

1 SENATE BILL NO. 256

2 INTRODUCED BY J. ELLINGSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE PROPERTY TAXATION OF CLASS
5 EIGHT BUSINESS EQUIPMENT AND RELATED LAWS; EXEMPTING FROM TAXATION THE FIRST \$50,000
6 OR LESS OF MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT OWNED BY A PERSON OR
7 BUSINESS ENTITY; REQUIRING THE APPORTIONMENT OF THE PROPERTY TAX EXEMPTION AMONG
8 SCHOOL DISTRICTS; INCLUDING COMPUTER SOFTWARE IN CLASS EIGHT PROPERTY; IMPOSING
9 PROPERTY TAX RATES ON CLASS EIGHT BUSINESS EQUIPMENT BASED ON THE MARKET VALUE OF
10 THE PROPERTY IN EXCESS OF THE EXEMPTION AMOUNT; ELIMINATING THE PHASEOUT OF THE
11 PROPERTY TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT BASED UPON INFLATION-ADJUSTED
12 EMPLOYMENT STATISTICS; REVISING LOCAL GOVERNMENT ENTITLEMENT SHARE PAYMENTS, TAX
13 INCREMENT FINANCING DISTRICT BLOCK GRANTS, SCHOOL DISTRICT BLOCK GRANTS, COUNTYWIDE
14 SCHOOL RETIREMENT BLOCK GRANTS, AND COUNTYWIDE SCHOOL TRANSPORTATION BLOCK
15 GRANTS BASED ON CHANGES TO THE PROPERTY TAXATION OF CLASS EIGHT BUSINESS
16 EQUIPMENT; AMENDING SECTIONS 15-1-121, 15-6-138, 15-6-201, 15-6-218, 15-8-301, 15-10-420, AND
17 15-32-405, MCA, SECTIONS 27 AND 31, CHAPTER 285, LAWS OF 1999, SECTIONS 244, 245, AND 246,
18 CHAPTER 574, LAWS OF 2001, AND SECTIONS 25, 26, AND 27, CHAPTER 13, LAWS OF AUGUST 2002;
19 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

20
21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

22
23 NEW SECTION. **Section 1. Apportionment of personal property exemption -- rules.** (1) For the
24 purposes of allocating the exemption of the first \$50,000 or less of market value of class eight property under
25 15-6-201(1)(ff), the department shall apportion the market value exemption amount of class eight property of
26 a person or business entity that owns property in more than one school district. The exemption amount
27 apportioned to each school district is equal to the ratio of the market value of all class eight property owned by
28 the person or business entity in the school district to the market value of all class eight property owned by the
29 person or business entity, and that figure must be multiplied by the first \$50,000 or less of market value owned
30 by the person or business entity.

1 (2) The taxable valuation of class eight property resulting from the apportioned exemption amounts
2 must be used by all taxing entities that impose mill levies within the school district.

3 (3) The department may adopt rules to implement this section.
4

5 **Section 2.** Section 15-1-121, MCA, is amended to read:

6 **"15-1-121. Entitlement share payment -- appropriation.** (1) The amount calculated pursuant to this
7 subsection is each local government's base entitlement share. The department shall estimate the total amount
8 of revenue that each local government received from the following sources for the fiscal year ending June 30,
9 2001:

10 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter
11 584, Laws of 1999;

12 (b) vehicle and boat taxes and fees pursuant to:

13 (i) Title 23, chapter 2, part 5;

14 (ii) Title 23, chapter 2, part 6;

15 (iii) Title 23, chapter 2, part 8;

16 (iv) 61-3-317;

17 (v) 61-3-321;

18 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
19 of 61-3-509 in 2001;

20 (vii) Title 61, chapter 3, part 7;

21 (viii) 5% of the fees collected under 61-10-122;

22 (ix) 61-10-130;

23 (x) 61-10-148; and

24 (xi) 67-3-205;

