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INTRODUCED BY Copper Senke BILL NO. 392
ARRESTAD HARRIS FOSTER SLATER GRINDLE
Maxson Hubbard

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE LAWS GOVERNING PROPERTY TAXES; REVISING LIMITATIONS ON TAX INCREASES; ALLOWING VOTERS OF A TAXING UNIT TO IMPOSE INCREASED TAXES UP TO 2 PERCENT A YEAR; REVISING THE TAX APPEAL PROCESS; PROVIDING FOR A PROPERTY TAX STUDY COMMITTEE; AMENDING SECTIONS 15-7-102, 15-10-401, 15-10-402, 15-10-412, 15-15-102, AND 15-36-323, MCA; REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. 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) change in valuation; or
- (iv) addition or subtraction of personal property affixed to the land.

(b) The department shall mail a notice of the assessment of all property described in 15-6-134 for tax year 1997.

~~(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) 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.

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

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

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

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

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

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

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

29 (6) If any property owner feels aggrieved by the classification or appraisal made by the department
30 after the review provided for in subsection (3), the property owner has the right to first appeal to the

1 county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right
 2 of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice
 3 of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax
 4 appeal board may consider the actual selling price of the property, independent appraisals of the property,
 5 and other relevant information presented by the taxpayer as evidence of the market value of the property.
 6 If the county tax appeal board or the state tax appeal board determines that an adjustment should be made,
 7 the department shall adjust the base value of the property in accordance with the board's order."

8
 9 **Section 2.** Section 15-10-401, MCA, is amended to read:

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

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

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

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

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

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

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

25
 26 **Section 3.** Section 15-10-402, MCA, is amended to read:

27 **"15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1)~~ Except as provided in ~~subsections (2)~~
 28 ~~and (3)~~ 15-10-412, the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~
 29 Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for taxable year
 30 ~~1986~~ 1996.

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

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

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

11
 12 **Section 4.** Section 15-10-412, MCA, is amended to read:

13 **"15-10-412. Property tax limited to 1986 levels limit -- clarification -- extension to all property**
 14 **classes exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

15 ~~(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title~~
 16 ~~15, chapter 6, part 1.~~

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

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

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

1 (e) reclassification of property;

2 (f) increases in the amount of production or the value of production for property described in
3 15-6-131 or 15-6-132;

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

5 (h) revaluations caused by:

6 (i) cyclical reappraisal; or

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

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

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

14 (a) a revaluation caused by:

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

17 (ii) cyclical reappraisal;

18 (b) transfer of property into a taxing unit;

19 (c) reclassification of property;

20 (d) increases in the amount of production or the value of production for property described in
21 15-6-131 or 15-6-132;

22 (e) annexation of the individual property into a new taxing unit; or

23 (f) conversion of the individual property from tax-exempt to taxable status.

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

27 ~~(a) new construction;~~

28 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

29 ~~(c) annexed property; or~~

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

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

4 ~~(7)~~(5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the
 5 property appraisal and valuation methodology methodologies of the department of revenue intact.
 6 Determinations of county classifications, salaries of local government officers, and all other matters in
 7 which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except~~
 8 ~~for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government~~
 9 ~~may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402,~~
 10 ~~while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the~~
 11 ~~dollar amount due in each taxing unit for the 1986 tax year unless:~~

12 ~~(6)~~ (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
 13 ~~or more from the 1986 tax year.~~ If a taxing unit's taxable valuation decreases by 5% or more from the
 14 ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but
 15 the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~
 16 1996 tax year in that taxing unit.

17 (b) ~~If~~ a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either
 18 ~~1984~~ 1994 or ~~1985~~ 1995, in ~~which case~~ the taxing unit may, after approval by the voters in the taxing
 19 unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year
 20 average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

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

25 ~~(8)~~ ~~(a)~~(d) Except as provided in subsection ~~(8)(b)~~ (6)(e), if a taxing unit has levied additional mills
 26 under subsection ~~(7)(a)~~ (6)(a) to compensate for a decrease in taxable valuation, it may continue to levy
 27 additional mills to equal the revenue from property taxes for the ~~1986~~ 1996 tax year when the taxing unit's
 28 taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year
 29 ~~1986~~ 1996.

30 ~~(b)~~(e) When the taxable valuation of a taxing unit that levied additional mills under subsection ~~(7)(a)~~

1 ~~(6)(a)~~ or ~~(8)(a)~~ (6)(d) is equal to or greater than the taxing unit's taxable valuation in tax year ~~1986~~ 1996,
 2 it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the
 3 conditions of subsection ~~(7)(a)~~ (6)(a) are satisfied.

