HOUSE BILL NO. 351

INTRODUCED BY A. OLSON, BALES, BARRETT, BOOKOUT-REINICKE, E. CLARK, COLE, DEVLIN, G. FORRESTER, PRICE, RIPLEY, J. TROPILA

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING PROPERTY TAX BENEFITS FOR THE INCREASED TAXABLE VALUE RESULTING FROM REMODELING, RECONSTRUCTION, OR EXPANSION OF COMMERCIAL BUILDINGS AND STRUCTURES THAT HAVE NOT BEEN USED IN A BUSINESS FOR AT LEAST 6 MONTHS; AUTHORIZING A LOCAL GOVERNING BODY TO EXEMPT FROM PROPERTY TAXATION THE INCREASED TAXABLE VALUE FOR THE CONSTRUCTION PERIOD AND FOR 5 YEARS FOLLOWING THE CONSTRUCTION PERIOD; AUTHORIZING A LOCAL GOVERNING BODY TO PARTIALLY EXEMPT FROM PROPERTY TAXATION THE INCREASED TAXABLE VALUE FOR AN ADDITIONAL ~~5~~ 4 YEARS; ~~ESTABLISHING CRITERIA TO QUALIFY FOR THE PROPERTY TAX BENEFITS RELATED TO POPULATION, MEDIAN INCOME, AND POVERTY RATES IN THE GOVERNMENTAL UNIT IN WHICH THE PROPERTY IS LOCATED;~~ AMENDING SECTION 15-6-134, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Tax exemption and abatement for remodeling, reconstruction, or expansion of certain commercial property -- approval ~~-- criteria~~.** (1) (a) Subject to the conditions of this section, remodeling, reconstruction, or expansion of an existing COMMERCIAL building or structure that increases its taxable value by at least 5%, as determined by the department, may receive a property tax exemption during the construction period, not to exceed 12 months, and for up to 5 years following completion of construction. The property tax exemption is limited to 100% of the increase in taxable value caused by remodeling, reconstruction, or expansion.

(b) (i) In addition to the property tax exemption described in subsection (1)(a), the buildings and structures may receive a property tax ~~abatement~~ REDUCTION for ~~5~~ 4 years following the exemption period AS PROVIDED IN THIS SUBSECTION (1)(B). The percentages must be applied to the increase in taxable value caused by remodeling, reconstruction, or expansion~~. The property tax abatement is determined~~ according to the following schedule:

First year following the exemption period:	20%
Second year following the exemption period:	40%
Third year following the exemption period:	60%
Fourth year following the exemption period:	80%
Fifth year following the exemption period:	100%
Following years	100%

(ii) Mill levies are assessed against the reduced taxable value of the remodeling, reconstruction, or expansion determined under subsection (1)(b)(i).

(c) To be eligible for the property tax exemption and the property tax ~~abatement~~ REDUCTION, the COMMERCIAL building or structure may not have been used in a business for at least 6 months immediately preceding the date of application to the governing body for approval under subsection (2).

(2) (a) In order to confer the tax benefits described in subsection (1), the governing body of the affected county or consolidated government or, if the construction will occur within an incorporated city or town, the governing body of the incorporated city or town shall approve by resolution for each remodeling, reconstruction, or expansion project the use of the property tax exemption and property tax ~~abatement~~ REDUCTION.

(b) The governing body may not grant the property tax benefits described in subsection (1) if property taxes on the buildings or structures are delinquent.

~~(3) (a) In order to receive the property tax exemption and the property tax abatement under this section, the building or structure must be located in a county or city or town that has:~~

~~(i) a population of less than 10,000, according to the most recent census or federal estimate;~~

~~(ii) a median household income that is less than 85% of the statewide average median household income, according to the most recent census or federal estimates published under the small area income and poverty estimates program, or the successor publication, by the U.S. bureau of the census;~~

~~(iii) a poverty rate that is at least 15% higher than the statewide average, according to the most recent census or federal estimates published under the small area income and poverty estimates program, or the successor publication, by the U.S. bureau of the census.~~

~~(b) If federal estimates for median household income or poverty rates are not available for an incorporated city or town in a county, then the county estimates may be used by the governing body of the city or town to satisfy the conditions described in subsections (3)(a)(ii) and (3)(a)(iii).~~

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) subject to 15-6-201(1)(z) and (1)(aa) and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-201(1)(z) and (1)(aa) and subsections (1)(f) and (1)(g) of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first $100,000 or less of the taxable market value of any improvement on real property, including trailers, manufactured homes, 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 700 lineal yards;

(e) subject to 15-6-201(1)(z), 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.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; and

(g) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in 15-24-1402, ~~or~~ 15-24-1501, [section 1], and subsection (2)(a)(ii) of this section, property described in subsections (1)(a), (1)(b), (1)(e), (1)(f), and (1)(g) of this section is taxed at 3.794% of its taxable market value in tax year 1999.

(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.0835 percentage points each year until the tax rate is equal to or less than 3.46%.

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

NEW SECTION. **Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 15, chapter 24, part 15, and the provisions of Title 15, chapter 24, part 15, apply to [section 1].

NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 5. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 2000.

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