25 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

26 (d) district court fees pursuant to:

27 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

28 (ii) 25-1-202;

29 (iii) 25-1-1103;

30 (iv) 25-9-506;

- 1 (v) 25-9-804; and
2 (vi) 27-9-103;
3 (e) certificate of ownership fees for manufactured homes pursuant to 15-1-116;
4 (f) financial institution taxes pursuant to Title 15, chapter 31, part 7;
5 (g) coal severance taxes allocated for county land planning pursuant to 15-35-108;
6 (h) all beer, liquor, and wine taxes pursuant to:
7 (i) 16-1-404;
8 (ii) 16-1-406; and
9 (iii) 16-1-411;
10 (i) late filing fees pursuant to 61-3-201;
11 (j) title and registration fees pursuant to 61-3-203;
12 (k) disabled veterans' flat license plate fees and purple heart license plate fees pursuant to 61-3-332;
13 (l) county personalized license plate fees pursuant to 61-3-406;
14 (m) special mobile equipment fees pursuant to 61-3-431;
15 (n) single movement permit fees pursuant to 61-4-310;
16 (o) state aeronautics fees pursuant to 67-3-101; and
17 (p) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
18 chapter 1, part 5.

19 (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall
20 deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court
21 expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by
22 the state in fiscal year 2002.

23 (b) The amount estimated pursuant to subsections (1) and (2)(a) is each local government's base year
24 component. The sum of all local governments' base year components is the base year entitlement share pool.
25 For the purpose of calculating the sum of all local governments' base year components, the base year
26 component for a local government may not be less than zero.

27 (3) (a) Beginning with fiscal year 2002 and in each succeeding fiscal year, the base year entitlement
28 share pool must be increased annually by a growth rate as provided for in this subsection (3). The amount
29 determined through the application of annual growth rates is the entitlement share pool for each fiscal year. For
30 fiscal year 2002, the growth rate is 3%. For fiscal year 2003, the growth rate is 3% for incorporated cities and

1 towns, 1.61% for counties, and 2.3% for consolidated local governments. Beginning with calendar year ~~2004~~
 2 2002, by October 1 of each even-numbered year, the department shall calculate the growth rate of the
 3 entitlement share pool for each year of the next biennium in the following manner:

4 (i) Before applying the growth rate for fiscal year 2004 to determine the fiscal year 2004 entitlement
 5 share pool, the department shall:

6 (A) add to the fiscal year 2003 entitlement share pool the fiscal year 2003 amount of revenue actually
 7 distributed to the county from the 25-cent marriage license fee in 50-15-301 and the probation and parole fee
 8 in 46-23-1031(2)(b); and

9 (B) subtract from the fiscal year 2003 entitlement share pool the aggregate reduction in the entitlement
 10 share payment determined in [section 9(3)(a)] and add to the fiscal year 2003 entitlement share pool the
 11 aggregate increase of the entitlement share payment determined in [section 9(3)(b)].

12 (ii) The department shall calculate the average annual growth rate of the Montana gross state product,
 13 as published by the bureau of economic analysis of the United States department of commerce, for the following
 14 periods:

15 (A) the last 4 calendar years for which the information has been published; and

16 (B) the 4 calendar years beginning with the year before the first year in the period referred to in
 17 subsection (3)(a)(ii)(A).

18 (iii) The department shall calculate the average annual growth rate of Montana personal income, as
 19 published by the bureau of economic analysis of the United States department of commerce, for the following
 20 periods:

21 (A) the last 4 calendar years for which the information has been published; and

22 (B) the 4 calendar years beginning with the year before the first year in the period referred to in
 23 subsection (3)(a)(iii)(A).

24 (b) (i) For fiscal year 2004 and subsequent fiscal years, the entitlement share pool growth rate for the
 25 first year of the biennium must be the following percentage of the average of the growth rates calculated in
 26 subsections (3)(a)(ii)(B) and (3)(a)(iii)(B):

27 (A) for counties, 54%;

28 (B) for consolidated local governments, 62%; and

29 (C) for incorporated cities and towns, 70%.