4 ~~(9)(7)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 5 assessment categories, whether or not they are based on commitments made before or after approval of
 6 15-10-401 and 15-10-402:

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

21 ~~(10)(8)~~ The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in
 22 the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing
 23 unit containing:

- 24 (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of
 25 15-10-401 and 15-10-402;
- 26 (b) an explanation of the nature of the financial emergency;
- 27 (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- 28 (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- 29 (e) a finding that there are no alternative sources of revenue;
- 30 (f) a summary of the alternatives that the governing body of the taxing unit has considered; and

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

2 ~~(11)~~(9) (a) The limitation on the amount of taxes levied does not apply to levies required to address
3 the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

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

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

10 (ii) county, city, or town ambulance services authorized by a vote of the electorate under
11 7-34-102(2); and

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

15 ~~(12)~~(10) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory
16 maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the
17 statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

18 ~~(13)~~(11) The limitation on the amount of taxes levied does not apply to a levy increase to repay
19 taxes paid under protest in accordance with 15-1-402.

20 ~~(14)~~(12) A taxing jurisdiction that included special improvement district revolving fund levies in the
21 limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the
22 levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the
23 revolving fund has diminished and the levy authority has been transferred.

24 (13) (a) A taxing unit may increase the amount of taxes levied by up to 2% from 1 tax year to the
25 next tax year if the majority of voters in the taxing unit participating in the election approve an increase in
26 tax liability. The voted increase may occur without regard to any limitation in this section or any statutory
27 mill limits. The increase may continue in succeeding years, but an additional increase in taxes levied above
28 the previous tax year is not allowed without voter approval.

29 (b) Any increases approved pursuant to subsection (13)(a) may be removed by a vote of the
30 majority of voters in the taxing unit participating in the election. If the governing body of a taxing unit

1 receives a petition signed by at least 10% of the voters in a taxing unit, it is required to put the issue of
2 removal of any increases pursuant to this subsection (13) on the ballot at the next available election."

3

4 **Section 5.** Section 15-15-102, MCA, is amended to read:

5 **"15-15-102. Application for reduction in valuation.** (1) The Subject to subsection (2), the
6 valuation of property may not be reduced by the county tax appeal board unless either the taxpayer or the
7 taxpayer's agent makes and files a written application for reduction with the county tax appeal board. The
8 application must be filed on or before the first Monday in June or 30 days after receiving either a notice
9 of classification and appraisal or determination after review under 15-7-102(3) from the department,
10 whichever is later. If the department's determination after review is not made in time to allow the county
11 tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the
12 next tax year, but the decision by the county tax appeal board is effective for the year in which the request
13 for review was filed with the department. The application must state the post-office address of the
14 applicant, specifically describe the property involved, and state the facts upon which it is claimed the
15 reduction should be made.

16 (2) For tax year 1997, a taxpayer may appeal the taxpayer's assessed value whether or not the
17 taxpayer filed an appeal for the reappraisal cycle beginning in 1993."

18

19 **Section 6.** Section 15-36-323, MCA, is amended to read:

20 **"15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas
21 production taxes to county and school taxing units for production from pre-1985 wells, the department
22 shall determine the unit value of oil and natural gas for each taxing unit as follows:

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

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

1 (3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include
 2 the amount of taxes that are attributable to a financial emergency, as described in 15-10-412(10), as that
 3 subsection read on December 31, 1996, for which additional mills were levied in fiscal year 1990."
 4

5 **NEW SECTION. Section 7. Property tax committee.** (1) There is an interim property tax
 6 committee. The committee consists of 16 members. The speaker of the house shall appoint eight house
 7 members, four from each party, and the senate committee on committees shall appoint eight senate
 8 members, four from each party.

9 (2) The committee may study all aspects of the state property tax system and shall prepare a menu
 10 of alternatives to revise or reform the property tax system.

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

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

17 (5) The legislative branch shall provide staff support to the committee. The committee may
 18 contract for services as the committee considers necessary.
 19

20 **NEW SECTION. Section 8. Repealer.** Section 15-10-411, MCA, is repealed.

21

22 **NEW SECTION. Section 9. Effective date.** [This act] is effective July 1, 1997.

23

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0392, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act generally revising the laws governing property taxes; revising limitations on tax increases; allowing voters of a taxing unit to impose increased taxes up to 2 percent a year; revising the tax appeal process; providing for a property tax study committee; and providing an effective date.

