

- 1 (j) levies authorized under 7-6-502 for juvenile detention programs;
- 2 (k) levies authorized under 76-15-531 and 76-15-532 for conservation district special  
3 administrative assessments;
- 4 (l) elementary and high school districts; and
- 5 (m) voted poor fund levies authorized under 53-2-322.
- 6 (10) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the  
7 taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit  
8 containing:
- 9 (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of  
10 15-10-401 and 15-10-402;
- 11 (b) an explanation of the nature of the financial emergency;
- 12 (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- 13 (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- 14 (e) a finding that there are no alternative sources of revenue;
- 15 (f) a summary of the alternatives that the governing body of the taxing unit has considered; and
- 16 (g) a statement of the need for the increased revenue and how it will be used.
- 17 (11) (a) The limitation on the amount of taxes levied does not apply to levies required to address  
18 the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.
- 19 (b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies  
20 to support:
- 21 (i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the  
22 taxing units served by the board of health determine, after a public hearing, that public health programs  
23 require funds to ensure the public health. A levy for the support of a local board of health may not exceed  
24 the 5-mill limit established in 50-2-111.
- 25 (ii) county, city, or town ambulance services authorized by a vote of the electorate under  
26 7-34-102(2); and
- 27 (iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county  
28 commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in  
29 7-14-1632.
- 30 (12) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory



1 maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the  
2 statutory maximum mill levy to produce revenue equal to its 1986 revenue.

3 (13) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes  
4 paid under protest in accordance with 15-1-402.

5 (14) A taxing jurisdiction that included special improvement district revolving fund levies in the  
6 limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the  
7 levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the  
8 revolving fund has diminished and the levy authority has been transferred."

9

10 **NEW SECTION. Section 6. Codification instruction.** [Section 4] is intended to be codified as an  
11 integral part of Title 15, chapter 10, part 4, and the provisions of Title 15, chapter 10, part 4, apply to  
12 [section 4].

13

14 **NEW SECTION. Section 7. Coordination instruction.** If Senate Bill No. 100 is passed and  
15 approved, then [section 1] of Senate Bill No. 100, amending 15-6-143, is void.

16

17 **NEW SECTION. Section 8. Effective date -- retroactive applicability.** [This act] is effective on  
18 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after  
19 December 31, 1996.

20

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0590, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act adjusting tax rates for class three, four, and ten property to compensate for increased valuation of taxable property; providing an exemption to the property tax limitation for taxing jurisdictions to increase property tax mill levies with the approval of their electorate; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. Under the proposal, the taxable value of class 3 property (ag land) is estimated to be \$8,600,000 less in FY98 and in FY99 (MDOR).
2. 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).
3. Under the proposal, the taxable value of class 10 property (forest land) is estimated to be \$9,200,000 less in FY98 and in FY99 (MDOR).
4. 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.
5. 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 \$162,000,000 less in FY98 and \$167,600,000 less in FY99 (MDOR).
6. 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 \$215,500,000 less in FY98 and \$222,800,000 less in FY99 (MDOR).
7. 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).
8. The revenue estimates in HJR 2 include increased property tax revenues due to reappraisal.

Summary Table - Change in Total Statewide Taxable Value

	<u>FY98</u>	<u>FY99</u>
Class 3 Ag Land	\$ (8,600,000)	\$ (8,600,000)
Class 4 Resid. and Comm. Real	(357,100,000)	(369,600,000)
Class 10 Forest Land	<u>(9,200,000)</u>	<u>(9,200,000)</u>
Total Change	\$ (374,900,000)	\$ (387,400,000)

FISCAL IMPACT:


General Fund Impact:

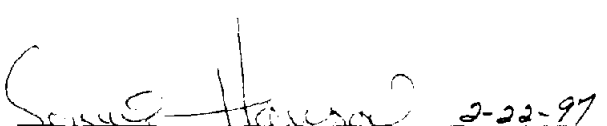
	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Increased GTB Payment	\$ (10,600,000)	\$ (3,400,000)
Change in Tax Base		
1.5 Mills	\$ (240,000)	\$ (250,000)
95 Mills	<u>(35,600,000)</u>	<u>(36,800,000)</u>
<b>General Fund Impact Total</b>	<b>\$ (46,440,000)</b>	<b>\$ (40,450,000)</b>

Other Fund Impacts:

6 Mills (Universities)	\$ (2,200,000)	\$ (2,300,000)
9 Mills (Assumption of Welfare)	<u>(1,900,000)</u>	<u>(2,000,000)</u>
<b>Other Fund Impact Total</b>	<b>\$ (4,100,000)</b>	<b>\$ (4,300,000)</b>

The above impacts offset the increased state revenues resulting from the reappraisal of class 3, 4 and 10 property.