30 (ii) The entitlement share pool growth rate for the second year of the biennium must be the following

1 percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):

2 (A) for counties, 54%;

3 (B) for consolidated local governments, 62%; and

4 (C) for incorporated cities and towns, 70%.

5 (4) As used in this section, "local government" means a county, a consolidated local government, an
6 incorporated city, and an incorporated town. A local government does not include a tax increment financing
7 district provided for in subsection (6). For purposes of calculating the base year component for a county or
8 consolidated local government, the department shall include the revenue listed in subsection (1) for all special
9 districts within the county or consolidated local government. The county or consolidated local government is
10 responsible for making an allocation from the county's or consolidated local government's share of the
11 entitlement share pool to each special district within the county or consolidated local government in a manner
12 that reasonably reflects each special district's loss of revenue sources listed in subsection (1).

13 (5) (a) The entitlement share pools calculated in this section and the block grants provided for in
14 subsection (6) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for
15 distribution to local governments. Each local government is entitled to a pro rata share of each year's entitlement
16 share pool based on the local government's base component in relation to the base year entitlement share pool.
17 The distributions must be made on a quarterly basis beginning September 15, 2001.

18 (b) (i) For fiscal year 2002, the growth amount is the difference between the fiscal year 2002 entitlement
19 share pool and the base year entitlement share pool. For fiscal year 2002, a county may have a negative base
20 year component. For fiscal year 2003 and each succeeding fiscal year, the growth amount is the difference
21 between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal
22 year. For the purposes of subsection (5)(b)(ii)(A), a county with a negative base year component has a base year
23 component of zero. The growth factor in the entitlement share must be calculated separately for:

24 (A) counties;

25 (B) consolidated local governments; and

26 (C) incorporated cities and towns.

27 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

28 (A) 50% of the growth amount must be allocated based upon each county's percentage of the base year
29 entitlement share pool for all counties; and

30 (B) 50% of the growth amount must be allocated based upon the percentage that each county's

1 population bears to the state population not residing within consolidated local governments as determined by
2 the latest interim year population estimates from the Montana department of commerce as supplied by the
3 United States bureau of the census.

4 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
5 follows:

6 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
7 percentage of the base year entitlement share pool for all consolidated local governments; and

8 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated
9 local government's population bears to the state's total population residing within consolidated local governments
10 as determined by the latest interim year population estimates from the Montana department of commerce as
11 supplied by the United States bureau of the census.

12 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

13 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
14 percentage of the base year entitlement share pool for all incorporated cities and towns; and

15 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
16 population bears to the state's total population residing within incorporated cities and towns as determined by
17 the latest interim year population estimates from the Montana department of commerce as supplied by the
18 United States bureau of the census.

19 (v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount
20 is distributed to each local government in the same manner as the entitlement share pool was distributed in the
21 prior fiscal year.

22 (vi) For fiscal year 2002, an amount equal to the district court costs identified in subsection (2) must be
23 added to each county government's distribution from the entitlement share pool.

24 (vii) For fiscal year 2002, an amount equal to the district court fees identified in subsection (1)(d) must
25 be subtracted from each county government's distribution from the entitlement share pool.

26 (6) (a) If a tax increment financing district was not in existence during the fiscal year ending June 30,
27 2000, then the tax increment financing district is not entitled to any block grant. If a tax increment financing
28 district referred to in subsection (6)(b) terminates, then the block grant provided for in subsection (6)(b)
29 terminates.

