

BENEDICT

Hargrove

Bitney, Sliter, Baudry, Madson, Wells, Denny, Hargrove, Sliter, Baudry, Madson, Wells, Denny

INTRODUCED BY HARP MERRICK AKKESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT DELAYING THE EFFECT OF THE CURRENT PROPERTY REAPPRAISAL CYCLE, DELAYING THE NEXT REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING THE DEPARTMENT OF REVENUE TO USE THE VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF PROPERTY SUBJECT TO PROPERTY TAXATION FOR TAX YEARS 1997 THROUGH 1999; REQUIRING THE DEPARTMENT OF REVENUE TO VALUE NEW PROPERTY OR RECLASSIFIED PROPERTY IN A MANNER CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE SAME CLASS IN 1996; AMENDING SECTIONS 15-7-103, 15-7-111, AND 15-7-221, MCA, AND SECTIONS 5 AND 6, CHAPTER 563, LAWS OF 1995; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.

STATEMENT OF INTENT
A statement of intent is required for this bill because 15-7-111 gives rulemaking authority to the department of revenue for determining the valuation of new and reclassified property in the same manner as property was valued within the same class in 1996.

The legislature contemplates that the rules adopted by the department should address, at a minimum, the following:

- (1) the base year to be used for determining the assessed value of new or reclassified property consistent with the base year of existing property in the same class;
- (2) the method for determining the assessed value of new or reclassified property when a base year is not relevant to the determination of value of property in the same class; and
- (3) other criteria to ensure that the assessed value of new and reclassified property is determined in the same manner as other property in the same class.

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

Section 1. Section 15-7-103, MCA, is amended to read:
"15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the



1 department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing for a
 2 general and uniform method of:

3 (a) ~~for a general and uniform method of~~ classifying lands in the state for the purpose of securing
 4 an equitable and uniform basis of assessment of ~~said~~ lands for taxation purposes;

5 (b) ~~for a general and uniform method of~~ appraising city and town lots;

6 (c) ~~for a general and uniform method of~~ appraising rural and urban improvements;

7 (d) ~~for a general and uniform method of~~ appraising ~~timberlands~~ forest lands.

8 (2) ~~All lands~~ The department shall be classified classify all lands according to their use or uses and
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 10 ~~work~~ classifying lands, the department use shall be made of use soil surveys and maps and all other
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 13 sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States
 14 government, or by metes and bounds, whichever yields a true description of the land.

15 (4) All agricultural lands must be classified and appraised as agricultural lands without regard to
 16 the best and highest value use of adjacent or neighboring lands.

17 (5) (a) In any periodic revaluation of taxable property completed under the provisions of 15-7-111
 18 ~~after January 1, 1996~~, all property classified in 15-6-134 must be appraised on its market value in the same
 19 year.

20 (b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department shall
 21 use the assessed values established in 1996. ~~The~~ For all other years, the department shall publish a rule
 22 specifying the year used in the appraisal.

23 (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not
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 25 are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may not be
 26 included twice by including them in the valuation and assessing them separately."

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28 **Section 2.** Section 15-7-111, MCA, is amended to read:

29 "**15-7-111. Periodic revaluation of taxable property -- exception -- rules.** (1) (a) The Except as
 30 provided in subsection (1)(b), the department of revenue shall administer and supervise a program for the

1 revaluation of all taxable property subject to taxation under Title 15, chapter 6, part 1, within the state.
 2 The department shall complete this revaluation program by December 31, ~~1996~~ 1999. A comprehensive
 3 written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide
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 5 copy of the plan and all amendments to the plan to the board of county commissioners of each county.

6 (b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department
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20 **Section 3.** Section 15-7-221, MCA, is amended to read:

21 **"15-7-221. (Temporary) Phasein of the taxable value of agricultural land.** The increase or decrease
 22 in taxable value of agricultural land resulting from the change in the method of determining productive
 23 capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in ~~beginning~~
 24 ~~January 1, 1995~~, as follows:

25 (1) ~~For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of~~
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 27 ~~31, 1994, value by one third of the difference between the product of the productive capacity value of~~
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 29 ~~of agricultural land as of December 31, 1994.~~

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 4 the class three tax rate and the taxable value of agricultural land as of December 31, 1994.

5 ~~(3)(2)~~ (a) Beginning January 1, 1997, and ending December 31, 1999, the taxable value of
 6 agricultural land in each land use and production category is equal to ~~100%~~ of the productive capacity
 7 value of agricultural land determined under ~~15-7-201~~ times the class three tax rate subsection (1).

8 (b) Beginning January 1, 2000, the taxable value of agricultural land in each land use and
 9 production category is equal to 100% of the productive capacity value of agricultural land determined under
 10 15-7-201 times the class three tax rate.

11 ~~(4)(3)~~ This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January
 12 1, ~~1998~~ 2001--secs. 4, 5, Ch. 563, L. 1995.)"

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 14 **Section 4.** Section 5, Chapter 563, Laws of 1995, is amended to read:

15 "Section 5. **Effective dates.** (1) [Sections 1, 3, 6, and this section] are effective on passage and
 16 approval.

17 (2) [Section 2] is effective January 1, ~~1997~~ 2000.

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 20 **Section 5.** Section 6, Chapter 563, Laws of 1995, is amended to read:

21 "Section 6. **Applicability.** (1) [Sections 1 and 3] apply retroactively, within the meaning of 1-2-109,
 22 to tax years beginning after December 31, 1994.

23 (2) [Section 2] applies to tax years beginning after December 31, ~~1996~~ 1999."

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 25 NEW SECTION. **Section 6. Effective date -- retroactive applicability.** [This act] is effective on
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28 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0195, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act delaying the effect of the current property reappraisal cycle; delaying the next reappraisal cycle until the year 2000; requiring the department of revenue to use the values established in 1996 for all classes of property subject to property taxation for tax years 1997 through 1999; requiring the department of revenue to value new property or reclassified property in a manner consistent with the way property was valued within the same class in 1996; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

Impact to Taxable Value:

1. Under the proposal, the taxable value of class 3 property (ag land) is estimated to be \$10,100,000 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 \$358,700,000 less in FY98 and \$372,900,000 less in FY99. (MDOR)
3. Under the proposal, pollution control equipment in class 5 would no longer receive the benefit of depreciation. It is estimated that this would result in the taxable value of pollution control equipment being \$1,000,000 more in FY98 and \$2,000,000 more in FY99. (MDOR)
4. Under the proposal, the taxable value of class 6 property (livestock) would be \$2,900,000 more in FY98. For FY99 it is assumed that livestock prices will rebound to FY97 levels resulting in no change in the taxable value of livestock. (MDOR)
5. Under the proposal class 8 property (business equipment) would no longer receive the benefit of depreciation. It is estimated that this would result in the taxable value of class 8 property being \$12,700,000 more in FY98 and \$23,000,000 more in FY99. Class 8 business equipment taxes will continue to decrease as a result of the taxable value rate reductions implemented in SB417, 1995 Legislative Session. (MDOR)
6. 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)
7. The impact to class 1,2,7, 9, and 12 property (proceeds, utilities and transportation property) cannot be estimated at this time. Depending on various factors, the proposal could result in an increase or a decrease in the valuation of taxpayers in these classes of property.

Summary Table - Change in Total Statewide Taxable Value

	<u>FY98</u>	<u>FY99</u>
Class 1 Proceeds	----	----
Class 2 Proceeds	----	----
Class 3 Ag Land	\$ (10,100,000)	\$ (10,100,000)
Class 4 Resid.and Comm. Real	(358,700,000)	(372,900,000)
Class 5 Pollution Control	1,000,000	2,000,000
Class 6 Livestock	2,900,000	0
Class 7 Indep. Telephone	----	----
Class 8 Business Equipment	12,700,000	23,000,000
Class 9 Utilities	----	----
Class 10 Forest Land	(9,200,000)	(9,200,000)
Class 12 Railroads and Air Lines	----	----
Total Change	<u>\$ (361,400,000)</u>	<u>\$ (367,200,000)</u>

(Fiscal Impact - page 2)

Dave Lewis 1-23-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

John Harp 1/23/97
 JOHN HARP, PRIMARY SPONSOR DATE

Delay in Property Taxes Paid:

8. Under the proposal, the FY97 property tax payments paid by class 8 personal property not liened to real property (38% of the total statewide class 8 property) and by personal property mobile homes would be delayed until FY98. The taxes paid by this property is estimated to be \$9,500,000 to the statewide 95 mill levy, \$600,000 to the university 6 mill levy, \$330,000 to the state assumption of welfare 9 mill levy, \$50,000 to the Vo-Tech 1.5 mill levy, and \$26,100,000 to local governments and schools. (MDOR)
9. Emergency rules will be implemented, but the certified taxable values for tax year 1997 (15-10-202,MCA) will be delayed until late August 1997, causing a delay in the county budget process.

Interaction with SB417 Reimbursements:

10. Under current law, reimbursements to local governments from the general fund for the reduction of the tax rate for personal property required under SB417 (passed by the 1995 legislature) are estimated to total \$10,400,000 in FY98 and \$12,200,000 in FY99. Given an increase in the assessed valuation of class 8 property (assumption 5), it is estimated that the reimbursement totals would be reduced by 14% in FY98 and 20% in FY99. (MDOR)
11. Under current law, a total reimbursement of \$3,500,000, based on tax year 1997 class 8 valuations, will be made in June 1997. Under the proposal, this reimbursement to local governments would be delayed until FY98 and would be reduced by 14%. (MDOR)

Other Assumptions:

12. It is assumed that the administrative cost of implementing the proposal will offset savings.
13. 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)
14. 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.

FISCAL IMPACT:

General Fund Impact:

The proposal has no impact on department expenditures.

	<u>FY97</u> <u>Difference</u>	<u>FY98</u> <u>Difference</u>	<u>FY99</u> <u>Difference</u>
Increased GTB Payment		\$ (10,600,000)	\$ (3,400,000)
Non-Liened Taxes Delayed			
95 Mill	(9,500,000)	9,500,000	
1.5 Vo-Tech Mill	(50,000)	50,000	
SB417 Reimbursement	3,500,000	(3,000,000)	
Reduction in SB417 Reimbursement		1,500,000	2,400,000
Change in Tax Base			
95 Mill		(34,300,000)	(34,900,000)
1.5 Vo-Tech Mill		(200,000)	(200,000)
General Fund Impact	\$ (6,050,000)	\$ (37,050,000)	\$ (36,100,000)

Other Fund Impacts

Non-Liened Taxes Delayed

6 Mill University	(600,000)	600,000
9 Mill State Assumption	(330,000)	330,000

Change in Tax Base

6 Mill University		(2,200,000)	(2,200,000)
9 Mill State Assumption		<u>(1,900,000)</u>	<u>(2,000,000)</u>

Other Fund Impact Total	(930,000)	(3,170,000)	(4,200,000)
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FISCAL IMPACT TO TAXPAYERS:

The proposal results in a shift of tax burden between classes of property. By negating the increase in taxable value of class four property, property taxes are shifted onto other classes of property. The degree of this shift is proportionally related to the expected increase in value of residential and commercial property under reappraisal. Generally, the shift would be greatest in areas where residential and commercial real property has appreciated the most. Conversely, the shift will be much smaller in areas where residential and commercial real property has appreciated little.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal impacts the FY97 revenues of local governments and local schools by delaying an estimated \$26,100,000 in property taxes from FY97 to FY 98 (assumption 8). A SB417 reimbursement of \$3,500,000 in FY97 is reduced to \$3,000,000 and delayed to FY98 (assumption 11).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The proposal reduces property tax revenues through fiscal year 2000. The impact is due to a reduced statewide taxable value under the proposal.