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

  
 SONNY HANSON, PRIMARY SPONSOR                      DATE

## 1 HOUSE BILL NO. 590

2 INTRODUCED BY H. S. HANSON, KEENAN

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT ADJUSTING TAX RATES FOR CLASS THREE, FOUR, AND TEN  
5 PROPERTY TO COMPENSATE FOR INCREASED VALUATION OF TAXABLE PROPERTY; PROVIDING AN  
6 EXEMPTION TO THE PROPERTY TAX LIMITATION FOR TAXING JURISDICTIONS TO INCREASE PROPERTY  
7 TAX MILL LEVIES WITH THE APPROVAL OF THEIR ELECTORATE; AMENDING THE PROPERTY TAX  
8 LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105 BY CHANGING THE EXCEPTIONS TO THE  
9 LIMITATIONS; PROVIDING THAT PROPERTY TAXES ARE CAPPED AT 1996 LEVELS; PROVIDING THAT  
10 A TAXING UNIT THAT LOST REVENUE DUE TO THE RATE CHANGE OF THIS ACT MAY INCREASE MILL  
11 LEVIES TO RETURN TO ITS 1996 REVENUE LEVEL; PROVIDING THAT THE ELECTORS OF A TAXING UNIT  
12 MAY AUTHORIZE MILL LEVIES THAT EXCEED THE LIMITATIONS OF TITLE 15, CHAPTER 10, PART 4,  
13 MCA; AMENDING SECTIONS 15-6-133, 15-6-134, 15-6-143, 15-10-401, 15-10-402, AND 15-10-412,  
14 AND 15-36-323, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE  
15 APPLICABILITY DATE."

16  
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:18  
19 **Section 1.** Section 15-6-133, MCA, is amended to read:20 **"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property  
21 includes:

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

23 (b) nonproductive patented mining claims outside the limits of an incorporated city or town held  
24 by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes  
25 of this subsection (1)(b), the following provisions apply:26 (i) The claim may not include any property that is used for residential purposes, recreational  
27 purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the  
28 surface of which is being used for other than mining purposes or that has a separate and independent value  
29 for other purposes.

30 (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise

1 provided in this title, including that portion of the land upon which the improvements are located and that  
2 is reasonably required for the use of the improvements.

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

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

8 (2) Class three property is taxed at ~~the taxable percentage rate applicable to class four property,~~  
9 ~~as provided in 15-6-134(2)(a)~~ 3.645%.

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

13

14 **Section 2.** 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 \$100,000 or less of the market value of any improvement on real property, including  
21 trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and  
22 actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total  
23 income from all sources, including net business income and otherwise tax-exempt income of all types but  
24 not including social security income paid directly to a nursing home, is not more than \$15,000 for a single  
25 person or \$20,000 for a married couple or a head of household, as adjusted according to subsection  
26 (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary  
27 operating expenses but before deducting depreciation or depletion allowance, or both.

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

30 (e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural

1 land under 15-7-202, including 1 acre of real property beneath improvements on land described in  
 2 15-6-133(1)(c). The 1 acre must be valued at market value.

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

4 (a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a),  
 5 (1)(b), and (1)(e) is taxed at ~~3.86%~~ 2.78% of its market value.

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

9 Income	Income	Percentage
10 Single Person	Married Couple	Multiplier
	Head of Household	
12 \$ 0 - \$ 6,000	\$ 0 - \$ 8,000	20%
13 6,001 - 9,200	8,001 - 14,000	50%
14 9,201 - 15,000	14,001 - 20,000	70%

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

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

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

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

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

26 (3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as  
 27 commercial property is comparable only to other property assessed as commercial property and property  
 28 assessed as other than commercial property is comparable only to other property assessed as other than  
 29 commercial property."

30

1           **Section 3.** Section 15-6-143, MCA, is amended to read:

2           "**15-6-143. Class ten property -- description -- taxable percentage -- alternative classification.** (1)

3 Class ten property includes all forest lands as defined in 15-44-102.

4           (2) Class ten property is taxed at the percentage rate "**P**" 0.35% of its forest productivity value.