ASSUMPTIONS:


Department of Revenue

1. This proposal is effective July 1, 1997.
2. New reappraisal values stemming from the 1997 reappraisal cycle will take effect as schedule in tax year 1997.
3. The proposal freezes property taxes levied by each taxing unit at the 1996 level, but allows total taxes levied to increase as a result of either new construction, or revaluations caused by cyclical reappraisal.
4. The proposal provides for taxing units increasing property taxes levied by 2% per year, upon approval of a majority of voters.
5. The department will be highly involved in the extraction, preparation, analysis, and presentation of property tax data for the interim committee. These activities will be absorbed using existing resources.
6. The department anticipates additional operating expenses which include computer costs associated with the extraction and development of property tax databases as required by the study committee; mainframe computer costs associated with the analysis of alternative options to address the property tax system in Montana; printing and publications costs for the preparation and presentation of the results of the analysis; and travel expenses associated with meetings and field trips conducted across the state. The total costs of these expenses, the majority of which is mainframe computer costs, is estimated to be \$20,000.

Legislative Branch

7. The sixteen-member Property Tax Committee established in section 7 of the bill will begin work in July 1997 and complete work prior to February 1998. The committee will meet once each month from July 1997 through January 1998. Two meetings will be in Helena and the remainder in locations around the state.
8. If HB74 is passed and approved, no funding will be provided to cover increased costs of reimbursement for per diem expenses.
9. Legislative Branch staff will provide support to the committee. Services Division and Fiscal Division staff will provide logistical support, bill drafting services, contract oversight, and accounting services. No staff support from the Audit Division, the House or the Senate is anticipated.
10. Work interruptions due to Capitol renovation will impact completion of staff work during the condensed time frame established for finalization of the committee's work.
11. Services for which the Committee will contract include: project design and management; data collection and analysis; subject research and analysis; option identification, development and analysis; report writing and publication; follow-up support during legislative consideration of options and alternatives; and secretarial support.
12. The condensed time frame for completion of the work (July 97 - early 98) will require expedition of the contracted work, and will require paying a premium for services.
13. No funding is proposed for staff support from the Legislative Branch because analytical support for the committee will be contracted.
14. Appropriation for the committee will be a General Fund biennial appropriation established in fiscal year 1998 (expenditures are shown over both fiscal years).

(continued)

 3-13-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

BRUCE CRIPPEN, PRIMARY SPONSOR DATE

Fiscal Note for SB0392, as introduced

SB 392

FISCAL IMPACT:

Revenues:

This bill has no impact on state property tax revenues.

Expenditures:

	<u>FY98</u> <u>Difference</u>	<u>FY99</u> <u>Difference</u>
Legislative Branch		
Personal Services	6,703	6,703
<u>Operating Expenses</u>	<u>74,639</u>	<u>74,639</u>
Total	81,342	81,342
Department of Revenue		
Operating Expenses	10,000	10,000
<u>Funding:</u>		
General Fund	91,342	91,342

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The bill allows local governments to ask for property tax revenue increases of up to 2% per year. To the extent that these increases are asked for and approved by voters, property taxes may increase for some taxing jurisdictions.

1 SENATE BILL NO. 392

2 INTRODUCED BY CRIPPEN, HARP, FOSTER, DEVLIN, GRINDE, AKLESTAD, OHS, SLITER, MERCER,
3 HIBBARD

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE LAWS GOVERNING PROPERTY
6 TAXES; REVISING LIMITATIONS ON TAX INCREASES; ALLOWING VOTERS OF A TAXING UNIT TO
7 IMPOSE INCREASED TAXES UP TO 2 PERCENT A YEAR; REVISING THE TAX APPEAL PROCESS;
8 PROVIDING FOR A PROPERTY TAX STUDY COMMITTEE; AMENDING SECTIONS 15-7-102, 15-10-401,
9 15-10-402, 15-10-412, 15-15-102, AND 15-36-323, MCA; REPEALING SECTION 15-10-411, MCA; AND
10 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

13
14 **Section 1.** Section 15-7-102, MCA, is amended to read:

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

- 19 (i) change in ownership;
20 (ii) change in classification;
21 (iii) change in valuation; or
22 (iv) addition or subtraction of personal property affixed to the land.

23 (b) The department shall mail a notice of the assessment of all property described in 15-6-134 for
24 tax year 1997.

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

- 26 (i) the total amount of mills levied against the property in the prior year;
27 (ii) the amount of the prior year's taxes resulting from levied mills;
28 (iii) an estimate of the current year's taxes based on the prior year's mills; and
29 (iv) a statement that the notice is not a tax bill.

30 ~~(e)(d)~~ Any misinformation provided in the information required by subsection ~~(1)(b)~~ (1)(c) does not

1 affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

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

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

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

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

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

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

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

30 (6) If any property owner feels aggrieved by the classification or appraisal made by the department

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

9
 10 **Section 2.** Section 15-10-401, MCA, is amended to read:

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

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

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

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

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

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

23 ~~(5)(2) The~~ Except as provided in 15-10-412, the people of the state of Montana declare that it is
 24 the policy of the state of Montana that no further property tax increases be imposed on property classes
 25 three, four, six, nine, twelve, and fourteen."