30 (b) (i) One-half of the payments provided for in this subsection (6)(b) must be made by November 30

1 and the other half by May 31 of each year. Subject to ~~subsection~~ subsections (6)(a) and (6)(b)(ii), the entitlement
 2 share block grant for tax increment financing districts is as follows:

3	Cascade	Great Falls - downtown	\$468,966
4	Deer Lodge	TIF District 1	3,148
5	Deer Lodge	TIF District 2	3,126
6	Flathead	Kalispell - District 1	758,359
7	Flathead	Kalispell - District 2	5,153
8	Flathead	Kalispell - District 3	41,368
9	Flathead	Whitefish District	164,660
10	Gallatin	Bozeman - downtown	34,620
11	Lewis and Clark	Helena - # 2	731,614
12	Missoula	Missoula - 1-1B & 1-1C	1,100,507
13	Missoula	Missoula - 4-1C	33,343
14	Silver Bow	Butte - uptown	283,801
15	Yellowstone	Billings	436,815

16 (ii) (A) For fiscal year 2004, the block grant payment to each tax increment financing district referred to
 17 in subsection (6)(b)(i) must be adjusted as provided in [section 9].

18 (B) The adjusted block grant payment referred to in subsection (6)(b)(ii)(A) is the entitlement share
 19 payment for fiscal year 2005 and succeeding fiscal years.

20 (c) The ~~entitlement share~~ block grant payment for industrial tax increment financing districts is as
 21 follows:

22 (i) for fiscal years 2002 and 2003:

23	Missoula County	Airport Industrial	\$4,812
24	Silver Bow	Ramsay Industrial	597,594;

25 (ii) subject to subsection (6)(d)(ii), for fiscal years 2004 and 2005:

26	Missoula	County Airport Industrial	\$2,406
27	Silver Bow	Ramsay Industrial	298,797; and

28 (iii) \$0 for all succeeding fiscal years.

29 (d) (i) The entitlement share block grant payment for industrial tax increment financing districts referred
 30 to in subsection (6)(c) may not be used to pay debt service on tax increment bonds to the extent that the bonds

1 are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of
2 property within the tax increment financing industrial district.

3 (ii) For fiscal years 2004 and 2005, the block grant payment for industrial tax increment financing districts
4 must be adjusted as provided in [section 9].

5 (e) One-half of the payments provided for in subsection (6)(c) must be made by July 30, and the other
6 half must be made in December of each year.

7 (7) The estimated base year entitlement share pool and any subsequent entitlement share pool for local
8 governments do not include revenue received from countywide ~~transportation~~ retirement block grants or from
9 countywide ~~retirement~~ transportation block grants.

10 (8) The estimates for the base year entitlement share pool in subsection (1) must be calculated as if
11 the fees in Chapter 515, Laws of 1999, were in effect for all of fiscal year 2001.

12 (9) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(p) is significantly
13 reduced, except through legislative action, the department shall deduct the amount of revenue loss from the
14 entitlement share pool beginning in the succeeding fiscal year and the department shall work with local
15 governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of
16 revenue.

17 (b) For the purposes of subsection (9)(a), a significant reduction is a loss that causes the amount of
18 revenue received in the current year to be less than 95% of the amount of revenue received in the base year.

19 (10) ~~A~~ Except for reductions to entitlement share payments determined in [section 9], a three-fifths vote
20 of each house is required to reduce the amount of the entitlement share calculated pursuant to subsections (1)
21 through (3).

22 (11) When there has been an underpayment of a local government's share of the entitlement share pool,
23 the department shall distribute the difference between the underpayment and the correct amount of the
24 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
25 government shall remit the overpaid amount to the department.