BENEDICT

Hargrove

Britney

Moore Sliter

Beaudry

Wells

DENNY

Wagner SB BILL NO. 195

Wise

INTRODUCED BY HARP MERCER AKKESTAD

A BILL FOR AN ACT ENTITLED: "AN ACT DELAYING THE EFFECT OF THE CURRENT PROPERTY

REAPPRAISAL CYCLE, DELAYING THE NEXT REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING

THE DEPARTMENT OF REVENUE TO USE THE VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF

PROPERTY SUBJECT TO PROPERTY TAXATION FOR TAX YEARS 1997 THROUGH 1999; REQUIRING THE

DEPARTMENT OF REVENUE TO VALUE NEW PROPERTY OR RECLASSIFIED PROPERTY IN A MANNER

CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE SAME CLASS IN 1996; AMENDING

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 23 capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in beginning
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11 ~~(4)~~(3) This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January
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14 **Section 4.** Section 5, Chapter 563, Laws of 1995, is amended to read:

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25 **NEW SECTION.** **Section 6. Effective date -- retroactive applicability.** [This act] is effective on
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28

-END-

BENEVOLENT

Hargrove

BITNEY *Wells*
Mood Sliter *Wells*
Beaudry *Wells*

DENNY *Wells*
SB BILL NO. 195 *Wells*

INTRODUCED BY *HARP* *MERCER* *AKKESTAD* *Mason* *Tester* *Rese*

Simpson *Beck* *Doyle* *Grimes* *Walters* *Layne* *Miller*
Smith *Oh* *Manson* *Cobb*

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Leenan *Curran* *Bergeson* *James* *Good* *Wm. E. Boharski*

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SB 195

THIRD READING

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28 **Section 2.** Section 15-7-111, MCA, is amended to read:

29 "**15-7-111. Periodic revaluation of taxable property -- exception -- rules.** (1) (a) The Except as
 30 provided in subsection (1)(b), the department of revenue shall administer and supervise a program for the

1 revaluation of all taxable property subject to taxation under Title 15, chapter 6, part 1, within the state.
 2 The department shall complete this revaluation program by December 31, ~~1996~~ 1999. A comprehensive
 3 written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide
 4 that all property in each county be revalued by December 31, ~~1996~~ 1999. The department shall furnish a
 5 copy of the plan and all amendments to the plan to the board of county commissioners of each county.

6 (b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department
 7 shall:

8 (i) use the assessed values established in tax year 1996 for all classes of property subject to
 9 taxation under Title 15, chapter 6, part 1; and

10 (ii) value new property or reclassified property in a manner consistent with the method of valuing
 11 property within the same class in tax year 1996. The department shall adopt rules for determining the
 12 assessed valuation of new property or reclassified property within the same class.

13 (2) Beginning January 1, ~~1997~~ 2000, the department of revenue shall administer and supervise
 14 a program for the revaluation of all taxable property within the state at least every 3 years. A
 15 comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan
 16 adopted must provide that all property in each county be revalued at least every 3 years. The department
 17 shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of
 18 each county."

19
 20 **Section 3.** Section 15-7-221, MCA, is amended to read:

21 **"15-7-221. (Temporary) Phase in of the taxable value of agricultural land.** The increase or decrease
 22 in taxable value of agricultural land resulting from the change in the method of determining productive
 23 capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in beginning
 24 January 1, 1996, as follows:

25 ~~(1) For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of~~
 26 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 27 ~~31, 1994, value by one-third of the difference between the product of the productive capacity value of~~
 28 ~~agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value~~
 29 ~~of agricultural land as of December 31, 1994.~~

30 ~~(2)~~ For the year beginning January 1, 1996, and ending December 31, 1996, the taxable value of

1 agricultural land in each land use and production category must increase or decrease from the December
 2 31, 1994, value by two-thirds of the difference between the product of the productive capacity value of
 3 agricultural land for 1995 determined under 15-7-201, as that section read on December 31, 1996, times
 4 the class three tax rate and the taxable value of agricultural land as of December 31, 1994.

5 ~~(3)~~(2) (a) Beginning January 1, 1997, and ending December 31, 1999, the taxable value of
 6 agricultural land in each land use and production category is equal to ~~100%~~ of the productive capacity
 7 value of agricultural land determined under ~~15-7-201~~ times the class three tax rate subsection (1).

8 (b) Beginning January 1, 2000, the taxable value of agricultural land in each land use and
 9 production category is equal to 100% of the productive capacity value of agricultural land determined under
 10 15-7-201 times the class three tax rate.

11 ~~(4)~~(3) This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January
 12 1, ~~1998~~ 2001--secs. 4, 5, Ch. 563, L. 1995.)"

13
 14 **Section 4.** Section 5, Chapter 563, Laws of 1995, is amended to read:

15 "Section 5. **Effective dates.** (1) [Sections 1, 3, 6, and this section] are effective on passage and
 16 approval.

17 (2) [Section 2] is effective January 1, ~~1997~~ 2000.

18 (3) [Section 4] is effective January 1, ~~1998~~ 2001."

19
 20 **Section 5.** Section 6, Chapter 563, Laws of 1995, is amended to read:

21 "Section 6. **Applicability.** (1) [Sections 1 and 3] apply retroactively, within the meaning of 1-2-109,
 22 to tax years beginning after December 31, 1994.

23 (2) [Section 2] applies to tax years beginning after December 31, ~~1996~~ 1999."

24
 25 **NEW SECTION.** **Section 6. Effective date -- retroactive applicability.** [This act] is effective on
 26 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
 27 December 31, 1996.

28 -END-

SENATE BILL NO. 195

INTRODUCED BY HARP, MERCER, AKLESTAD, MCCANN, FOSTER, ROSE, JORE, SIMPSON, PECK,
DOWELL, GRINDE, WALTERS, HAYNE, MILLS, MCNUTT, SMITH, OHS, M. HANSON, COBB,
BOOKOUT-REINICKE, EMERSON, BARNETT, ORR, BAER, CRIPPEN, TASH, HERTEL, NELSON,
HARGROVE, BITNEY, ADAMS, ELLIS, DENNY, LAWSON, MOOD, SLITER, BEAUDRY, DEPRATU,
MOLNAR, WISEMAN, WELLS, L. TAYLOR, BENEDICT, MOHL, STANG, LYNCH, JABS, KEATING,
SOFT, BANKHEAD, MASOLO, KNOX, ANDERSON, REHBEIN, BOHARSKI, KEENAN, CURTISS,
BERGMAN, GRIMES, ZOOK, BRAINARD, HIBBARD, GRADY, PAVLOVICH, QUILICI, MCGEE, FELAND,
SHEA, TREXLER, DEVLIN, SWYSGOOD, BECK, MESAROS, KOTTEL, BURNETT, BISHOP, WILSON,
THOMAS, JENKINS, SPRAGUE, CRISMORE, M. TAYLOR, MAHLUM, WAGNER, GROSFIELD

A BILL FOR AN ACT ENTITLED: "~~AN ACT DELAYING~~ ELIMINATING THE EFFECT OF THE CURRENT
PROPERTY REAPPRAISAL CYCLE FOR CLASS THREE, FOUR, AND TEN PROPERTY; DELAYING THE NEXT
~~REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING THE DEPARTMENT OF REVENUE TO USE THE~~
~~VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF PROPERTY SUBJECT TO PROPERTY TAXATION~~
~~FOR TAX YEARS 1997 THROUGH 1999; REQUIRING THE DEPARTMENT OF REVENUE TO VALUE NEW~~
CLASS THREE, FOUR, AND TEN PROPERTY OR RECLASSIFIED CLASS THREE, FOUR, AND TEN
PROPERTY IN A MANNER CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE SAME
CLASS IN ~~1996~~ 1993; ALLOWING AN EXTENSION OF 1997 STATUTORY DEADLINES RELATING TO
PROPERTY TAXES; AMENDING SECTIONS 15-7-103, 15-7-111, AND ~~15-7-221~~ 15-7-112, AND 15-8-111,
~~MCA, AND SECTIONS 5 AND 6, CHAPTER 563, LAWS OF 1995; AND PROVIDING AN IMMEDIATE~~
EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because 15-7-111 gives rulemaking authority to the
department of revenue for determining the valuation of new and reclassified CLASS THREE, FOUR, AND
TEN property in the same manner as property was valued within the same class in ~~1996~~ 1993.

The legislature contemplates that the rules adopted by the department should address, at a
minimum, the following:

- (1) the base year to be used for determining the assessed value of new or reclassified CLASS

- 1 THREE, FOUR, AND TEN property consistent with the base year of existing property in the same class;
- 2 (2) the method for determining the assessed value of new or reclassified CLASS THREE, FOUR,
- 3 AND TEN property when a base year is not relevant to the determination of value of property in the same
- 4 class; and
- 5 (3) other criteria to ensure that the assessed value of new and reclassified CLASS THREE, FOUR,
- 6 AND TEN property is determined in the same manner as other property in the same class.

7

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

9

10 Section 1. Section 15-7-103, MCA, is amended to read:

11 "15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the

12 department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing for a

13 general and uniform method of:

- 14 (a) ~~for a general and uniform method of~~ classifying lands in the state for the purpose of securing
- 15 an equitable and uniform basis of assessment of ~~said~~ lands for taxation purposes;
- 16 (b) ~~for a general and uniform method of~~ appraising city and town lots;
- 17 (c) ~~for a general and uniform method of~~ appraising rural and urban improvements;
- 18 (d) ~~for a general and uniform method of~~ appraising timberlands forest lands.

19 (2) ~~All lands~~ The department shall be classified classify all lands according to their use or uses and

20 ~~graded shall grade land~~ within each class according to soil and productive capacity. In ~~such classification~~

21 ~~work classifying lands, the department use~~ shall ~~be made of~~ use soil surveys and maps and all other

22 pertinent available information.

23 (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the

24 sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States

25 government, or by metes and bounds, whichever yields a true description of the land.