26
 27 **Section 3.** Section 15-10-402, MCA, is amended to read:

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

1 ~~1986~~ 1996.

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

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

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

12

13 **Section 4.** Section 15-10-412, MCA, is amended to read:

14 **"15-10-412. Property tax limited to 1986 levels limit -- clarification -- extension to all property**
 15 **classes exception.** Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

16 (1) ~~The limitation to 1986 levels is extended to apply to all classes of property described in Title~~
 17 ~~15, chapter 6, part 1.~~

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

26 ~~(3)(2) The limitation on the amount of taxes levied does not prohibit a further~~ an increase in the
 27 total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

- 28 (a) annexation of real property and improvements into a taxing unit;
 29 (b) construction, expansion, or remodeling of improvements;
 30 (c) transfer of property into a taxing unit;

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

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

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

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

12 part 3.

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

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

- 15 (a) a revaluation caused by:
- 16 (i) construction, expansion, replacement, or remodeling of improvements that adds value to the
- 17 property; or
- 18 (ii) cyclical reappraisal;
- 19 (b) transfer of property into a taxing unit;
- 20 (c) reclassification of property;
- 21 (d) increases in the amount of production or the value of production for property described in
- 22 15-6-131 or 15-6-132;
- 23 (e) annexation of the individual property into a new taxing unit; or
- 24 (f) conversion of the individual property from tax-exempt to taxable status.

25 ~~(5) Property in class four is valued according to the procedures used in 1986, including the~~

26 ~~designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed~~

27 ~~and new valuations are placed on the tax rolls and a new base year designated, if the property is:~~

- 28 ~~(a) new construction;~~
- 29 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~
- 30 ~~(c) annexed property; or~~

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

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

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

13 ~~(6) (a) except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~
 14 ~~or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the~~
 15 ~~1986 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but~~
 16 ~~the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986~~
 17 ~~1996 tax year in that taxing unit.~~

18 (b) ~~If a levy authorized under Title 20 raised less revenue in 1986 1996 than was raised in either~~
 19 ~~1984 1994 or 1985 1995, in which case the taxing unit may, after approval by the voters in the taxing~~
 20 ~~unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year~~
 21 ~~average of revenue raised for that purpose during 1984 1994, 1985 1995, and 1986 1996.~~

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

26 ~~(8) (a)(d)~~ Except as provided in subsection ~~(8)(b)~~ (6)(e), if a taxing unit has levied additional mills
 27 under subsection ~~(7)(a)~~ (6)(a) to compensate for a decrease in taxable valuation, it may continue to levy
 28 additional mills to equal the revenue from property taxes for the ~~1986 1996~~ tax year when the taxing unit's
 29 taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year
 30 ~~1986 1996.~~

1 ~~(b)(e)~~ When the taxable valuation of a taxing unit that levied additional mills under subsection ~~(7)(a)~~
 2 (6)(a) or ~~(8)(a)~~ (6)(d) is equal to or greater than the taxing unit's taxable valuation in tax year ~~1986~~ 1996,
 3 it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the
 4 conditions of subsection ~~(7)(a)~~ (6)(a) are satisfied.

5 ~~(9)(7)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 6 assessment categories, whether or not they are based on commitments made before or after approval of
 7 15-10-401 and 15-10-402:

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

22 ~~(10)(8)~~ The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in
 23 the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing
 24 unit containing:

- 25 (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of
 26 15-10-401 and 15-10-402;
- 27 (b) an explanation of the nature of the financial emergency;
- 28 (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- 29 (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- 30 (e) a finding that there are no alternative sources of revenue;

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

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

3 ~~(11)(9)~~ (a) The limitation on the amount of taxes levied does not apply to levies required to address
4 the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

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

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

11 (ii) county, city, or town ambulance services authorized by a vote of the electorate under
12 7-34-102(2); and

13 (iii) a rail authority, as provided in Title 7, chapter 14, part 16, authorized by a board of county
14 commissioners. A levy for the support of a rail authority may not exceed the 6-mill limit established in
15 7-14-1632.

16 ~~(12)(10)~~ The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory
17 maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the
18 statutory maximum mill levy to produce revenue equal to its ~~1986~~ 1996 revenue.

19 ~~(13)(11)~~ The limitation on the amount of taxes levied does not apply to a levy increase to repay
20 taxes paid under protest in accordance with 15-1-402.

21 ~~(14)(12)~~ A taxing jurisdiction that included special improvement district revolving fund levies in the
22 limitation on the amount of taxes levied prior to April 22, 1993, may continue to include the amount of the
23 levies within the dollar amount due in each taxing unit for the 1986 tax year even if the necessity for the
24 revolving fund has diminished and the levy authority has been transferred.