5           ~~(3) For taxable years beginning January 1, 1994, and thereafter, the taxable percentage rate "**P**"~~  
6 ~~applicable to class ten property is  $4\%/B$ , where **B** is the certified statewide percentage increase to be~~  
7 ~~determined by the department of revenue as provided in subsection (4). The taxable percentage rate "**P**"~~  
8 ~~must be rounded downward to the nearest 0.01% and must be calculated by the department before July~~  
9 ~~1, 1994.~~

10           ~~(4) (a) Prior to July 1, 1994, the department shall determine the certified statewide percentage~~  
11 ~~increase for class ten property using the formula  $B = X/Y$ , where:~~

12           ~~(i) **X** is the appraised value, as of January 1, 1994, of all property in the state, excluding use~~  
13 ~~changes occurring during the preceding year, classified under class ten as class ten is described in this~~  
14 ~~section; and~~

15           ~~(ii) **Y** is the appraised value, as of January 1, 1993, of all property in the state that would be~~  
16 ~~classified under class ten as class ten is described in this section as this section reads in 1993.~~

17           ~~(b) **B** must be rounded downward to the nearest 0.0001%."~~

18  
19           **NEW SECTION. Section 4. Voter approval for taxing TAXING unit to MAY levy additional mills to**  
20 **compensate for 1997 revaluation and property tax rate adjustments.** (1) The number of mills levied by a  
21 taxing jurisdiction may be increased if authorized by the electorate of the taxing jurisdiction as provided in  
22 this section.

23           (2) ~~(a)~~ If because of the implementation of the 1997 statewide revaluation of property and  
24 subsequent adjustments of tax rates to compensate for the statewide average increase in property values  
25 the anticipated property tax revenue of the taxing jurisdiction for tax year ~~1998~~ 1997 will be less than the  
26 property tax revenue of the taxing jurisdiction for tax year ~~1997~~ 1996, the electorate may authorize the  
27 TAXING UNIT MAY levy of an additional number of mills, not to exceed the number of mills necessary to  
28 raise the same amount of property tax revenue raised by the taxing jurisdiction in ~~1997~~ 1996.

29           ~~(b)~~ (A) If a taxing jurisdiction anticipates that it will raise at least the same amount of property tax  
30 revenue in tax year ~~1998~~ 1997 as it raised in tax year ~~1997~~ 1996, the electorate may authorize the taxing

1 jurisdiction to levy an additional number of mills, not to exceed the number of mills that would raise  
 2 property tax revenue equal to the amount that would have been raised by the taxing jurisdiction had the  
 3 tax rates in 15-6-133, 15-6-134, and 15-6-143 not been reduced.

4 ~~(3)(B)~~ Unless the ballot measure for approval of the increased millage provides otherwise, an  
 5 increase in the number of mills authorized by this section is not required to be voted upon annually.

6  
 7 **SECTION 5. SECTION 15-10-401, MCA, IS AMENDED TO READ:**

8 **"15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property  
 9 to support education and local government has placed an unreasonable burden on the owners of all classes  
 10 ~~three, four, six, nine, twelve, and fourteen~~ of property, ~~as these classes are defined~~ described in Title 15,  
 11 chapter 6, part 1.

12 ~~(2) The legislature's failure to give local governments and local school districts the flexibility to~~  
 13 ~~develop alternative sources of revenue will only lead to increases in the tax burden on the already~~  
 14 ~~overburdened property taxpayer.~~

15 ~~(3) The legislature is the appropriate forum to make the difficult and complex decisions to develop:~~

16 ~~(a) a tax system that is fair to property taxpayers; and~~

17 ~~(b) a method of providing adequate funding for local government and education.~~

18 ~~(4) The legislature has failed in its responsibility to taxpayers, education, and local government to~~  
 19 ~~relieve the tax burden on property classes three, four, six, nine, twelve, and fourteen.~~

20 ~~(5)(2)~~ The people of the state of Montana declare it is the policy of the state of Montana that no  
 21 further property tax increases be imposed on property ~~classes three, four, six, nine, twelve, and fourteen~~  
 22 as provided in 15-10-412."