26 (4) All agricultural lands must be classified and appraised as agricultural lands without regard to

27 the best and highest value use of adjacent or neighboring lands.

28 (5) ~~(a) In any periodic revaluation of taxable property completed under the provisions of 15-7-111~~

29 ~~after January 1, 1986, all~~ ALL property classified in 15-6-134 must be appraised on its ~~market~~ 1993 value

30 ~~in the same~~ AS DETERMINED BY THE BASE year USED FOR THE 1993 REAPPRAISAL.

1 ~~(b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department shall~~
 2 ~~use the assessed values established in 1996. The~~ For all other years IN ANY PERIODIC REVALUATION OF
 3 TAXABLE PROPERTY UNDER THE PROVISIONS OF 15-7-111, the department shall publish a rule specifying
 4 the year used in the appraisal.

5 (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not
 6 be appraised, assessed, and taxed separately from the land, house, or other improvements in which they
 7 are located. ~~In no event may the~~ The sewage disposal or domestic water supply systems may not
 8 be included twice by including them in the valuation and assessing them separately."

9
 10 **Section 2.** Section 15-7-111, MCA, is amended to read:

11 **"15-7-111. Periodic revaluation of taxable property -- exception -- rules.** (1) ~~(a) The~~ Except as
 12 provided in subsection (1)(b), the THE department of revenue shall administer and supervise a program for
 13 the revaluation of all taxable property subject to taxation under Title 15, chapter 6, part 1, within the state
 14 AND THAT MUST BE REVALUED ON A PERIODIC BASIS. The department shall complete this revaluation
 15 program by December 31, ~~1996~~ 1999. A comprehensive written reappraisal plan must be promulgated by
 16 the department. The reappraisal plan adopted must provide that all property in each county be revalued by
 17 December 31, ~~1996~~ 1999. The department shall furnish a copy of the plan and all amendments to the plan
 18 to the board of county commissioners of each county.

19 ~~(b)(2) For tax years beginning January 1, 1997, and ending December 31, 1999, the department~~
 20 shall:

21 ~~(i)(A) use the assessed values established in tax year 1996~~ 1993 for all classes of property subject
 22 to taxation under Title 15, chapter 6, part 1 15-6-133, 15-6-134, AND 15-6-143; and

23 ~~(ii)(B) value new property or reclassified property in a manner consistent with the method of valuing~~
 24 property within the same class in tax year 1996. The department shall adopt rules for determining the
 25 assessed valuation of new property or reclassified property within the same class.

26 ~~(2) Beginning January 1, 1997 2000, the department of revenue shall administer and supervise~~
 27 ~~a program for the revaluation of all taxable property within the state at least every 3 years. A~~
 28 ~~comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan~~
 29 ~~adopted must provide that all property in each county be revalued at least every 3 years. The department~~
 30 ~~shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of~~

1 each county."

2

3 **Section 3.** ~~Section 15-7-221, MCA, is amended to read:~~

4 ~~"15-7-221. (Temporary) Phase in of the taxable value of agricultural land. The increase or decrease~~
 5 ~~in taxable value of agricultural land resulting from the change in the method of determining productive~~
 6 ~~capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in beginning~~
 7 ~~January 1, 1995, as follows:~~

8 ~~(1) For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of~~
 9 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 10 ~~31, 1994, value by one-third of the difference between the product of the productive capacity value of~~
 11 ~~agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value~~
 12 ~~of agricultural land as of December 31, 1994.~~

13 ~~(2) For the year beginning January 1, 1996, and ending December 31, 1996, the taxable value of~~
 14 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 15 ~~31, 1994, value by two-thirds of the difference between the product of the productive capacity value of~~
 16 ~~agricultural land for 1995 determined under 15-7-201, as that section read on December 31, 1996, times~~
 17 ~~the class three tax rate and the taxable value of agricultural land as of December 31, 1994.~~

18 ~~(3)(2) (a) Beginning January 1, 1997, and ending December 31, 1999, the taxable value of~~
 19 ~~agricultural land in each land use and production category is equal to 100% of the productive capacity~~
 20 ~~value of agricultural land determined under 15-7-201 times the class three tax rate subsection (1).~~

21 ~~(b) Beginning January 1, 2000, the taxable value of agricultural land in each land use and~~
 22 ~~production category is equal to 100% of the productive capacity value of agricultural land determined under~~
 23 ~~15-7-201 times the class three tax rate.~~

24 ~~(4)(3) This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January~~
 25 ~~1, 1998 2001 sess. 4, 5, Ch. 563, L. 1995.)"~~

26

27 **Section 4.** ~~Section 5, Chapter 563, Laws of 1995, is amended to read:~~

28 ~~"Section 5. Effective dates. (1) [Sections 1, 3, 6, and this section] are effective on passage and~~
 29 ~~approval.~~

30 ~~(2) [Section 2] is effective January 1, 1997 2000.~~

1 ~~(3) [Section 4] is effective January 1, 1998 2001.~~

2
3 ~~Section 5. Section 6, Chapter 563, Laws of 1995, is amended to read:~~

4 ~~"Section 6. **Applicability.** (1) [Sections 1 and 3] apply retroactively, within the meaning of 1-2-109,~~
5 ~~to tax years beginning after December 31, 1994.~~

6 ~~(2) [Section 2] applies to tax years beginning after December 31, 1996 1999.~~

7
8 **SECTION 3. SECTION 15-7-112, MCA, IS AMENDED TO READ:**

9 **"15-7-112. Equalization of valuations.** The same method of appraisal and assessment shall ~~shall~~ must
10 be used in each county of the state ~~to the end~~ so that comparable property with similar ~~true market~~ values
11 and subject to taxation in Montana ~~shall have~~ has substantially equal taxable ~~values~~ value at the end of
12 each cyclical revaluation program ~~hereinbefore provided.~~"

13
14 **SECTION 4. SECTION 15-8-111, MCA, IS AMENDED TO READ:**

15 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be
16 assessed at 100% of its market value except as otherwise provided.

17 (2) (a) Market value is the value at which property would change hands between a willing buyer
18 and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable
19 knowledge of relevant facts.

20 (b) If the department uses construction cost as one approximation of market value, the department
21 shall fully consider reduction in value caused by depreciation, whether through physical depreciation,
22 functional obsolescence, or economic obsolescence.

23 (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,
24 implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national
25 appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The
26 department shall prepare valuation schedules showing the average wholesale value when a national
27 appraisal guide does not exist.

28 (3) The department may not adopt a lower or different standard of value from market value in
29 making the official assessment and appraisal of the value of property, except:

30 (a) the wholesale value for agricultural implements and machinery is the loan value as shown in

1 the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment
2 dealers association, St. Louis, Missouri;

3 (b) for agricultural implements and machinery not listed in the official guide, the department shall
4 prepare a supplemental manual in which the values reflect the same depreciation as those found in the
5 official guide; ~~and~~

6 (c) the value of properties in 15-6-133, under class three, 15-6-134, under class four, and
7 15-6-143, under class ten, is not determined based on current market or current productivity value. The
8 value is determined based on the market or productivity value for the base year of the 1993 reappraisal
9 cycle. The 1993 reappraisal cycle is the cycle in which new values were assessed beginning in 1993. The
10 base year for class four property is the year adopted by administrative rule for the 1993 reappraisal as
11 required by 15-7-103. The base year for class three and ten properties is the year used in determining
12 productivity for the 1993 reappraisal. The values must be considered equalized when property values are
13 at or near the base year market or productivity value used for the 1993 reappraisal.

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

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

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

18 (6) The assessed value of properties in 15-6-131 through ~~15-6-133~~ 15-6-134 and 15-6-143 is as
19 follows:

20 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
21 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
22 15-23-516, 15-23-517, or 15-23-518.

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

24 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of
25 the lands in 1994 when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202
26 are valued as agricultural lands for tax purposes.

27 (d) Properties in 15-6-134, under class four, are assessed as provided in subsection (3)(c) of this
28 section.

29 ~~(d)~~(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity
30 value of the land in 1994 when valued as forest land.

- 1 (7) Land and the improvements on the land are separately assessed when any of the following
- 2 conditions occur:

 - 3 (a) ownership of the improvements is different from ownership of the land;
 - 4 (b) the taxpayer makes a written request; or
 - 5 (c) the land is outside an incorporated city or town."

6

7 NEW SECTION. SECTION 5. EXTENSION OF 1997 DEADLINES RELATING TO PROPERTY

8 TAXATION. AS A RESULT OF THE CHANGE IN THE BASE YEAR FOR REAPPRAISAL OF CLASS THREE,

9 FOUR, AND TEN PROPERTY ENACTED BY THE 55TH LEGISLATURE, IT IS NOT POSSIBLE TO COMPLY

10 WITH CERTAIN STATUTORY DEADLINES RELATING TO APPRAISALS, ASSESSMENTS, APPEALS,

11 REIMBURSEMENTS, BUDGETS, AND COLLECTION OF PROPERTY TAXES. THE STATE APPRAISAL AND

12 ASSESSMENT PROCESS WILL BE DELAYED, WHICH IN TURN WILL CAUSE DELAYS FOR THE TAX

13 APPEAL BOARDS AND LOCAL GOVERNMENT TAXING JURISDICTION BUDGETING AND COLLECTION

14 PROCESSES. THEREFORE, FOR TAX YEAR 1997, ALL DEADLINES ARE EXTENDED AS NECESSARY AND

15 REASONABLE IN ORDER TO ALLOW FOR THE ORDERLY AND EFFICIENT ASSESSMENT AND COLLECTION

16 OF TAXES.

17

18 NEW SECTION. Section 6. Effective date -- retroactive applicability. [This act] is effective on

19 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after

20 December 31, 1996.

21 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0195, 2nd reading, 2nd house, as amended

DESCRIPTION OF PROPOSED LEGISLATION:

An act eliminating the effect of the current property reappraisal cycle for class three, four, and ten property; requiring the department of revenue to value new class 3, four, and ten property or reclassified class three, four, and ten property in a manner consistent with the way property was valued within the same class in 1993; allowing an extension of 1997 statutory deadlines relating to property taxes; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

Impact to Taxable Value:

1. Under the proposal, the taxable value of class 3 property (ag land) is estimated to be \$10,100,000 less in FY98 and in FY99 (MDOR).
2. Under the proposal, the total taxable value of class 4 property (residential and commercial real property) is estimated to be \$342,900,000 less in FY98 and \$353,300,000 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 result in reducing the tax valuation of the 1.5 Vo-Tech mill levy by \$144,800,000 in FY98 and \$152,400,000 in FY99 (LFD).
5. A combination of taxable value decrease and HB2 will result in an expenditure from the general fund of \$1,097,000 in FY98 and \$1,334,000 in FY99 for the state assumption of welfare (LFD).
6. Generally, the proposal results in reduced tax valuation for local governments. This will result in a higher level of mill levies for local governments than under current law. Because of this there would be a shifting of non-levy revenue from state government to local governments of \$1,663,000 in FY98 and \$4,316,000 in FY99 (LFD).
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 \$11,534,000 in FY98 and of \$3,675,000 in FY99 (LFD).
8. The proposal will have no impact on the university 6 mill levy funding (HB2).
9. It is estimated that administrative costs would include computer costs in FY97 and FY98 totaling \$318,650, personnel costs in FY97 and FY98 totaling \$116,800, and operations costs in FY97 and FY98 totaling \$64,470 (MDOR).
10. Certified taxable values for tax year 1997 may be delayed, causing a delay in the county budget process.