25 (13) (a) A EXCEPT AS PROVIDED IN SUBSECTION (13)(C), A taxing unit may increase the amount
26 of taxes levied by up to 2% from 1 tax year to the next tax year if the majority of voters in the taxing unit
27 participating in the election approve an increase in tax liability. The voted increase may occur without
28 regard to any limitation in this section or any statutory mill limits. The increase may continue in succeeding
29 years, but an additional increase in taxes levied above the previous tax year is not allowed without voter
30 approval.

1 (b) Any increases approved pursuant to subsection (13)(a) may be removed by a vote of the
 2 majority of voters in the taxing unit participating in the election. If the governing body of a taxing unit
 3 receives a petition signed by at least 10% of the voters in a taxing unit, it is required to put the issue of
 4 removal of any increases pursuant to this subsection (13) on the ballot at the next available election.

5 (C) A THIRD-CLASS CITY OR A TOWN, AS PROVIDED IN 7-1-4111, MAY INCREASE THE
 6 AMOUNT OF TAXES LEVIED BY UP TO 2% FROM 1 TAX YEAR TO THE NEXT TAX YEAR WITHOUT AN
 7 ELECTION IN THE FIRST TAX YEAR THAT AN INCREASE IS IMPOSED. IN SUBSEQUENT TAX YEARS, ANY
 8 TAX INCREASE IS SUBJECT TO THE PROVISIONS OF SUBSECTIONS (13)(A) AND (13)(B)."

9
 10 **Section 5.** Section 15-15-102, MCA, is amended to read:

11 "**15-15-102. Application for reduction in valuation.** (1) The Subject to subsection (2), the
 12 valuation of property may not be reduced by the county tax appeal board unless either the taxpayer or the
 13 taxpayer's agent makes and files a written application for reduction with the county tax appeal board. The
 14 application must be filed on or before the first Monday in June or 30 days after receiving either a notice
 15 of classification and appraisal or determination after review under 15-7-102(3) from the department,
 16 whichever is later. If the department's determination after review is not made in time to allow the county
 17 tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the
 18 next tax year, but the decision by the county tax appeal board is effective for the year in which the request
 19 for review was filed with the department. The application must state the post-office address of the
 20 applicant, specifically describe the property involved, and state the facts upon which it is claimed the
 21 reduction should be made.

22 (2) For tax year 1997, a taxpayer may appeal the taxpayer's assessed value whether or not the
 23 taxpayer filed an appeal for the reappraisal cycle beginning in 1993."

24
 25 **Section 6.** Section 15-36-323, MCA, is amended to read:

26 "**15-36-323. Calculation of unit value.** For the purposes of distribution of oil and natural gas
 27 production taxes to county and school taxing units for production from pre-1985 wells, the department
 28 shall determine the unit value of oil and natural gas for each taxing unit as follows:

29 (1) Subject to the conditions of subsection (3), the unit value for oil for each taxing unit is the
 30 quotient obtained by dividing the net proceeds taxes calculated on oil produced and sold in that taxing unit

1 in calendar year 1988 by the number of barrels of oil produced in that taxing unit during 1988, excluding
2 post-1985 wells.

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

7 (3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include
8 the amount of taxes that are attributable to a financial emergency, as described in 15-10-412(10), as that
9 subsection read on December 31, 1996, for which additional mills were levied in fiscal year 1990."
10

11 **NEW SECTION. Section 7. Property tax committee.** (1) There is an interim property tax
12 committee. The committee consists of ~~16~~ 12 members. The speaker of the house shall appoint ~~eight~~ SIX
13 house members, ~~four~~ THREE from each party, and the senate committee on committees shall appoint ~~eight~~
14 SIX senate members, ~~four~~ THREE from each party.

15 (2) The committee may study all aspects of the state property tax system and shall prepare a menu
16 of alternatives to revise or reform the property tax system.

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

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

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

25

26 **NEW SECTION. Section 8. Repealer.** Section 15-10-411, MCA, is repealed.

27

28 **NEW SECTION. Section 9. Effective date -- RETROACTIVE APPLICABILITY.** [This act] is effective
29 July 1, 1997 ON PASSAGE AND APPROVAL AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF
30 1-2-109, TO PROPERTY TAX YEARS BEGINNING AFTER DECEMBER 31, 1996.