23  
 24 **SECTION 6. SECTION 15-10-402, MCA, IS AMENDED TO READ:**

25 **"15-10-402. Property tax limited to ~~1986~~ 1996 levels.** (1) Except as provided in ~~subsections (2)~~  
 26 ~~and (3) 15-10-412~~, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~  
 27 Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for ~~taxable tax~~  
 28 year ~~1986~~ 1996.

29 ~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement~~  
 30 ~~districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary~~

1 and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded  
2 indebtedness.

3 ~~(3) New construction or improvements to or deletions from property described in subsection (1)~~  
4 ~~are subject to taxation at 1986 levels.~~

5 ~~(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual~~  
6 ~~dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease~~  
7 ~~in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised~~  
8 ~~value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."~~

10 Section 7. Section 15-10-412, MCA, is amended to read:

11 "15-10-412. Property tax limited to ~~1986~~ 1996 levels -- clarification -- extension to all property  
12 ~~classes~~ EXCEPTIONS. Section 15-10-402 is ~~interpreted and clarified~~ IMPLEMENTED as follows:

13 (1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title~~  
14 ~~15, chapter 6, part 1.~~

15 ~~(2) The limitation on the amount of taxes levied is interpreted to mean~~ MEANS that, except as  
16 otherwise provided in this section, the ~~actual tax liability for an individual property~~ TOTAL AMOUNT OF  
17 TAXES LEVIED BY EACH TAXING UNIT is capped at the dollar amount ~~due~~ LEVIED in each taxing unit for  
18 the ~~1986~~ 1996 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the 1986~~  
19 ~~cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in~~  
20 ~~a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case~~  
21 ~~the actual tax liability for an individual property is capped at the dollar amount due in that taxing unit for~~  
22 ~~the 1986 tax year~~ THE GOVERNING BODY OF A TAXING UNIT SHALL ADJUST MILL LEVIES TO  
23 COMPENSATE FOR ANY INCREASE IN TAXABLE VALUATION TO ENSURE THAT TAXES LEVIED DO NOT  
24 EXCEED THE AMOUNT LEVIED IN 1996.

25 ~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit a further AN increase in the  
26 total ~~taxable valuation of~~ TAXES LEVIED BY a taxing unit as a result of:

- 27 (a) annexation of real property and improvements into a taxing unit;
- 28 (b) construction, expansion, or remodeling of improvements CLASSIFIED UNDER 15-6-134;
- 29 (c) transfer of property into a taxing unit;
- 30 (d) subdivision of real property;



- 1 (e) reclassification of property;
- 2 (f) increases in the amount of production or the value of production for property described in
- 3 15-6-131 or 15-6-132; OR
- 4 (g) transfer of property from tax-exempt to taxable status; ~~or~~
- 5 ~~(h) revaluations caused by:~~
- 6 ~~(i) cyclical reappraisal; or~~
- 7 ~~(ii) expansion, addition, replacement, or remodeling of improvements.~~

8 (3) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED DOES NOT PROHIBIT AN INCREASE

9 IN THE TOTAL TAXES LEVIED BY A TAXING UNIT IN ORDER TO COMPENSATE THE TAXING UNIT FOR

10 ANY LOSS IN THE TOTAL AMOUNT OF NONLEVY REVENUE RECEIVED IN 1996 FROM TAXES IMPOSED

11 UNDER TITLE 15, CHAPTER 23, PART 7, AND TITLE 15, CHAPTER 36, PART 3.

12 (4) The limitation on the amount of taxes levied does not prohibit a further increase in the taxable

13 valuation OR THE TAXING UNIT or in the actual tax liability on individual property, ~~in each class as a result~~

14 ~~of:~~

- 15 ~~(a) a revaluation caused by:~~
- 16 ~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the~~
- 17 ~~property; or~~
- 18 ~~(ii) cyclical reappraisal;~~
- 19 ~~(b) transfer of property into a taxing unit;~~
- 20 ~~(c) reclassification of property;~~
- 21 ~~(d) increases in the amount of production or the value of production for property described in~~
- 22 ~~15-6-131 or 15-6-132;~~
- 23 ~~(e) annexation of the individual property into a new taxing unit; or~~
- 24 ~~(f) conversion of the individual property from tax-exempt to taxable status.~~
- 25 ~~(6) Property in class four is valued according to the procedures used in 1986, including the~~
- 26 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~
- 27 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~
- 28 ~~(a) new construction;~~
- 29 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~
- 30 ~~(c) annexed property; or~~