FISCAL IMPACT:

Expenditures: (General Fund)

It is estimated that administrative costs will total \$499,920, spread over FY97 and FY98.

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
GTB Payments	11,534,000	3,675,000
State Assumption	1,097,000	1,334,000
 <u>Revenues:</u>		
95 Mill Levy	\$(34,409,000)	\$(35,397,000)
1.5 Vo-Tech Mill Levy	(217,200)	(228,600)
Non-L Levy Revenue	<u>(1,663,000)</u>	<u>(4,316,000)</u>
<u>Net Impact:</u>	<u>\$(48,920,200)</u>	<u>\$(44,950,600)</u>

(continued)


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


 JOHN HARP, PRIMARY SPONSOR DATE

FISCAL IMPACT TO TAXPAYERS:

The proposal results in a shift of tax burden between classes of property. By negating the increase in total taxable value of property classes three, four, and ten, property taxes are shifted onto other classes of property. The degree of this shift is proportionally related to the expected increase in value of residential and commercial property under reappraisal. Generally, the shift would be greatest in areas where residential and commercial real property has appreciated the most. Conversely, the shift will be much smaller in areas where residential and commercial real property has appreciated little.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

There would be a shifting of non-levy revenue from state government to local governments of \$1,663,000 in FY98 and \$4,316,000 in FY99.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The proposal reduces property tax revenues through fiscal year 2000. The impact is due to a reduced statewide taxable value under the proposal.

SENATE BILL NO. 195

INTRODUCED BY HARP, MERCER, AKLESTAD, MCCANN, FOSTER, ROSE, JORE, SIMPSON, PECK,
 DOWELL, GRINDE, WALTERS, HAYNE, MILLS, MCNUTT, SMITH, OHS, M. HANSON, COBB,
 BOOKOUT-REINICKE, EMERSON, BARNETT, ORR, BAER, CRIPPEN, TASH, HERTEL, NELSON,
 HARGROVE, BITNEY, ADAMS, ELLIS, DENNY, LAWSON, MOOD, SLITER, BEAUDRY, DEPRATU,
 MOLNAR, WISEMAN, WELLS, L. TAYLOR, BENEDICT, MOHL, STANG, LYNCH, JABS, KEATING,
 SOFT, BANKHEAD, MASOLO, KNOX, ANDERSON, REHBEIN, BOHARSKI, KEENAN, CURTISS,
 BERGMAN, GRIMES, ZOOK, BRAINARD, HIBBARD, GRADY, PAVLOVICH, QUILICI, MCGEE, FELAND,
 SHEA, TREXLER, DEVLIN, SWYSGOOD, BECK, MESAROS, KOTTEL, BURNETT, BISHOP, WILSON,
 THOMAS, JENKINS, SPRAGUE, CRISMORE, M. TAYLOR, MAHLUM, WAGNER, GROSFIELD

A BILL FOR AN ACT ENTITLED: "~~AN ACT DELAYING~~ ELIMINATING THE EFFECT OF THE CURRENT
 PROPERTY REAPPRAISAL CYCLE FOR CLASS THREE, FOUR, AND TEN PROPERTY; ~~DELAYING THE NEXT~~
~~REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING THE DEPARTMENT OF REVENUE TO USE THE~~
~~VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF PROPERTY SUBJECT TO PROPERTY TAXATION~~
~~FOR TAX YEARS 1997 THROUGH 1999;~~ REQUIRING THE DEPARTMENT OF REVENUE TO VALUE NEW
CLASS THREE, FOUR, AND TEN PROPERTY OR RECLASSIFIED CLASS THREE, FOUR, AND TEN
 PROPERTY IN A MANNER CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE SAME
 CLASS IN ~~1996~~ 1993; ALLOWING AN EXTENSION OF 1997 STATUTORY DEADLINES RELATING TO
PROPERTY TAXES; PROVIDING FOR A CONTINGENT ADJUSTMENT OF TAX RATES FOR CLASS THREE,
FOUR, AND TEN PROPERTY TO COMPENSATE FOR INCREASED VALUATION OF TAXABLE PROPERTY;
 AMENDING SECTIONS 15-6-133, 15-6-134, 15-6-143, 15-7-103, 15-7-111, AND 15-7-224 15-7-112,
AND 15-8-111, MCA, AND SECTIONS 5 AND 6, CHAPTER 563, LAWS OF 1995; AND PROVIDING AN
 IMMEDIATE EFFECTIVE ~~DATE~~ DATES AND A RETROACTIVE APPLICABILITY DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because 15-7-111 gives rulemaking authority to the
 department of revenue for determining the valuation of new and reclassified CLASS THREE, FOUR, AND
TEN property in the same manner as property was valued within the same class in ~~1996~~ 1993.

The legislature contemplates that the rules adopted by the department should address, at a

1 minimum, the following:

2 (1) the base year to be used for determining the assessed value of new or reclassified CLASS
3 THREE, FOUR, AND TEN property consistent with the base year of existing property in the same class;

4 (2) the method for determining the assessed value of new or reclassified CLASS THREE, FOUR,
5 AND TEN property when a base year is not relevant to the determination of value of property in the same
6 class; and

7 (3) other criteria to ensure that the assessed value of new and reclassified CLASS THREE, FOUR,
8 AND TEN property is determined in the same manner as other property in the same class.

9

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

11

12 **SECTION 1. SECTION 15-6-133, MCA, IS AMENDED TO READ:**

13 **"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property
14 includes:

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

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

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

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

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

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

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

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

7 **SECTION 2. SECTION 15-6-134, MCA, IS AMENDED TO READ:**

8 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property
 9 includes:

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

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

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

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

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

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

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

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

1 from the following table:

2 Income	Income	Percentage
3 Single Person	Married Couple	Multiplier
4	Head of Household	
5 \$ 0 - \$ 6,000	\$ 0 - \$ 8,000	20%
6 6,001 - 9,200	8,001 - 14,000	50%
7 9,201 - 15,000	14,001 - 20,000	70%

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

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

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

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

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

19 (3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as
 20 commercial property is comparable only to other property assessed as commercial property and property
 21 assessed as other than commercial property is comparable only to other property assessed as other than
 22 commercial property."

23

24 **SECTION 3. SECTION 15-6-143, MCA, IS AMENDED TO READ:**

25 "**15-6-143. Class ten property -- description -- taxable percentage -- alternative classification.** (1)

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

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

28 (3) ~~For taxable years beginning January 1, 1994, and thereafter, the taxable percentage rate "P"~~
 29 ~~applicable to class ten property is 4%/B, where B is the certified statewide percentage increase to be~~
 30 ~~determined by the department of revenue as provided in subsection (4). The taxable percentage rate "P"~~

1 ~~must be rounded downward to the nearest 0.01% and must be calculated by the department before July~~
 2 ~~1, 1994.~~

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

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

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

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

11

12 **Section 4.** Section 15-7-103, MCA, is amended to read:

13 **"15-7-103. Classification and appraisal -- general and uniform methods.** (1) It is the duty of the
 14 department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing for a
 15 general and uniform method of:

16 (a) ~~for a general and uniform method of~~ classifying lands in the state for the purpose of securing
 17 an equitable and uniform basis of assessment of ~~said~~ lands for taxation purposes;

18 (b) ~~for a general and uniform method of~~ appraising city and town lots;

19 (c) ~~for a general and uniform method of~~ appraising rural and urban improvements;

20 (d) ~~for a general and uniform method of~~ appraising ~~timberlands~~ forest lands.

21 (2) ~~All lands~~ The department shall be classified classify all lands according to their use or uses and
 22 ~~graded shall grade land~~ within each class according to soil and productive capacity. In ~~each classification~~
 23 ~~work~~ classifying lands, the department use shall be made of use soil surveys and maps and all other
 24 pertinent available information.

25 (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the
 26 sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States
 27 government, or by metes and bounds, whichever yields a true description of the land.

28 (4) All agricultural lands must be classified and appraised as agricultural lands without regard to
 29 the best and highest value use of adjacent or neighboring lands.

30 (5) ~~(a) In any periodic revaluation of taxable property completed under the provisions of 15-7-111~~

1 after January 1, 1986, all ALL property classified in 15-6-134 must be appraised on its ~~market~~ 1993 value
 2 in the same AS DETERMINED BY THE BASE year USED FOR THE 1993 REAPPRAISAL.

3 ~~(b) For tax years beginning January 1, 1997, and ending December 31, 1999, the department shall~~
 4 ~~use the assessed values established in 1996. The~~ For all other years IN ANY PERIODIC REVALUATION OF
 5 TAXABLE PROPERTY UNDER THE PROVISIONS OF 15-7-111, the department shall publish a rule specifying
 6 the year used in the appraisal.

7 (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not
 8 be appraised, assessed, and taxed separately from the land, house, or other improvements in which they
 9 are located. ~~in no event may the~~ The sewage disposal or domestic water supply systems may not
 10 included twice by including them in the valuation and assessing them separately."

11

12 **Section 5.** Section 15-7-111, MCA, is amended to read:

13 "**15-7-111. Periodic revaluation of taxable property -- exception -- rules.** (1) ~~(a) The~~ Except as
 14 provided in subsection (1)(b), the THE department of revenue shall administer and supervise a program for
 15 the revaluation of all taxable property subject to taxation under Title 15, chapter 6, part 1, within the state
 16 AND THAT MUST BE REVALUED ON A PERIODIC BASIS. The department shall complete this revaluation
 17 program by December 31, ~~1996~~ 1999. A comprehensive written reappraisal plan must be promulgated by
 18 the department. The reappraisal plan adopted must provide that all property in each county be revalued by
 19 December 31, ~~1996~~ 1999. The department shall furnish a copy of the plan and all amendments to the plan
 20 to the board of county commissioners of each county.

21 ~~(b)(2) For tax years beginning January 1, 1997, and ending December 31, 1999, the department~~
 22 shall:

23 ~~(i)(A) use the assessed values established in tax year 1996~~ 1993 for all classes of property subject
 24 to taxation under Title 15, chapter 6, part 1 15-6-133, 15-6-134, AND 15-6-143; and

25 ~~(ii)(B) value new property or reclassified property in a manner consistent with the method of valuing~~
 26 property within the same class in tax year 1996. The department shall adopt rules for determining the
 27 assessed valuation of new property or reclassified property within the same class.