-END-

SENATE BILL NO. 392

INTRODUCED BY CRIPPEN, HARP, FOSTER, DEVLIN, GRINDE, AKLESTAD, OHS, SLITER, MERCER,
HIBBARD

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE LAWS GOVERNING PROPERTY TAXES; ~~REVISING LIMITATIONS ON PHASING IN~~ TAX INCREASES; ALLOWING VOTERS OF A TAXING UNIT TO IMPOSE INCREASED TAXES UP TO 2 PERCENT A YEAR; ALLOWING CERTAIN CITIES AND TOWNS TO INCREASE TAXES BY UP TO 2 PERCENT WITHOUT A VOTE IN THE FIRST TAX YEAR THAT AN INCREASE IS IMPOSED; ~~REVISING THE TAX APPEAL PROCESS~~; PROVIDING FOR A PROPERTY TAX STUDY COMMITTEE; AMENDING SECTIONS ~~15-7-102~~ 15-7-111, 15-10-401, 15-10-402, AND 15-10-412, ~~15-15-102, AND 15-36-323~~, MCA; REPEALING SECTION 15-10-411, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. ~~Section 15-7-102, 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) change in valuation; or~~

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

~~(b) The department shall mail a notice of the assessment of all property described in 15-6-134 for tax year 1997.~~

~~(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~~

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

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

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

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

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

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

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

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

29 ~~(5) A taxpayer's written objection to a classification or appraisal and the department's notification~~
30 ~~to the taxpayer of its determination and the reason for that determination are public records. The~~

1 ~~department shall make the records available for inspection during regular office hours.~~

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

11

12 **SECTION 1. SECTION 15-7-111, MCA, IS AMENDED TO READ:**

13 **"15-7-111. Periodic revaluation of taxable property.** (1) The department of revenue shall
 14 administer and supervise a program for the revaluation of all taxable property within the state. The
 15 department shall complete this revaluation program by December 31, 1996. A comprehensive written
 16 reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that
 17 all property in each county be revalued by December 31, 1996. The department shall furnish a copy of the
 18 plan and all amendments to the plan to the board of county commissioners of each county. The change
 19 in valuations determined pursuant to this reappraisal must be phased in at the rate of 2% each year.

20 (2) Beginning January 1, 1997 of the year that the previous revaluation is completely phased in,
 21 the department of revenue shall administer and supervise a program for the revaluation of all taxable
 22 property within the state ~~at least every 3 years~~. A comprehensive written reappraisal plan must be
 23 promulgated by the department. The reappraisal plan adopted must provide that all property in each county
 24 be revalued ~~at least every 3 years~~. The department shall furnish a copy of the plan and all amendments to
 25 the plan to the board of county commissioners of each county."

26

27 **Section 2. Section 15-10-401, MCA, is amended to read:**

28 **"15-10-401. Declaration of policy.** (1) The state of Montana's reliance on the taxation of property
 29 to support education and local government has placed an unreasonable burden on the owners of all classes
 30 ~~three, four, six, nine, twelve, and fourteen of~~ property, as those classes are defined described in Title 15,

1 chapter 6, part 1.

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

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

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

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

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

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

13

14 **Section 3.** Section 15-10-402, MCA, is amended to read:

15 **"15-10-402. Property tax limited to ~~1986~~ 1996 levels.** ~~(1) Except as provided in subsections (2)~~
 16 ~~and (3) 15-10-412,~~ the amount of taxes levied on property described in ~~15-6-133, 15-6-134, and 15-6-136~~
 17 Title 15, chapter 6, part 1, may not, for any taxing jurisdiction, exceed the amount levied for taxable year
 18 ~~1986~~ 1996.

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

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

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

29

30 **Section 4.** Section 15-10-412, MCA, is amended to read:

1 "15-10-412. ~~Property tax limited to 1986 levels limit -- clarification -- extension to all property~~
2 ~~classes exception.~~ Section 15-10-402 is ~~interpreted and clarified~~ implemented as follows:

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

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

13 ~~(3)~~(2) The limitation on the amount of taxes levied does not prohibit a further an increase in the
14 total ~~taxable valuation of~~ taxes levied by a taxing unit as a result of:

- 15 (a) annexation of real property and improvements into a taxing unit;
- 16 (b) construction, expansion, or remodeling of improvements;
- 17 (c) transfer of property into a taxing unit;
- 18 (d) subdivision of real property;
- 19 (e) reclassification of property;
- 20 (f) increases in the amount of production or the value of production for property described in
- 21 15-6-131 or 15-6-132;
- 22 (g) transfer of property from tax-exempt to taxable status; or
- 23 (h) revaluations caused by:
- 24 (i) cyclical reappraisal; or
- 25 (ii) expansion, addition, replacement, or remodeling of improvements.

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

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

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

2 (a) a revaluation caused by:

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

5 (ii) cyclical reappraisal;

6 (b) transfer of property into a taxing unit;

7 (c) reclassification of property;

8 (d) increases in the amount of production or the value of production for property described in
9 15-6-131 or 15-6-132;

10 (e) annexation of the individual property into a new taxing unit; or

11 (f) conversion of the individual property from tax-exempt to taxable status.