26 (12) A local government may appeal the department's estimation of the base year component, the
27 entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according
28 to the uniform dispute review procedure in 15-1-211."
29

30 **Section 3.** Section 15-6-138, MCA, is amended to read:

1 **"15-6-138. (Temporary) Class eight property -- description -- taxable percentage.** (1) Class eight
2 property includes:

3 (a) all agricultural implements and equipment that are not exempt under 15-6-201(1)(bb);

4 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and
5 supplies except those included in class five;

6 (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage
7 tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units,
8 communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and
9 similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201(1)(r), and
10 supplies except those included in class five;

11 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools
12 and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk
13 processors as providers as provided in 15-6-201, and supplies except those included in class five;

14 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are
15 specifically included and taxed in another class;

16 (f) special mobile equipment as defined in 61-1-104;

17 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
18 commercial establishments as defined in this section;

19 (h) x-ray and medical and dental equipment;

20 (i) citizens' band radios and mobile telephones;

21 (j) radio and television broadcasting and transmitting equipment;

22 (k) cable television systems;

23 (l) coal and ore haulers;

24 (m) theater projectors and sound equipment; ~~and~~

25 (n) computer software; and

26 (o) all other property that is not included in any other class in this part, except that property that is
27 subject to a fee in lieu of a property tax.

28 (2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000
29 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a
30 mining or quarrying environment.

1 (3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or
 2 service, wholesale, retail, or food-handling business.

3 (4) Class eight property is taxed ~~at 3% of its market value~~ as follows:

4 (a) on the first \$10 million of market value or any part of that value that is not exempt under 15-6-201,
 5 3%; and

6 (b) on the market value in excess of \$10 million or any part of that value that is not exempt under
 7 15-6-201, 6%.

8 ~~(5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana~~
 9 ~~wage and salary income, in the last full year for which data is available, is at least 2.85% from the prior year, then~~
 10 ~~the tax rate for class eight property will be reduced by 1% each year until the tax rate reaches zero.~~

11 ~~————(b) The department shall calculate the percentage growth in subsection (5)(a) by using the formula~~
 12 ~~$(W/GPI) - 1$, where:~~

13 ~~————(i) W is the Montana wage and salary income for the most current available year divided by the Montana~~
 14 ~~wage and salary income for the year prior to the most current available year; and~~

15 ~~————(ii) GPI is the consumer price index for the most current available year used in subsection (5)(b)(i)~~
 16 ~~divided by the consumer price index for the year prior to the most current available year as used in subsection~~
 17 ~~(5)(b)(i).~~

18 ~~————(c) For purposes of determining the percentage growth in subsection (5)(a), the department shall use~~
 19 ~~the wage and salary data series referred to as the bureau of economic analysis of the United States department~~
 20 ~~of commerce Montana wage and salary disbursements. Inflation must be measured by the consumer price~~
 21 ~~index, U.S. city average, all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the~~
 22 ~~bureau of labor statistics of the United States department of labor.~~

23 ~~————(6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in~~
 24 ~~market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs.~~
 25 ~~27(2), 31(4), Ch. 285, L. 1999.)"~~

26

27 **Section 4.** Section 15-6-201, MCA, is amended to read:

28 **"15-6-201. (Temporary) Exempt categories.** (1) The following categories of property are exempt from
 29 taxation:

30 (a) except as provided in 15-24-1203, the property of:

- 1 (i) the United States, except:
- 2 (A) if congress passes legislation that allows the state to tax property owned by the federal government
- 3 or an agency created by congress; or
- 4 (B) as provided in 15-24-1103;
- 5 (ii) the state, counties, cities, towns, and school districts;
- 6 (iii) irrigation districts organized under the laws of Montana and not operating for profit;
- 7 (iv) municipal corporations;
- 8 (v) public libraries; and
- 9 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;
- 10 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church
- 11 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
- 12 necessary for convenient use of the buildings;
- 13 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and
- 14 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human
- 15 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department
- 16 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.
- 17 (d) property that is:
- 18 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- 19 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
- 20 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 21 (iii) not maintained and operated for private or corporate profit;
- 22 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or
- 23 local governmental entity by institutions of purely public charity if the property is directly used for purely public
- 24 charitable purposes;
- 25 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
- 26 Montana;
- 27 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
- 28 corporate profit;
- 29 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing
- 30 machines, and wearing apparel of members of the family, used by the owner for personal and domestic