28 ~~(2) Beginning January 1, 1997 2000, the department of revenue shall administer and supervise~~
 29 ~~a program for the revaluation of all taxable property within the state at least every 3 years. A~~
 30 ~~comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan~~

1 ~~adopted must provide that all property in each county be revalued at least every 3 years. The department~~
 2 ~~shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of~~
 3 ~~each county."~~

4

5 ~~**Section 3.** Section 15-7-221, MCA, is amended to read:~~

6 ~~"**15-7-221. (Temporary) Phase in of the taxable value of agricultural land.** The increase or decrease~~
 7 ~~in taxable value of agricultural land resulting from the change in the method of determining productive~~
 8 ~~capacity value under 15-7-201, as that section read on December 31, 1996, must be phased in beginning~~
 9 ~~January 1, 1995, as follows:~~

10 ~~(1) For the year beginning January 1, 1995, and ending December 31, 1995, the taxable value of~~
 11 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 12 ~~31, 1994, value by one third of the difference between the product of the productive capacity value of~~
 13 ~~agricultural land for 1995 determined under 15-7-201 times the class three tax rate and the taxable value~~
 14 ~~of agricultural land as of December 31, 1994.~~

15 ~~(2) For the year beginning January 1, 1996, and ending December 31, 1996, the taxable value of~~
 16 ~~agricultural land in each land use and production category must increase or decrease from the December~~
 17 ~~31, 1994, value by two thirds of the difference between the product of the productive capacity value of~~
 18 ~~agricultural land for 1995 determined under 15-7-201, as that section read on December 31, 1996, times~~
 19 ~~the class three tax rate and the taxable value of agricultural land as of December 31, 1994.~~

20 ~~(3)(2) (a) Beginning January 1, 1997, and ending December 31, 1999, the taxable value of~~
 21 ~~agricultural land in each land use and production category is equal to 100% of the productive capacity~~
 22 ~~value of agricultural land determined under 15-7-201 times the class three tax rate subsection (1).~~

23 ~~(b) Beginning January 1, 2000, the taxable value of agricultural land in each land use and~~
 24 ~~production category is equal to 100% of the productive capacity value of agricultural land determined under~~
 25 ~~15-7-201 times the class three tax rate.~~

26 ~~(4)(3) This section does not apply to land described in 15-6-133(1)(c). (Repealed effective January~~
 27 ~~1, 1998 2001 secs. 4, 5, Ch. 563, L. 1995.)"~~

28

29 ~~**Section 4.** Section 5, Chapter 563, Laws of 1995, is amended to read:~~

30 ~~"Section 5. **Effective dates.** (1) [Sections 1, 3, 6, and this section] are effective on passage and~~

1 approval.

2 ~~(2) [Section 2] is effective January 1, 1997-2000.~~

3 ~~(3) [Section 4] is effective January 1, 1998-2001."~~

4

5 ~~Section 5. Section 6, Chapter 563, Laws of 1995, is amended to read:~~

6 ~~"Section 6. Applicability. (1) [Sections 1 and 3] apply retroactively, within the meaning of 1-2-109,~~
7 ~~to tax years beginning after December 31, 1994.~~

8 ~~(2) [Section 2] applies to tax years beginning after December 31, 1996-1999."~~

9

10 **SECTION 6. SECTION 15-7-112, MCA, IS AMENDED TO READ:**

11 "15-7-112. **Equalization of valuations.** The same method of appraisal and assessment ~~shall~~ must
12 be used in each county of the state ~~to the end so~~ so that comparable property with similar ~~true market~~ values
13 and subject to taxation in Montana ~~shall have~~ has substantially equal taxable ~~values~~ value at the end of
14 each cyclical revaluation program ~~hereinbefore provided."~~

15

16 **SECTION 7. SECTION 15-8-111, MCA, IS AMENDED TO READ:**

17 "15-8-111. **Assessment -- market value standard -- exceptions.** (1) All taxable property must be
18 assessed at 100% of its market value except as otherwise provided.

19 (2) (a) Market value is the value at which property would change hands between a willing buyer
20 and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable
21 knowledge of relevant facts.

22 (b) If the department uses construction cost as one approximation of market value, the department
23 shall fully consider reduction in value caused by depreciation, whether through physical depreciation,
24 functional obsolescence, or economic obsolescence.

25 (c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools,
26 implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national
27 appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The
28 department shall prepare valuation schedules showing the average wholesale value when a national
29 appraisal guide does not exist.

30 (3) The department may not adopt a lower or different standard of value from market value in

1 making the official assessment and appraisal of the value of property, except:

2 (a) the wholesale value for agricultural implements and machinery is the loan value as shown in
3 the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment
4 dealers association, St. Louis, Missouri;

5 (b) for agricultural implements and machinery not listed in the official guide, the department shall
6 prepare a supplemental manual in which the values reflect the same depreciation as those found in the
7 official guide; ~~and~~

8 (c) the value of properties in 15-6-133, under class three, 15-6-134, under class four, and
9 15-6-143, under class ten, is not determined based on current market or current productivity value. The
10 value is determined based on the market or productivity value for the base year of the 1993 reappraisal
11 cycle. The 1993 reappraisal cycle is the cycle in which new values were assessed beginning in 1993. The
12 base year for class four property is the year adopted by administrative rule for the 1993 reappraisal as
13 required by 15-7-103. The base year for class three and ten properties is the year used in determining
14 productivity for the 1993 reappraisal. The values must be considered equalized when property values are
15 at or near the base year market or productivity value used for the 1993 reappraisal.

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

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

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

20 (6) The assessed value of properties in 15-6-131 through ~~15-6-133~~ 15-6-134 and 15-6-143 is as
21 follows:

22 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
23 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
24 15-23-516, 15-23-517, or 15-23-518.

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

26 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of
27 the lands in 1994 when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202
28 are valued as agricultural lands for tax purposes.

29 (d) Properties in 15-6-134, under class four, are assessed as provided in subsection (3)(c) of this
30 section.

1 ~~(d)~~(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity
2 value of the land in 1994 when valued as forest land.

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

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

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

7 (c) the land is outside an incorporated city or town."
8

9 NEW SECTION. SECTION 8. EXTENSION OF 1997 DEADLINES RELATING TO PROPERTY
10 TAXATION. AS A RESULT OF THE CHANGE IN THE BASE YEAR FOR REAPPRAISAL OF CLASS THREE,
11 FOUR, AND TEN PROPERTY ENACTED BY THE 55TH LEGISLATURE, IT IS NOT POSSIBLE TO COMPLY
12 WITH CERTAIN STATUTORY DEADLINES RELATING TO APPRAISALS, ASSESSMENTS, APPEALS,
13 REIMBURSEMENTS, BUDGETS, AND COLLECTION OF PROPERTY TAXES. THE STATE APPRAISAL AND
14 ASSESSMENT PROCESS WILL BE DELAYED, WHICH IN TURN WILL CAUSE DELAYS FOR THE TAX
15 APPEAL BOARDS AND LOCAL GOVERNMENT TAXING JURISDICTION BUDGETING AND COLLECTION
16 PROCESSES. THEREFORE, FOR TAX YEAR 1997, ALL DEADLINES ARE EXTENDED AS NECESSARY AND
17 REASONABLE IN ORDER TO ALLOW FOR THE ORDERLY AND EFFICIENT ASSESSMENT AND COLLECTION
18 OF TAXES.
19

20 NEW SECTION. Section 9. Effective date DATES -- retroactive applicability. (1) EXCEPT AS
21 PROVIDED IN SUBSECTION (2), [This THIS act] is effective on passage and approval and applies
22 retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

23 (2) IF [SECTIONS 4 THROUGH 8] ARE DECLARED INVALID, THEN [SECTIONS 1 THROUGH 3] ARE
24 EFFECTIVE ON THE DATE THAT [SECTIONS 4 THROUGH 8] ARE INVALID.
25

-END-



FREE CONFERENCE COMMITTEE

on Senate Bill 195
Report No. 1, April 17, 1997

Page 1 of 15

Mr. President and Mr. Speaker:

We, your FREE Conference Committee on Senate Bill 195, met and considered the House Committee of the Whole amendments.

We recommend that Senate Bill 195 (reference copy - salmon) be further amended as follows:

1. Title, line 12.

STRIKE: "ELIMINATING"

INSERT: "PHASING IN"

2. Title, lines 16 through 19.

Following: "~~1999~~," on line 16

Strike: remainder of line 16 through ";" on line 19

3. Title, line 20.

Strike: "A CONTINGENT"

Insert: "AN"

Following: "THREE"

Strike: "1"

Insert: "AND"

4. Title, line 21.

Strike: "AND TEN"

Following: "1"

Insert: "REVISING THE PROPERTY TAX LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105 BY CHANGING THE EXCEPTIONS TO THE LIMITATIONS; PROVIDING A METHOD FOR THE VOTERS OF A TAXING UNIT TO AUTHORIZE AN INCREASE IN TAXES; PROVIDING FOR A PROPERTY TAX STUDY COMMITTEE; PROVIDING AN APPROPRIATION FOR THE OPERATION OF THE COMMITTEE; PROVIDING CARRYOVER APPROPRIATION AUTHORITY FOR THE DEPARTMENT OF REVENUE;"

5. Title, line 22.

Strike: "15-6-133,"

Insert: "7-6-2514,"

Strike: "15-6-143, 15-7-103,"

Insert: "15-7-102,"

Strike: "15-7-112,"

ADOPT

REJECT

FCCR#1

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SB 195

6. Title, line 23.

Strike: "AND 15-8-111"

Insert: "15-10-401, 15-10-402, 15-10-412, 15-36-323, AND 77-1
208"

Following: " ; "

Insert: "REPEALING SECTION 15-10-411, MCA;"

7. Title, line 24.

Following: "~~IMMEDIATE~~"

Insert: "AN IMMEDIATE"

Strike: "DATES"

Insert: "DATE"

8. Page 1, lines 28 through page 2, line 8.

Following: "for" on line 28

Strike: remainder of line 28 through "." on page 2, line 8

Insert: "phasing in newly constructed, remodeled, and reclassified property consistent with the phasing in of reappraised property. The legislature contemplates that the rules adopted by the department should address, at a minimum, the manner in which the reappraised portion of new, remodeled, or reclassified property will be determined and phased in."

9. Page 2, line 12 through page 10, line 24.

Strike: everything after the enacting clause

Insert: "**Section 1.** Section 7-6-2514, MCA, is amended to read:

"**7-6-2514. Tax limitation applicable.** The property tax limitation ~~to 1986 levels under contained in~~ Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund levy are limited under Title 15, chapter 10, part 4."