1 ~~(d) property converted from tax exempt to taxable status.~~

2 ~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued~~  
 3 ~~according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on~~  
 4 ~~1986 mills levied.~~

5 ~~(7)(5)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave the  
 6 property appraisal and valuation methodology METHODOLOGIES of the department of revenue intact.  
 7 Determinations of county classifications, salaries of local government officers, and all other matters in  
 8 which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402,  
 9 ~~except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local~~  
 10 ~~government may anticipate the deficiency in revenues revenue resulting from the tax limitations in~~  
 11 ~~15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's~~  
 12 ~~liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:~~

13 ~~(a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~  
 14 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~  
 15 ~~1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills~~  
 16 ~~levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year~~  
 17 ~~in that taxing unit.~~

18 ~~(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or~~  
 19 ~~1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year~~  
 20 ~~thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue~~  
 21 ~~raised for that purpose during 1984, 1985, and 1986;~~

22 ~~(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills~~  
 23 ~~levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing~~  
 24 ~~unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average~~  
 25 ~~number of mills levied for that purpose during 1984, 1985, and 1986;~~

26 ~~(d) the electorate of the taxing unit has approved an increase in the number of mills that may be~~  
 27 ~~levied to compensate for 1997 revaluation and tax rate adjustments as provided in [section 4].~~

28 ~~(8) (a) Except as provided in subsection (8)(b), if a taxing unit has levied additional mills under~~  
 29 ~~subsection (7)(a) to compensate for a decrease in taxable valuation, it may continue to levy additional mills~~  
 30 ~~to equal the revenue from property taxes for the 1986 tax year when the taxing unit's taxable valuation~~

1 is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year 1986.

2 (b) ~~When the taxable valuation of a taxing unit that levied additional mills under subsection (7)(a)~~  
3 ~~or (8)(a) is equal to or greater than the taxing unit's taxable valuation in tax year 1986, it may not levy~~  
4 ~~additional mills to compensate for a subsequent decrease in taxable valuation unless the conditions of~~  
5 ~~subsection (7)(a) are satisfied.~~

6 (9) ~~The limitation on the amount of taxes levied does not apply to the following levy or special~~  
7 ~~assessment categories, whether or not they are based on commitments made before or after approval of~~  
8 ~~15-10-401 and 15-10-402:~~

- 9 (a) ~~rural improvement districts;~~
- 10 (b) ~~special improvement districts;~~
- 11 (c) ~~levies pledged for the repayment of bonded indebtedness, including tax increment bonds;~~
- 12 (d) ~~city street maintenance districts;~~
- 13 (e) ~~tax increment financing districts;~~
- 14 (f) ~~satisfaction of judgments against a taxing unit;~~
- 15 (g) ~~street lighting assessments;~~
- 16 (h) ~~revolving funds to support any categories specified in this subsection (9);~~
- 17 (i) ~~levies for economic development authorized pursuant to 90-5-112(4);~~
- 18 (j) ~~levies authorized under 7-6-502 for juvenile detention programs;~~
- 19 (k) ~~levies authorized under 76-15-531 and 76-15-532 for conservation district special~~  
20 ~~administrative assessments;~~
- 21 (l) ~~elementary and high school districts; and~~
- 22 (m) ~~voted poor fund levies authorized under 53-2-322.~~

23 (10)(6) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in  
24 the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing  
25 unit containing MILL LEVIES UNDER ONE OF THE FOLLOWING METHODS:

26 (a) IF THE LAWS GOVERNING THE TAXING UNIT OR A PARTICULAR FUND OF THE TAXING UNIT  
27 SPECIFICALLY ALLOW FOR A VOTE OF THE ELECTORATE TO IMPOSE MILL LEVIES OR TO CHANGE MILL  
28 LEVIES, THEN MILL LEVIES MAY BE IMPOSED OR INCREASED AFTER APPROVAL OF THE ELECTORATE  
29 OF THE TAXING UNIT.