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

15 ~~(a) new construction;~~

16 ~~(b) expanded, deleted, replaced, or remodeled improvements;~~

17 ~~(c) annexed property; or~~

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

19 ~~(6) Property described in subsections (5)(a) through (5)(d) that is not class four property is valued~~
20 ~~according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on~~
21 ~~1986 mills levied.~~

22 ~~(7)(5)~~ (5) The limitation on the amount of taxes, as clarified in this section, is intended to leave the
23 property appraisal and valuation ~~methodology~~ methodologies of the department of revenue intact.
24 Determinations of county classifications, salaries of local government officers, and all other matters in
25 which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 ~~except~~
26 ~~for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government~~
27 ~~may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402,~~
28 ~~while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the~~
29 ~~dollar amount due in each taxing unit for the 1986 tax year unless:~~

30 (6) (a) ~~except as provided in subsection (8)(a), the taxing unit's taxable valuation decreases by 5%~~

1 ~~or more from the 1986 tax year.~~ If a taxing unit's taxable valuation decreases by 5% or more from the
 2 ~~1986~~ 1996 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but
 3 the mills levied may not exceed a number calculated to equal the revenue from property taxes for the ~~1986~~
 4 1996 tax year in that taxing unit.

5 (b) ~~If~~ a levy authorized under Title 20 raised less revenue in ~~1986~~ 1996 than was raised in either
 6 ~~1984~~ 1994 or ~~1985~~ 1995, ~~in which case~~ the taxing unit may, after approval by the voters in the taxing
 7 unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year
 8 average of revenue raised for that purpose during ~~1984~~ 1994, ~~1985~~ 1995, and ~~1986~~ 1996.

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

13 ~~(8)(a)(d)~~ Except as provided in subsection ~~(8)(b)~~ (6)(e), if a taxing unit has levied additional mills
 14 under subsection ~~(7)(a)~~ (6)(a) to compensate for a decrease in taxable valuation, it may continue to levy
 15 additional mills to equal the revenue from property taxes for the ~~1986~~ 1996 tax year when the taxing unit's
 16 taxable valuation is greater than 95% but less than 100% of the taxing unit's taxable valuation in tax year
 17 ~~1986~~ 1996.

18 ~~(b)(e)~~ When the taxable valuation of a taxing unit that levied additional mills under subsection ~~(7)(a)~~
 19 (6)(a) or ~~(8)(a)~~ (6)(d) is equal to or greater than the taxing unit's taxable valuation in tax year ~~1986~~ 1996,
 20 it may not levy additional mills to compensate for a subsequent decrease in taxable valuation unless the
 21 conditions of subsection ~~(7)(a)~~ (6)(a) are satisfied.

22 ~~(9)(7)~~ The limitation on the amount of taxes levied does not apply to the following levy or special
 23 assessment categories, whether or not they are based on commitments made before or after approval of
 24 15-10-401 and 15-10-402:

- 25 (a) rural improvement districts;
- 26 (b) special improvement districts;
- 27 (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- 28 (d) city street maintenance districts;
- 29 (e) tax increment financing districts;
- 30 (f) satisfaction of judgments against a taxing unit;

- 1 (g) street lighting assessments;
- 2 (h) revolving funds to support any categories specified in this subsection ~~(9)~~ (7);
- 3 (i) levies for economic development authorized pursuant to 90-5-112(4);
- 4 (j) levies authorized under 7-6-502 for juvenile detention programs;
- 5 (k) levies authorized under 76-15-531 and 76-15-532 for conservation district special
6 administrative assessments;
- 7 (l) elementary and high school districts; and
- 8 (m) voted poor fund levies authorized under 53-2-322.
- 9 ~~(10)~~(8) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in
10 the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing
11 unit containing:
- 12 (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of
13 15-10-401 and 15-10-402;
- 14 (b) an explanation of the nature of the financial emergency;
- 15 (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- 16 (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- 17 (e) a finding that there are no alternative sources of revenue;
- 18 (f) a summary of the alternatives that the governing body of the taxing unit has considered; and
- 19 (g) a statement of the need for the increased revenue and how it will be used.
- 20 ~~(11)~~(9) (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)~~(10) 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)~~(11) 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)~~(12) 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) (a) A EXCEPT AS PROVIDED IN SUBSECTION (13)(C), A taxing unit may increase the amount
13 of taxes levied by up to 2% from 1 tax year to the next tax year if the majority of voters in the taxing unit
14 participating in the election approve an increase in tax liability. The voted increase may occur without
15 regard to any limitation in this section or any statutory mill limits. The increase may continue in succeeding
16 years, but an additional increase in taxes levied above the previous tax year is not allowed without voter
17 approval.