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) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market value.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.022 percentage points each year until the tax rate is equal to or less than 2.78%.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at 3.86% the rate provided in subsection (2)(a)(ii) 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)(i).

(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."

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

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

- (i) change in ownership;
- (ii) change in classification;

(iii) except a provided in subsection (1)(b), change in valuation; or

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

(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an incremental change in valuation caused by the phasing in of a reappraisal.

~~(b)(c)~~ The notice must include the following for the taxpayer's informational purposes:

(i) the total amount of mills levied against the property in the prior year;

~~(ii) the amount of the prior year's taxes resulting from levied mills;~~

~~(iii) an estimate of the current year's taxes based on the prior year's mills; and~~

~~(iv)(i)~~ a statement that the notice is not a tax bill.

~~(e)(d)~~ Any misinformation provided in the information required by subsection ~~(1)(b)~~ (1)(c) does not affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

(2) (a) The department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by the department, containing sufficient information in a

comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

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

(3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department, on forms provided by the department for that purpose, within 30 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

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

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

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

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county

tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

Section 4. Section 15-7-111, MCA, is amended to read:
"15-7-111. **Periodic revaluation of certain taxable property.** (1) The department of revenue shall administer and supervise a program for the revaluation of all taxable property within the state classes three, four, and ten. All other property must be revalued annually. The department shall complete this revaluation program by of class three, four, and ten property is complete on December 31, 1996. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county. The amount of the change in valuation from the 1996 base year for each property in classes three, four, and ten must be phased in each year at the rate of 2% of the total change in valuation.

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

~~(2)~~(3) Beginning January 1, ~~1997~~ 2007, the department of revenue shall administer and supervise a program for the revaluation of all taxable property within the state at least every 3 years classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county be is revalued at least every by January 1, 2010, and each succeeding 3 years. The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."

Section 5. Section 15-10-401, MCA, is amended to read:
"15-10-401. **Declaration of policy.** (1) The state of Montana's reliance on the taxation of property to support education and local government has placed an unreasonable burden on the owners of all classes three, four, six, nine, twelve, and fourteen of property, as these classes are defined described in

Title 15, chapter 6, part 1.

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

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

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

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

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

(5)(2) The Except as provided in 15-10-412, the people of the state of Montana declare that it is the policy of the state of Montana that no further property tax increases be imposed on property classes three, four, six, nine, twelve, and fourteen. In order to reduce volatility in property taxation and in order to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for purposes of taxation."

Section 6. Section 15-10-402, MCA, is amended to read:

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

~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.~~

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

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

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

"15-10-412. Property tax limited to 1986 levels limit --

~~clarification~~ ~~extension to all property classes~~ exception.
 Section 15-10-402 is interpreted and clarified implemented as follows:

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

~~(2) The limitation on the amount of taxes levied is interpreted to mean~~ means that, except as otherwise provided in this section, the actual tax liability for an individual property total amount of taxes levied by each taxing unit is capped at the dollar amount due levied in each taxing unit for the 1986 1996 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 1993 through 1985 1995 but did not levy a tax in 1986 1996, in which case the actual tax liability for an individual property is taxes levied are capped at the dollar amount due in that taxing unit for the 1985 1995 tax year.

~~(3) (2) The limitation on the amount of taxes levied does not prohibit a further~~ an increase in the total ~~taxable valuation of taxes levied by~~ a taxing unit as a result of:

- (a) annexation of real property and improvements into a taxing unit;
 - (b) construction, expansion, or remodeling of improvements;
 - (c) transfer of property into a taxing unit;
 - (d) subdivision of real property;
 - (e) reclassification of property;
 - (f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;
 - (g) transfer of property from tax-exempt to taxable status;
- or
- (h) revaluations caused by+
 - ~~(i) cyclical reappraisal; or~~
 - (ii) expansion, addition, replacement, or remodeling of improvements.

(3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36, part 3.

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

- ~~(a) a revaluation caused by:~~
- ~~(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or~~
- ~~(ii) cyclical reappraisal;~~

~~(b) transfer of property into a taxing unit;~~
~~(c) reclassification of property;~~
~~(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;~~
~~(e) annexation of the individual property into a new taxing unit; or~~
~~(f) conversion of the individual property from tax exempt to taxable status.~~

~~(5) Property in class four is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

~~(a) new construction;~~
~~(b) expanded, deleted, replaced, or remodeled improvements;~~
~~(c) annexed property; or~~
~~(d) property converted from tax exempt to taxable status.~~

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

~~(7)(4) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology methodologies of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless.~~

~~(5) (a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If Except as provided in subsection (5)(d), if a taxing unit's taxable valuation decreases by 5% or more from the 1986 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 1996 tax year in that taxing unit.~~

~~(b) If a levy authorized under Title 20 raised less revenue in 1986 1996 than was raised in either 1984 1994 or 1985 1995, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984 1994, 1985 1995, and 1986 1996.~~

(c) If a levy authorized in 50-2-111 that was made in 1986 1996 was for less than the number of mills levied in either 1984 1994 or 1985 1995, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984 1994, 1985 1995, and 1986 1996.

(d) If a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy additional mills by following either procedure provided for in subsection (7) (a).

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

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

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

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

~~(10) (7) (a)~~ The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability:

- (i) following a resolution of the governing body of the

taxing unit containing:

~~(a)~~ (A) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;

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

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

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

~~(e)~~ (E) a finding that there are no alternative sources of revenue;

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

~~(g)~~ (G) a statement of the need for the increased revenue and how it will be used; or

(ii) by a vote pursuant to this subsection (7)(a)(ii). The approval or rejection of a levy that does not follow the procedure in subsection (7)(a)(i) is decided in the following manner:

(A) determine the total number of qualified electors of the taxing unit from the list of electors supplied by the county registrar for the election;

(B) determine the total number of qualified electors who voted at the taxing unit election from the tally sheets for the election; and

(C) calculate the percentage of qualified electors voting at the election by dividing the number determined in subsection (7)(a)(ii)(A) by the number determined in subsection (7)(a)(ii)(B).

(b) When the calculated percentage in subsection (7)(a)(ii)(C) is 40% or more, the levy is considered to have been approved and adopted if a majority of the votes are cast in favor of the proposition, otherwise it is considered to have been rejected.

(c) The election provisions of this section do not apply to school levy elections.

~~(11)~~ (8) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

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

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

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

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

~~(12)~~(9) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

~~(13)~~(10) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402.

~~(14)~~(11) A taxing jurisdiction that included special improvement district revolving fund levies in the limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the revolving fund has diminished and the levy authority has been transferred."

Section 8. Section 15-36-323, MCA, is amended to read:

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

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

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

(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include the amount of taxes that are attributable to a ~~financial-emergency~~ voted levy, as described in 15-10-412~~(10)~~(7), for which additional mills were levied in fiscal year 1990."

Section 9. Section 77-1-208, MCA, is amended to read:

"77-1-208. **Cabin site licenses and leases -- method of**

establishing value. (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 2.

(2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board."

NEW SECTION. Section 10. Property tax committee. (1) There is an interim property tax committee. The committee consists of 12 members. The speaker of the house shall appoint six house members, three from each party, and the senate committee on committees shall appoint six senate members, three from each party.

(2) The committee may study all aspects of the state property tax system and shall prepare a menu of alternatives to revise, reform, or replace the property tax system. The alternatives should include methods that remove volatility from the valuation of property. The alternative methods should include options designed to supplement or replace the current valuation system in order to prevent the exclusive reliance on market value.

(3) In order to provide a wide-ranging series of options for consideration, each individual member of the committee may pursue proposals independently and receive staff assistance on the proposals. The committee may discuss and make suggestions on all proposals. A vote of one-fourth of the members may include a proposal on the menu of alternatives. The menu of alternatives must be presented to the 56th legislature.

(4) The committee may solicit the advice of appropriate persons and entities as the committee considers necessary.

(5) The legislative branch shall provide staff support to the committee. The committee may contract for services as the committee considers necessary.

NEW SECTION. Section 11. Extension of 1997 deadlines relating to property taxation. As a result of the change in the phasein of reappraisal for class three, four, and ten property enacted by the 55th legislature, it is not possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process will be delayed, which in turn will cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 1997, all deadlines are extended as necessary and reasonable, except the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

NEW SECTION. Section 12. Appropriation. There is appropriated from the general fund to the legislative branch \$100,000 for the biennium for operating expenses and personnel services for operations of the property tax committee established in [section 10].

NEW SECTION. Section 13. Appropriation carryover. Notwithstanding the provisions of 17-7-304, the department of revenue may carry over into the fiscal year commencing July 1, 1997, up to \$425,000 of the unexpended portion of the appropriation to the department for the biennium ending June 30, 1997.

NEW SECTION. Section 14. Repealer. Section 15-10-411, MCA, is repealed.

NEW SECTION. Section 15. Effective date -- retroactive applicability. [This act] is effective on passage and approval, and [sections 1 through 9] apply retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 1996."

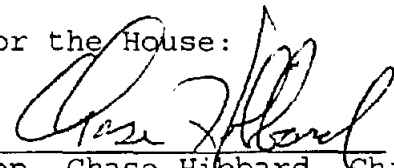
And that this FREE Conference Committee report be adopted.

For the Senate:


For the House:



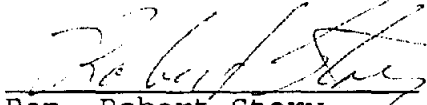
Senator John Harn, Chair




Rep. Chase Hibbard, Chair



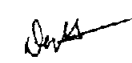
Senator Bruce Crippen




Rep. Robert Story



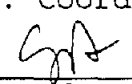
Senator Mike Halligan



Rep. Dan Harrington



Amd. Coord.