30 (B) IF THE TAXING UNIT OR A PARTICULAR FUND OF THE TAXING UNIT DOES NOT HAVE A

1 STATUTORY BASIS FOR HOLDING AN ELECTION ON WHETHER TO IMPOSE OR TO CHANGE A MILL  
 2 LEVY, THE GOVERNING BODY OF THE TAXING UNIT MAY REFER THE QUESTION OF WHETHER TO  
 3 IMPOSE OR TO CHANGE THE MILL LEVY TO THE ELECTORATE OF THE TAXING UNIT. THE RESOLUTION  
 4 MUST CONTAIN:

5 (I) a finding that there are insufficient funds to adequately operate the taxing unit OR APPLICABLE  
 6 GOVERNMENT FUNCTION as a result of ~~15-10-401 and 15-10-402~~ LIMITATIONS OF THIS PART;

7 ~~(b) an explanation of the nature of the financial emergency;~~

8 ~~(c) an estimate of the amount of funding shortfall expected by the taxing unit;~~

9 ~~(d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;~~

10 ~~(e)~~(II) a finding that there are no alternative sources of revenue; AND

11 ~~(f) a summary of the alternatives that the governing body of the taxing unit has considered; and~~

12 ~~(g)~~(III) a statement of the need for the increased revenue and how it will be used.

13 ~~(11) (a) The limitation on the amount of taxes levied does not apply to levies required to address~~  
 14 ~~the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.~~

15 ~~(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies~~  
 16 ~~to support:~~

17 ~~(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the~~  
 18 ~~taxing units served by the board of health determine, after a public hearing, that public health programs~~  
 19 ~~require funds to ensure the public health. A levy for the support of a local board of health may not exceed~~  
 20 ~~the 5 mill limit established in 50-2-111.~~

21 ~~(ii) county, city, or town ambulance services authorized by a vote of the electorate under~~  
 22 ~~7-34-102(2); and~~

23 ~~(iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county~~  
 24 ~~commissioners. A levy for the support of a rail authority may not exceed the 6 mill limit established in~~  
 25 ~~7-14-1632.~~

26 ~~(12)~~(7) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory  
 27 maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the  
 28 statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

29 ~~(13) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes~~  
 30 ~~paid under protest in accordance with 15-1-402.~~

1           ~~(14) A taxing jurisdiction that included special improvement district revolving fund levies in the~~  
2 ~~limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the~~  
3 ~~levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the~~  
4 ~~revolving fund has diminished and the levy authority has been transferred.~~

5           (8) IF A TAXING UNIT RECEIVES A REIMBURSEMENT PAYMENT UNDER 15-1-112, THEN THE  
6 TAXING UNIT MAY NOT INCREASE MILL LEVIES TO COMPENSATE FOR A LOSS IN TAXABLE  
7 VALUATION ASSOCIATED WITH REDUCING THE TAX RATE IN 15-6-138.

8           (9) THE LIMITATION ON THE AMOUNT OF TAXES LEVIED BY A TAXING UNIT DOES NOT APPLY  
9 TO AN INCREASE IN THE NUMBER OF MILLS THAT ARE LEVIED TO COMPENSATE FOR THE 1997  
10 REVALUATION RATE ADJUSTMENTS ARE ESTABLISHED AS PROVIDED IN [SECTION 4]."

11  
12           **SECTION 8. SECTION 15-36-323, MCA, IS AMENDED TO READ:**

13           "**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas  
14 production taxes to county and school taxing units for production from pre-1985 wells, the department  
15 shall determine the unit value of oil and natural gas for each taxing unit as follows:

16           (1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the  
17 quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit  
18 in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding  
19 post-1985 wells.

20           (2) Subject to the conditions of subsection (3), the unit value for natural gas is the quotient  
21 obtained by dividing the net proceeds taxes calculated on natural gas produced and sold in that taxing unit  
22 in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988,  
23 excluding post-1985 wells.

24           (3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include  
25 the amount of taxes that are attributable to a financial emergency, ~~as described in 15-10-412(10),~~ for  
26 which additional mills were levied in fiscal year 1990 under the provisions of 15-10-412."

27  
28           **NEW SECTION. Section 9. Codification instruction.** [Section 4] is intended to be codified as an  
29 integral part of Title 15, chapter 10, part 4, and the provisions of Title 15, chapter 10, part 4, apply to  
30 [section 4].

1            **NEW SECTION.** **Section 10. Coordination instruction.** If Senate Bill No. 100 is passed and  
2 approved, then [section 1] of Senate Bill No. 100, amending 15-6-143, is void.

3

4            **NEW SECTION.** **Section 11. Effective date -- retroactive applicability.** [This act] is effective on  
5 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after  
6 December 31, 1996.

7

-END-