- 1 purposes or for furnishing or equipping the family residence;
- 2 (i) truck canopy covers or toppers and campers;
- 3 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
- 4 (k) motor homes;
- 5 (l) all watercraft;
- 6 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or
- 7 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the
- 8 irrigation of agricultural land;
- 9 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
- 10 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another
- 11 to explore, prospect, or dig for oil, gas, coal, or minerals;
- 12 (o) (i) property that is owned and used by a corporation or association organized and operated
- 13 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with
- 14 physical or mental impairments that constitute or result in substantial impediments to employment and that is
- 15 not operated for gain or profit; and
- 16 (ii) property that is owned and used by an organization owning and operating facilities that are for the
- 17 care of the retired, aged, or chronically ill and that are not operated for gain or profit;
- 18 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and
- 19 machinery with a market value of less than \$100;
- 20 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
- 21 and practice for or competition in international sports and athletic events and that is not held or used for private
- 22 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization
- 23 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
- 24 under the Montana Nonprofit Corporation Act.
- 25 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily
- 26 hand-held and that are used to:
- 27 (A) construct, repair, and maintain improvements to real property; or
- 28 (B) repair and maintain machinery, equipment, appliances, or other personal property;
- 29 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,
- 30 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and

1 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and
 2 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

3 (s) harness, saddlery, and other tack equipment;

4 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in
 5 33-25-105;

6 (u) timber as defined in 15-44-102;

7 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in
 8 61-1-114, and travel trailers as defined in 61-1-131;

9 (w) all vehicles registered under 61-3-456;

10 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
 11 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

12 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection
 13 (1)(x)(i);

14 (y) motorcycles and quadricycles;

15 (z) ~~the following percentage~~ 31% of the market value of residential property as described in
 16 15-6-134(1)(e) and (1)(f):

17 ~~—— (i) 23% for tax year 2000;~~

18 ~~—— (ii) 27.5% for tax year 2001; and~~

19 ~~—— (iii) 31% for tax year 2002 and succeeding tax years;~~

20 (aa) ~~the following percentage~~ 13% of the market value of commercial property as described in
 21 15-6-134(1)(g):

22 ~~—— (i) 9% for tax year 2000;~~

23 ~~—— (ii) 11% for tax year 2001; and~~

24 ~~—— (iii) 13% for tax year 2002 and succeeding tax years;~~

25 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used
 26 by an industrial dairy;

27 (cc) items of personal property intended for rent or lease in the ordinary course of business if each item
 28 of personal property satisfies all of the following:

29 (i) the acquired cost of the personal property is less than \$15,000;

30 (ii) the personal property is owned by a business whose primary business income is from rental or lease

1 of personal property to individuals and no one customer of the business accounts for more than 10% of the total
2 rentals or leases during a calendar year; and

3 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

4 (dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from
5 grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion
6 of construction of the manufacturing facility; ~~and~~

7 (ee) light vehicles as defined in 61-1-139; and

8 (ff) the first \$50,000 or less of market value of class eight property of a person or business entity. The
9 exemption amount must be apportioned as provided in [section 1].

10 (2) (a) For the purposes of subsection (1)(e):

11 (i) the term "institutions of purely public charity" includes any organization that meets the following
12 requirements:

13 (A) The organization offers its charitable goods or services to persons without regard to race, religion,
14 creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal
15 Revenue Code, as amended.

16 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the
17 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public
18 performances or entertainment or by other similar types of fundraising activities.

19 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used
20 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal
21 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually
22 with the department a copy of its federal tax return reporting any unrelated business taxable income received
23 by the charity during the tax year, together with a statement indicating whether the exempt property was used
24 to generate any unrelated business taxable income.

25 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
26 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
27 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes
28 all real and personal property reasonably necessary for use in connection with the public display or observatory
29 use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual
30 or for-profit organization, real and personal property owned by other persons is exempt if it is:

- 1 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
 2 (ii) held for future display; or
 3 (iii) used to house or store a public display.

