

1 SENATE BILL NO. 374

2 INTRODUCED BY M. TAYLOR

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ADJUSTING PROPERTY TAX RATES FOR CERTAIN CLASS
5 FOUR PROPERTIES; PROVIDING THAT INFLATED VALUE HOMESTEAD PROPERTY IS TAXED AT 90
6 PERCENT OF THE CLASS FOUR RATE; PROVIDING THAT RECREATIONAL PROPERTY IS TAXED AT 130
7 PERCENT OF THE CLASS FOUR RATE; PROVIDING THAT RECREATIONAL PROPERTY EITHER OWNED
8 BY LOWER-INCOME PERSONS OR THAT HAS BEEN CONTINUOUSLY OWNED FOR AT LEAST A
9 SPECIFIED TERM OF YEARS IS TAXED AT 85 PERCENT OF THE CLASS FOUR RATE; PROVIDING FOR
10 THE ADMINISTRATION OF THE TAX RATE ADJUSTMENTS; REQUIRING A ONE-TIME APPLICATION FOR
11 PROPERTY TO BE TAXED AS INFLATED VALUE HOMESTEAD PROPERTY OR REDUCED RATE
12 RECREATIONAL PROPERTY; AMENDING SECTION 15-6-134, MCA; AND PROVIDING AN APPLICABILITY
13 DATE."

14

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

16

17 NEW SECTION. **Section 1. Adjusted property tax rates for certain residential property.** (1) (a)

18 Homestead property is taxed at the rate established in 15-6-134(2)(a)(i).

19 (b) Inflated value homestead property is taxed at 90% of the rate established in 15-6-134(2)(a)(i).

20 (c) Recreational property is taxed at 130% of the rate established in 15-6-134(2)(a)(i) unless one
21 of the following criteria is met, in which case the property is taxed at 85% of the rate established in
22 15-6-134(2)(a)(i):

23 (i) the owner of the property whose total income from all sources, including net business income
24 and otherwise tax-exempt income of all types but not including social security income paid directly to a
25 nursing home, is not more than \$50,000 for a single person or \$75,000 for a married couple; or

26 (ii) the property has been under continuous ownership of a individual or individuals for more than
27 10 years.

28 (2) For the purposes of this section, the following definitions apply:

29 (a) "Continuous ownership" means ownership by an individual or by several individuals under joint
30 or common ownership without a transfer of ownership. A transfer of title for the following reasons does

1 not constitute a transfer of ownership, and the property is still considered to be under continuous
2 ownership:

3 (i) a transfer solely to provide or release security for a debt or obligation;

4 (ii) a transfer by an instrument that, without added consideration, confirms, corrects, modifies, or
5 supplements a previously recorded instrument;

6 (iii) a transfer pursuant to a court decree of partition;

7 (iv) a transfer of decedents' estates;

8 (v) a transfer of a gift to another joint or common owner or to a member of the grantor's
9 immediate family by blood or marriage;

10 (vi) a transfer between husband and wife or parent and child with only nominal actual consideration
11 for the transfer; and

12 (vii) a transfer by an instrument the effect of which is to transfer the property to the same party
13 or parties.

14 (b) "Homestead property" means residential property that is occupied by the owner for at least
15 6 months a year.

16 (c) "Inflated value homestead property" means homestead property containing residential property
17 that has been under continuous ownership of an individual or individuals for at least 12 years, that has
18 residential improvements on the property of a value of at least \$60,000, and that meets either of the
19 following criteria:

20 (i) if the value of the residential improvements is \$90,000 or less, the land value must be greater
21 than 90% of the value of the residential improvements; or

22 (ii) if the value of the residential improvements is greater than \$90,000, the land value must be
23 greater than 75% of the value of the residential improvements.

24 (d) "Recreational property" means residential property that is occupied by the owner less than 6
25 months a year. Residential property that is used by the owner in the course of a business for profit, such
26 as rental properties or for use as a residence for an owner's employees, is not recreational property.

27 (e) "Residential property" means property described in 15-6-134(1)(f)(i) and (1)(f)(iii), except that
28 the applicability of this section is limited to not more than 5 contiguous acres of the parcel of land under
29 any property described in 15-6-134(1)(f)(i).

30 (3) (a) To benefit from the tax rate reduction authorized by this section, the property owner shall

1 apply for designation of the owner's property as inflated value homestead property or reduced rate
2 recreational property. In the application, the owner shall certify that the property will be owner-occupied
3 at least 6 months a year and meets all other criteria necessary for designation as inflated value homestead
4 property or reduced rate recreational property. After the property has been designated inflated value
5 homestead property or reduced rate recreational property, the owner shall notify the department if the
6 property no longer qualifies for the designation. If the owner benefits from the tax rate reduction
7 authorized by this section but the property does not qualify for the inflated value homestead property or
8 the reduced rate recreational property designation, the property is subject to taxation at the rate specified
9 in 15-6-134(2)(a)(i) for the years that the property did not qualify as inflated value homestead property
10 or reduced rate recreational property, plus interest and penalties on the amount of property taxes unpaid
11 as provided in this title.

12 (b) Homestead property that is sold by an owner-occupant to another owner-occupant is
13 considered homestead property if the combined time of occupancy by the owner-occupants is at least 6
14 months of the tax year. A property owner who must reside in a health care facility because of injury or
15 illness is considered to occupy the property during the time of the residence in the health care facility.
16 Property that was homestead property in the preceding year remains homestead property during the year
17 in which the owner dies.

18 (4) The dollar amounts in subsections (1)(c) and (2)(c) must be changed annually by multiplying
19 the amount by the inflation factor defined in 15-30-101 for the current year, but using the consumer price
20 index for June 2001 rather than the consumer price index for June 1980, and rounding the product to the
21 nearest \$100. The recalculated amounts apply to the next tax year.

22

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

24 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property
25 includes:

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

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

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

10 (d) all golf courses, including land and improvements actually and necessarily used for that
 11 purpose, that consist of at least nine holes and not less than 700 lineal yards;

12 (e) subject to 15-6-201(1)(z), all improvements on land that is eligible for valuation, assessment,
 13 and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements
 14 on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

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

16 (ii) rental multifamily dwelling units;

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

19 (iv) vacant residential lots; and

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

21 (ii) vacant commercial lots.

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), (1)(f), and through (1)(g) of this section is taxed
 25 at 3.794% of its taxable market value in tax year 1999.

26 (ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting
 27 0.0835 percentage points each year until the tax rate is equal to or less than 3.46%.

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

	Income	Income	Percentage
1			
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. 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
 11 quarter 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
 15 of commerce.

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

18 (ii) Property described in subsections (1)(f)(i) and (1)(f)(iii) is subject to the applicable percentage
 19 rate of the rate established in subsection (2)(a)(i), as calculated in [section 1], except that the parcel of
 20 land subject to the rate calculated under this subsection (2)(c)(ii) is limited to 5 acres upon which the
 21 property described in subsection (1)(f)(i) of this section sits.

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

26

27 **NEW SECTION. Section 3. Codification instruction.** [Section 1] is intended to be codified as an
 28 integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to
 29 [section 1].

30