Sec. of Senate

SENATE BILL NO. 195

INTRODUCED BY HARP, MERCER, AKLESTAD, MCCANN, FOSTER, ROSE, JORE, SIMPSON, PECK,
 DOWELL, GRINDE, WALTERS, HAYNE, MILLS, MCNUTT, SMITH, OHS, M. HANSON, COBB,
 BOOKOUT-REINICKE, EMERSON, BARNETT, ORR, BAER, CRIPPEN, TASH, HERTEL, NELSON,
 HARGROVE, BITNEY, ADAMS, ELLIS, DENNY, LAWSON, MOOD, SLITER, BEAUDRY, DEPRATU,
 MOLNAR, WISEMAN, WELLS, L. TAYLOR, BENEDICT, MOHL, STANG, LYNCH, JABS, KEATING,
 SOFT, BANKHEAD, MASOLO, KNOX, ANDERSON, REHBEIN, BOHARSKI, KEENAN, CURTISS,
 BERGMAN, GRIMES, ZOOK, BRAINARD, HIBBARD, GRADY, PAVLOVICH, QUILICI, MCGEE, FELAND,
 SHEA, TREXLER, DEVLIN, SWYSGOOD, BECK, MESAROS, KOTTEL, BURNETT, BISHOP, WILSON,
 THOMAS, JENKINS, SPRAGUE, CRISMORE, M. TAYLOR, MAHLUM, WAGNER, GROSFIELD

A BILL FOR AN ACT ENTITLED: "AN ACT DELAYING ~~ELIMINATING~~ PHASING IN THE EFFECT OF THE
CURRENT PROPERTY REAPPRAISAL CYCLE FOR CLASS THREE, FOUR, AND TEN PROPERTY; DELAYING
THE NEXT REAPPRAISAL CYCLE UNTIL THE YEAR 2000; REQUIRING THE DEPARTMENT OF REVENUE
TO USE THE VALUES ESTABLISHED IN 1996 FOR ALL CLASSES OF PROPERTY SUBJECT TO PROPERTY
TAXATION FOR TAX YEARS 1997 THROUGH 1999; REQUIRING THE DEPARTMENT OF REVENUE TO
VALUE NEW CLASS THREE, FOUR, AND TEN PROPERTY OR RECLASSIFIED CLASS THREE, FOUR, AND
TEN PROPERTY IN A MANNER CONSISTENT WITH THE WAY PROPERTY WAS VALUED WITHIN THE
SAME CLASS IN 1996-1993; ALLOWING AN EXTENSION OF 1997 STATUTORY DEADLINES RELATING
TO PROPERTY TAXES; PROVIDING FOR A CONTINGENT AN ADJUSTMENT OF TAX RATES FOR CLASS
THREE, AND FOUR, AND TEN PROPERTY TO COMPENSATE FOR INCREASED VALUATION OF TAXABLE
PROPERTY; REVISING THE PROPERTY TAX LIMITATIONS IMPLEMENTING INITIATIVE MEASURE NO. 105
BY CHANGING THE EXCEPTIONS TO THE LIMITATIONS; PROVIDING A METHOD FOR THE VOTERS OF
A TAXING UNIT TO AUTHORIZE AN INCREASE IN TAXES; PROVIDING FOR A PROPERTY TAX STUDY
COMMITTEE; PROVIDING AN APPROPRIATION FOR THE OPERATION OF THE COMMITTEE; PROVIDING
CARRYOVER APPROPRIATION AUTHORITY FOR THE DEPARTMENT OF REVENUE; AMENDING SECTIONS
~~15-6-133, 7-6-2514, 15-6-134, 15-6-143, 15-7-103, 15-7-102, 15-7-111, AND 15-7-221-15-7-112, AND~~
~~15-8-111~~ 15-10-401, 15-10-402, 15-10-412, 15-36-323, AND 77-1-208, MCA, AND SECTIONS 6 AND
6, CHAPTER 563, LAWS OF 1995; REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN
IMMEDIATE AN IMMEDIATE EFFECTIVE DATE DATES DATE AND A RETROACTIVE APPLICABILITY

1 DATE."

2

3

STATEMENT OF INTENT

4

A statement of intent is required for this bill because 15-7-111 gives rulemaking authority to the department of revenue for ~~determining the valuation of new and reclassified CLASS THREE, FOUR, AND TEN property in the same manner as property was valued within the same class in 1996-1993.~~

7

~~The legislature contemplates that the rules adopted by the department should address, at a minimum, the following:~~

9

~~(1) the base year to be used for determining the assessed value of new or reclassified CLASS THREE, FOUR, AND TEN property consistent with the base year of existing property in the same class;~~

11

~~(2) the method for determining the assessed value of new or reclassified CLASS THREE, FOUR, AND TEN property when a base year is not relevant to the determination of value of property in the same class; and~~

14

~~(3) other criteria to ensure that the assessed value of new and reclassified CLASS THREE, FOUR, AND TEN property is determined in the same manner as other property in the same class. PHASING IN NEWLY CONSTRUCTED, REMODELED, AND RECLASSIFIED PROPERTY CONSISTENT WITH THE PHASING IN OF REAPPRAISED PROPERTY. THE LEGISLATURE CONTEMPLATES THAT THE RULES ADOPTED BY THE DEPARTMENT SHOULD ADDRESS, AT A MINIMUM, THE MANNER IN WHICH THE REAPPRAISED PORTION OF NEW, REMODELED, OR RECLASSIFIED PROPERTY WILL BE DETERMINED AND PHASED IN.~~

20

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

22

(Refer to Reference Bill)

23

Strike everything after the enacting clause and insert:

24

25

Section 1. Section 7-6-2514, MCA, is amended to read:

26

"7-6-2514. Tax limitation applicable. The property tax limitation ~~to 1986 levels under~~ contained in Title 15, chapter 10, part 4, applies to the county public safety levy authorized in 7-6-2513. The limitation is determined by the total tax levied for the county general fund. The first year that a county public safety tax is levied, the public safety levy and the general fund levy may not exceed the prior year's county general fund levy. In subsequent years, any increases in the public safety levy and the general fund

30

1 levy are limited under Title 15, chapter 10, part 4."

2

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

4 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property
5 includes:

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

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

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

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

19 (e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural
20 land under 15-7-202, including 1 acre of real property beneath improvements on land described in
21 15-6-133(1)(c). The 1 acre must be valued at market value.

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

23 (a) (i) Except as provided in 15-24-1402 or 15-24-1501 and subsection (2)(a)(ii) of this section,
24 property described in subsections (1)(a), (1)(b), and (1)(e) of this section is taxed at 3.86% of its market
25 value.

26 (ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting
27 0.022 percentage points each year until the tax rate is equal to or less than 2.78%.

28 (b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed
29 at ~~3.86%~~ the rate provided in subsection (2)(a)(ii) of its market value multiplied by a percentage figure
30 based on income and determined from the following table:

1	Income	Income	Percentage
2	Single Person	Married Couple	Multiplier
3		Head of Household	
4	\$ 0 - \$ 6,000	\$ 0 - \$ 8,000	20%
5	6,001 - 9,200	8,001 - 14,000	50%
6	9,201 - 15,000	14,001 - 20,000	70%

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

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

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

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

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

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

22

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

24 **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department
 25 shall mail to each owner or purchaser under contract for deed a notice of the classification of the land
 26 owned or being purchased and the appraisal of the improvements on the land only if one or more of the
 27 following changes pertaining to the land or improvements have been made since the last notice:

28 (i) change in ownership;

29 (ii) change in classification;

30 (iii) except as provided in subsection (1)(b), change in valuation; or

1 (iv) addition or subtraction of personal property affixed to the land.

2 (b) After the first year, the department is not required to mail the notice provided for in subsection
 3 (1)(a)(iii) if the change in valuation is the result of an incremental change in valuation caused by the phasing
 4 in of a reappraisal.

5 ~~(b)(c)~~ The notice must include the following for the taxpayer's informational purposes:

6 (i) the total amount of mills levied against the property in the prior year;

7 ~~(iii) the amount of the prior year's taxes resulting from levied mills;~~

8 ~~(iii) an estimate of the current year's taxes based on the prior year's mills; and~~

9 ~~(iv)(ii)~~ a statement that the notice is not a tax bill.

10 ~~(e)(d)~~ Any misinformation provided in the information required by subsection ~~(1)(b)~~ (1)(c) does not
 11 affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

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

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

19 (3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
 20 market value of the property as determined by the department or with the classification of the land or
 21 improvements, the owner may request an assessment review by submitting an objection in writing to the
 22 department, on forms provided by the department for that purpose, within 30 days after receiving the
 23 notice of classification and appraisal from the department. The review must be conducted informally and
 24 is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part
 25 of the review, the department may consider the actual selling price of the property, independent appraisals
 26 of the property, and other relevant information presented by the taxpayer in support of the taxpayer's
 27 opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer
 28 of the time and place of the review. After the review, the department shall determine the correct appraisal
 29 and classification of the land or improvements and notify the taxpayer of its determination. In the
 30 notification, the department shall state its reasons for revising the classification or appraisal. When the

1 proper appraisal and classification have been determined, the land must be classified and the improvements
2 appraised in the manner ordered by the department.

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

5 (a) the taxpayer has submitted an objection in writing; and

6 (b) the department has stated its reason in writing for making the adjustment.

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

10 (6) If any property owner feels aggrieved by the classification or appraisal made by the department
11 after the review provided for in subsection (3), the property owner has the right to first appeal to the
12 county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right
13 of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice
14 of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax
15 appeal board may consider the actual selling price of the property, independent appraisals of the property,
16 and other relevant information presented by the taxpayer as evidence of the market value of the property.
17 If the county tax appeal board or the state tax appeal board determines that an adjustment should be made,
18 the department shall adjust the base value of the property in accordance with the board's order."

19
20 **Section 4.** Section 15-7-111, MCA, is amended to read:

21 **"15-7-111. Periodic revaluation of certain taxable property.** (1) The department of revenue shall
22 administer and supervise a program for the revaluation of all taxable property within ~~the state classes three,~~
23 ~~four, and ten.~~ All other property must be revalued annually. ~~The department shall complete this revaluation~~
24 ~~program by~~ of class three, four, and ten property is complete on December 31, 1996. ~~A comprehensive~~
25 ~~written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide~~
26 ~~that all property in each county be revalued by December 31, 1996. The department shall furnish a copy~~
27 ~~of the plan and all amendments to the plan to the board of county commissioners of each county. The~~
28 amount of the change in valuation from the 1996 base year for each property in classes three, four, and
29 ten must be phased in each year at the rate of 2% of the total change in valuation.

30 (2) The department shall value and phase in the value of newly constructed, remodeled, or

1 reclassified property in a manner consistent with the valuation within the same class and the values
 2 established pursuant to subsection (1). The department shall adopt rules for determining the assessed
 3 valuation and phased-in value of new, remodeled, or reclassified property within the same class.

4 ~~(2)(3)~~ Beginning January 1, ~~1997~~ 2007, the department of revenue shall administer and supervise
 5 a program for the revaluation of all taxable property within ~~the state at least every 3 years~~ classes three,
 6 four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The
 7 reappraisal plan adopted must provide that all class three, four, and ten property in each county ~~be~~ is
 8 revalued at least every by January 1, 2010, and each succeeding 3 years. The department shall furnish a
 9 copy of the plan and all amendments to the plan to the board of county commissioners of each county."
 10

11 **Section 5.** Section 15-10-401, MCA, is amended to read:

12 "**15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property
 13 to support education and local government has placed an unreasonable burden on the owners of all classes
 14 ~~three, four, six, nine, twelve, and fourteen~~ of property, ~~as these classes are defined~~ described in Title 15,
 15 chapter 6, part 1.