4 (3) For the purposes of subsection (1)(bb):

5 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes
 6 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products
 7 solely for export from the state, either directly by the dairy or after the milk or milk product has been further
 8 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into
 9 other dairy products.

10 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into
 11 milk products for export from the state.

12 (4) ~~The~~ Except as provided in 15-32-405, the following portions of the appraised value of a capital
 13 investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion
 14 devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the
 15 property:

16 (a) \$20,000 in the case of a single-family residential dwelling;

17 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

18 **~~15-6-201. (Effective on occurrence of contingency) Exempt categories.~~** (1) ~~The following categories~~
 19 ~~of property are exempt from taxation:~~

20 ~~—— (a) except as provided in 15-24-1203, the property of:~~

21 ~~—— (i) the United States, except:~~

22 ~~—— (A) if congress passes legislation that allows the state to tax property owned by the federal government~~
 23 ~~or an agency created by congress; or~~

24 ~~—— (B) as provided in 15-24-1103;~~

25 ~~—— (ii) the state, counties, cities, towns, and school districts;~~

26 ~~—— (iii) irrigation districts organized under the laws of Montana and not operating for profit;~~

27 ~~—— (iv) municipal corporations;~~

28 ~~—— (v) public libraries; and~~

29 ~~—— (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;~~

30 ~~—— (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church~~

1 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
2 necessary for convenient use of the buildings;

3 ~~———(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and~~
4 ~~for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human~~
5 ~~services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department~~
6 ~~of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.~~

7 ~~———(d) property that is:~~

8 ~~———(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;~~
9 ~~———(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care~~
10 ~~and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and~~

11 ~~———(iii) not maintained and operated for private or corporate profit;~~

12 ~~———(e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or~~
13 ~~local governmental entity by institutions of purely public charity if the property is directly used for purely public~~
14 ~~charitable purposes;~~

15 ~~———(f) evidence of debt secured by mortgages of record upon real or personal property in the state of~~
16 ~~Montana;~~

17 ~~———(g) public museums, art galleries, zoos, and observatories that are not used or held for private or~~
18 ~~corporate profit;~~

19 ~~———(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing~~
20 ~~machines, and wearing apparel of members of the family, used by the owner for personal and domestic~~
21 ~~purposes or for furnishing or equipping the family residence;~~

22 ~~———(i) truck canopy covers or toppers and campers;~~

23 ~~———(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;~~

24 ~~———(k) motor homes;~~

25 ~~———(l) all watercraft;~~

26 ~~———(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or~~
27 ~~nonprofit corporation organized to furnish potable water to its members or customers for uses other than the~~
28 ~~irrigation of agricultural land;~~

29 ~~———(n) the right of entry that is a property right reserved in land or received by mesne conveyance~~
30 ~~(exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another~~

- 1 to explore, prospect, or dig for oil, gas, coal, or minerals;
- 2 ~~——— (o) (i) property that is owned and used by a corporation or association organized and operated~~
 3 ~~exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with~~
 4 ~~physical or mental impairments that constitute or result in substantial impediments to employment and that is~~
 5 ~~not operated for gain or profit; and~~
- 6 ~~——— (ii) property that is owned and used by an organization owning and operating facilities that are for the~~
 7 ~~care of the retired, aged, or chronically ill and that are not operated for gain or profit;~~
- 8 ~~——— (p) all farm buildings with a market value of less than \$500 and all agricultural implements and~~
 9 ~~machinery with a market value of less than \$100;~~
- 10 ~~——— (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training~~
 11 ~~and practice for or competition in international sports and athletic events and that is not held or used for private~~
 12 ~~or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization~~
 13 ~~that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted~~
 14 ~~under the Montana Nonprofit Corporation Act.~~
- 15 ~~——— (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily~~
 16 ~~hand-held and that are used to:~~
- 17 ~~——— (A) construct, repair, and maintain improvements to real property; or~~
 18 ~~——— (B) repair and maintain machinery, equipment, appliances, or other personal property;~~
- 19 ~~——— (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,~~
 20 ~~launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and~~
 21 ~~launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and~~
 22 ~~that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;~~
- 23 ~~——— (s) harness, saddlery, and other tack equipment;~~
- 24 ~~——— (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in~~
 25 ~~33-25-105;~~
- 26 ~~——— (u) timber as defined in 15-44-102;~~
- 27 ~~——— (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in~~
 28 ~~61-1-114, and travel trailers as defined in 61-1-131;~~
- 29 ~~——— (w) all vehicles registered under 61-3-456;~~
- 30 ~~——— (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,~~