18 (b) Any increases approved pursuant to ~~subsection~~ SUBSECTIONS (13)(a) AND (13)(C) may be
19 removed by a vote of the majority of voters in the taxing unit participating in the election. If the governing
20 body of a taxing unit receives a petition signed by at least 10% of the voters in a taxing unit, it is required
21 to put the issue of removal of any increases pursuant to this subsection (13) on the ballot at the next
22 available election.

23 (C) A THIRD-CLASS CITY OR A TOWN, AS PROVIDED IN 7-1-4111, MAY INCREASE THE
24 AMOUNT OF TAXES LEVIED BY UP TO 2% FROM 1 TAX YEAR TO THE NEXT TAX YEAR WITHOUT AN
25 ELECTION IN THE FIRST TAX YEAR THAT AN INCREASE IS IMPOSED. THE UP TO 2% INCREASE MAY
26 OCCUR WITHOUT REGARD TO ANY LIMITATION IN THIS SECTION OR ANY STATUTORY MILL LIMITS.
27 THE INCREASE MAY CONTINUE IN SUCCEEDING YEARS. ~~IN~~ HOWEVER, IN SUBSEQUENT TAX YEARS,
28 ANY ADDITIONAL TAX INCREASE IS SUBJECT TO THE PROVISIONS OF SUBSECTIONS (13)(A) AND
29 (13)(B). FOR THE PURPOSES OF THIS SUBSECTION (13), A THIRD-CLASS CITY IS A CITY HAVING A
30 POPULATION OF LESS THAN 5,000 AND DOES NOT INCLUDE A CITY THAT HAS ADOPTED BY

1 RESOLUTION TO BE A THIRD-CLASS CITY UNDER THE PROVISIONS OF 7-1-4112(1)."

2

3 ~~Section 5. Section 15-15-102, MCA, is amended to read:~~

4 ~~"15-15-102. Application for reduction in valuation. (1) The Subject to subsection (2), the~~
 5 ~~valuation of property may not be reduced by the county tax appeal board unless either the taxpayer or the~~
 6 ~~taxpayer's agent makes and files a written application for reduction with the county tax appeal board. The~~
 7 ~~application must be filed on or before the first Monday in June or 30 days after receiving either a notice~~
 8 ~~of classification and appraisal or determination after review under 15-7-102(3) from the department,~~
 9 ~~whichever is later. If the department's determination after review is not made in time to allow the county~~
 10 ~~tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the~~
 11 ~~next tax year, but the decision by the county tax appeal board is effective for the year in which the request~~
 12 ~~for review was filed with the department. The application must state the post office address of the~~
 13 ~~applicant, specifically describe the property involved, and state the facts upon which it is claimed the~~
 14 ~~reduction should be made.~~

15 ~~(2) For tax year 1997, a taxpayer may appeal the taxpayer's assessed value whether or not the~~
 16 ~~taxpayer filed an appeal for the reappraisal cycle beginning in 1993."~~

17

18 ~~Section 6. Section 15-36-323, MCA, is amended to read:~~

19 ~~"15-36-323. Calculation of unit value. For the purposes of distribution of oil and natural gas~~
 20 ~~production taxes to county and school taxing units for production from pre-1985 wells, the department~~
 21 ~~shall determine the unit value of oil and natural gas for each taxing unit as follows:~~

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

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

30 ~~(3) The amount of net proceeds taxes calculated under subsections (1) and (2) may not include~~

1 ~~the amount of taxes that are attributable to a financial emergency, as described in 15-10-412(10), as that~~
 2 ~~subsection read on December 31, 1996, for which additional mills were levied in fiscal year 1990."~~

3
 4 NEW SECTION. Section 5. Property tax committee. (1) There is an interim property tax
 5 committee. The committee consists of ~~46~~ 12 members. The speaker of the house shall appoint ~~eight~~ SIX
 6 house members, ~~four~~ THREE from each party, and the senate committee on committees shall appoint ~~eight~~
 7 SIX senate members, ~~four~~ THREE from each party.

8 (2) The committee may study all aspects of the state property tax system and shall prepare a menu
 9 of alternatives to revise or reform the property tax system.

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

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

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

18

19 ~~NEW SECTION. Section 8. Repealer. Section 15-10-411, MCA, is repealed.~~

20

21 NEW SECTION. Section 6. Effective date -- RETROACTIVE APPLICABILITY. [This act] is effective
 22 July 1, 1997 ON PASSAGE AND APPROVAL AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF
 23 1-2-109, TO PROPERTY TAX YEARS BEGINNING AFTER DECEMBER 31, 1996.

24

-END-