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

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

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

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

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

24 ~~(5)(2)~~ The Except as provided in 15-10-412, the people of the state of Montana declare that it is
 25 the policy of the state of Montana that no further property tax increases be imposed on property classes
 26 three, four, six, nine, twelve, and fourteen. In order to reduce volatility in property taxation and in order
 27 to reduce taxpayer uncertainty, it is the policy of the legislature to develop alternatives to market value for
 28 purposes of taxation."
 29

30 **Section 6.** Section 15-10-402, MCA, is amended to read:

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

5 ~~(2) The limitation contained in subsection (1) does not apply to levies for rural improvement~~
6 ~~districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary~~
7 ~~and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded~~
8 ~~indebtedness.~~

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

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

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

17 "**15-10-412. Property tax limited to ~~1986~~ 1996 levels limit -- clarification -- extension to all property**
18 **classes exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

19 ~~(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title~~
20 ~~15, chapter 6, part 1.~~

21 ~~(2)~~ The limitation on the amount of taxes levied is ~~interpreted to mean~~ means that, except as
22 otherwise provided in this section, the ~~actual tax liability for an individual property~~ total amount of taxes
23 levied by each taxing unit is capped at the dollar amount ~~due~~ levied in each taxing unit for the ~~1986~~ 1996
24 tax year. ~~In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the~~
25 ~~product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit~~
26 ~~that levied a tax in tax years 1983 1993 through 1985 1995 but did not levy a tax in 1986 1996, in which~~
27 ~~case the actual tax liability for an individual property is~~ taxes levied are capped at the dollar amount due
28 in that taxing unit for the ~~1985~~ 1995 tax year.

29 ~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit ~~a further~~ an increase in the
30 total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

- 1 (a) annexation of real property and improvements into a taxing unit;
- 2 (b) construction, expansion, or remodeling of improvements;
- 3 (c) transfer of property into a taxing unit;
- 4 (d) subdivision of real property;
- 5 (e) reclassification of property;
- 6 (f) increases in the amount of production or the value of production for property described in
- 7 15-6-131 or 15-6-132;
- 8 (g) transfer of property from tax-exempt to taxable status; or
- 9 (h) revaluations caused by:
- 10 ~~(i) cyclical reappraisal; or~~
- 11 ~~(iii) expansion, addition, replacement, or remodeling of improvements.~~

12 (3) The limitation on the amount of taxes levied does not prohibit an increase in the total taxes

13 levied by a taxing unit in order to compensate the taxing unit for any loss in the total amount of nonlevy

14 revenue received in 1996 from taxes imposed under Title 15, chapter 23, part 7, and Title 15, chapter 36,

15 part 3.

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

17 ~~valuation or in the actual tax liability on individual property in each class as a result of:~~

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

- 1 ~~(a) new construction;~~
 2 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~
 3 ~~(c) annexed property; or~~
 4 ~~(d) property converted from tax exempt to taxable status.~~
 5 ~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued~~
 6 ~~according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on~~
 7 ~~1986 mills levied.~~

8 ~~(7)(4)~~ The limitation on the amount of taxes, as clarified in this section, is intended to leave the
 9 property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact.
 10 Determinations of county classifications, salaries of local government officers, and all other matters in
 11 which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except~~
 12 ~~for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government~~
 13 ~~may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402,~~
 14 ~~while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the~~
 15 ~~dollar amount due in each taxing unit for the 1986 tax year unless:~~

16 ~~(5) (a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
 17 ~~or more from the 1986 tax year. If~~ Except as provided in subsection (5)(d), if a taxing unit's taxable
 18 valuation decreases ~~by 5% or more~~ from the ~~1986~~ 1996 tax year, it may levy additional mills to
 19 compensate for the decreased taxable valuation, but the mills levied may not exceed a number calculated
 20 to equal the revenue from property taxes for the ~~1986~~ 1996 tax year in that taxing unit.

21 ~~(b) If~~ if a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either
 22 ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing
 23 unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year
 24 average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

25 ~~(c) If~~ if a levy authorized in 50-2-111 that was made in ~~1986~~ 1996 was for less than the number of
 26 mills levied in either ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the
 27 voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than
 28 the 3-year average number of mills levied for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

29 ~~(d) If~~ if a taxing unit's taxable valuation decreases by more than 5% in any year, it may levy
 30 additional mills by following either procedure provided for in subsection (7)(a).

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

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

9 ~~(9)(6)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 10 assessment categories, whether or not they are based on commitments made before or after approval of
 11 15-10-401 and 15-10-402:

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

26 ~~(10)(7) (a)~~ The limitation on the amount of taxes levied does not apply in a taxing unit if the voters
 27 in the taxing unit approve an increase in tax liability;

28 (i) following a resolution of the governing body of the taxing unit containing:

29 ~~(a)(A)~~ a finding that there are insufficient funds to adequately operate the taxing unit as a result
 30 of 15-10-401 and 15-10-402;

- 1 ~~(b)~~(B) an explanation of the nature of the financial emergency;
- 2 ~~(c)~~(C) an estimate of the amount of funding shortfall expected by the taxing unit;
- 3 ~~(d)~~(D) a statement that applicable fund balances are or by the end of the fiscal year will be
4 depleted;
- 5 ~~(e)~~(E) a finding that there are no alternative sources of revenue;
- 6 ~~(f)~~(F) a summary of the alternatives that the governing body of the taxing unit has considered; and
- 7 ~~(g)~~(G) a statement of the need for the increased revenue and how it will be used; or
- 8 (ii) by a vote pursuant to this subsection (7)(a)(ii). The approval or rejection of a levy that does
9 not follow the procedure in subsection (7)(a)(i) is decided in the following manner:
- 10 (A) determine the total number of qualified electors of the taxing unit from the list of electors
11 supplied by the county registrar for the election;
- 12 (B) determine the total number of qualified electors who voted at the taxing unit election from the
13 tally sheets for the election; and
- 14 (C) calculate the percentage of qualified electors voting at the election by dividing the number
15 determined in subsection (7)(a)(ii)(A) by the number determined in subsection (7)(a)(ii)(B).
- 16 (b) When the calculated percentage in subsection (7)(a)(ii)(C) is 40% or more, the levy is
17 considered to have been approved and adopted if a majority of the votes are cast in favor of the
18 proposition, otherwise it is considered to have been rejected.
- 19 (c) The election provisions of this section do not apply to school levy elections.
- 20 ~~(1)~~(8) (a) The limitation on the amount of taxes levied does not apply to levies required to address
21 the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.
- 22 (b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies
23 to support:
- 24 (i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the
25 taxing units served by the board of health determine, after a public hearing, that public health programs
26 require funds to ensure the public health. A levy for the support of a local board of health may not exceed
27 the 5-mill limit established in 50-2-111.
- 28 (ii) county, city, or town ambulance services authorized by a vote of the electorate under
29 7-34-102(2); and
- 30 (iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county

1 commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in
2 7-14-1632.

3 ~~(12)~~(9) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory
4 maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the
5 statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

6 ~~(13)~~(10) The limitation on the amount of taxes levied does not apply to a levy increase to repay
7 taxes paid under protest in accordance with 15-1-402.

8 ~~(14)~~(11) A taxing jurisdiction that included special improvement district revolving fund levies in the
9 limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the
10 levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the
11 revolving fund has diminished and the levy authority has been transferred."
12

13 **Section 8.** Section 15-36-323, MCA, is amended to read:

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

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

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

25 (3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include
26 the amount of taxes that are attributable to a ~~financial emergency~~ voted levy, as described in
27 15-10-412~~(10)~~(7), for which additional mills were levied in fiscal year 1990."
28

29 **Section 9.** Section 77-1-208, MCA, is amended to read:

30 **"77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set

1 the annual fee based on full market value for each cabin site and for each licensee or lessee who at any
2 time wishes to continue or assign the license or lease. The fee must attain full market value based on
3 appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has
4 the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and
5 September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of
6 property pursuant to 15-7-111 without any adjustments as a result of phasing in values. An appeal of a
7 cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter
8 2.

9 (2) The board shall set the fee of each initial cabin site license or lease or each current cabin site
10 license or lease of a person who does not choose to retain the license or lease. The initial fee must be
11 based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease
12 must be determined under the method provided for in subsection (1).

13 (3) The board shall follow the procedures set forth in 77-6-302 through 77-6-306 for the disposal
14 or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee
15 and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those
16 fixtures or improvements in the manner required by the board."

17
18 **NEW SECTION. Section 10. Property tax committee.** (1) There is an interim property tax
19 committee. The committee consists of 12 members. The speaker of the house shall appoint six house
20 members, three from each party, and the senate committee on committees shall appoint six senate
21 members, three from each party.

22 (2) The committee may study all aspects of the state property tax system and shall prepare a menu
23 of alternatives to revise, reform, or replace the property tax system. The alternatives should include
24 methods that remove volatility from the valuation of property. The alternative methods should include
25 options designed to supplement or replace the current valuation system in order to prevent the exclusive
26 reliance on market value.

27 (3) In order to provide a wide-ranging series of options for consideration, each individual member
28 of the committee may pursue proposals independently and receive staff assistance on the proposals. The
29 committee may discuss and make suggestions on all proposals. A vote of one-fourth of the members may
30 include a proposal on the menu of alternatives. The menu of alternatives must be presented to the 56th

1 legislature.

2 (4) The committee may solicit the advice of appropriate persons and entities as the committee
3 considers necessary.

4 (5) The legislative branch shall provide staff support to the committee. The committee may
5 contract for services as the committee considers necessary.

6
7 **NEW SECTION. Section 11. Extension of 1997 deadlines relating to property taxation.** As a result
8 of the change in the phase in of reappraisal for class three, four, and ten property enacted by the 55th
9 legislature, it is not possible to comply with certain statutory deadlines relating to appraisals, assessments,
10 reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process
11 will be delayed, which in turn will cause delays for the tax appeal boards and local government taxing
12 jurisdiction budgeting and collection processes. Therefore, for tax year 1997, all deadlines are extended
13 as necessary and reasonable, except the time limits allowed for filing an appeal remain the same as
14 provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

15
16 **NEW SECTION. Section 12. Appropriation.** There is appropriated from the general fund to the
17 legislative branch \$100,000 for the biennium for operating expenses and personnel services for operations
18 of the property tax committee established in [section 10].

19
20 **NEW SECTION. Section 13. Appropriation carryover.** Notwithstanding the provisions of 17-7-304,
21 the department of revenue may carry over into the fiscal year commencing July 1, 1997, up to \$425,000
22 of the unexpended portion of the appropriation to the department for the biennium ending June 30, 1997.

23
24 **NEW SECTION. Section 14. Repealer.** Section 15-10-411, MCA, is repealed.

25
26 **NEW SECTION. Section 15. Effective date -- retroactive applicability.** [This act] is effective on
27 passage and approval, and [sections 1 through 9] apply retroactively, within the meaning of 1-2-109, to
28 property tax years beginning after December 31, 1996.

29 -END-