- 1 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and
- 2 ~~_____ (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection~~
- 3 ~~(1)(x)(i);~~
- 4 ~~_____ (y) motorcycles and quadricycles;~~
- 5 ~~_____ (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)~~
- 6 ~~and (1)(f):~~
- 7 ~~_____ (i) 23% for tax year 2000;~~
- 8 ~~_____ (ii) 27.5% for tax year 2001; and~~
- 9 ~~_____ (iii) 31% for tax year 2002 and succeeding tax years;~~
- 10 ~~_____ (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~
- 11 ~~_____ (i) 9% for tax year 2000;~~
- 12 ~~_____ (ii) 11% for tax year 2001; and~~
- 13 ~~_____ (iii) 13% for tax year 2002 and succeeding tax years;~~
- 14 ~~_____ (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used~~
- 15 ~~by an industrial dairy;~~
- 16 ~~_____ (cc) items of personal property intended for rent or lease in the ordinary course of business if each item~~
- 17 ~~of personal property satisfies all of the following:~~
- 18 ~~_____ (i) the acquired cost of the personal property is less than \$15,000;~~
- 19 ~~_____ (ii) the personal property is owned by a business whose primary business income is from rental or lease~~
- 20 ~~of personal property to individuals and no one customer of the business accounts for more than 10% of the total~~
- 21 ~~rentals or leases during a calendar year; and~~
- 22 ~~_____ (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;~~
- 23 ~~_____ (dd) all agricultural implements and equipment;~~
- 24 ~~_____ (ee) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;~~
- 25 ~~_____ (ff) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class~~
- 26 ~~five;~~
- 27 ~~_____ (gg) all goods and equipment that are intended for rent or lease, except goods and equipment that are~~
- 28 ~~specifically included and taxed in another class;~~
- 29 ~~_____ (hh) special mobile equipment as defined in 61-1-104;~~
- 30 ~~_____ (ii) furniture, fixtures, and equipment, except that specifically included in another class, used in~~

- 1 commercial establishments as defined in this section;
- 2 ~~—— (jj) x-ray and medical and dental equipment;~~
- 3 ~~—— (kk) citizens' band radios and mobile telephones;~~
- 4 ~~—— (ll) radio and television broadcasting and transmitting equipment;~~
- 5 ~~—— (mm) cable television systems;~~
- 6 ~~—— (nn) coal and ore haulers;~~
- 7 ~~—— (oo) theater projectors and sound equipment; and~~
- 8 ~~—— (pp) light vehicles as defined in 61-1-139.~~
- 9 ~~—— (2) (a) For the purposes of subsection (1)(e):~~
- 10 ~~—— (i) the term "institutions of purely public charity" includes any organization that meets the following~~
- 11 ~~requirements:~~
- 12 ~~—— (A) The organization offers its charitable goods or services to persons without regard to race, religion,~~
- 13 ~~creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal~~
- 14 ~~Revenue Code, as amended.~~
- 15 ~~—— (B) The organization accomplishes its activities through absolute gratuity or grants. However, the~~
- 16 ~~organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public~~
- 17 ~~performances or entertainment or by other similar types of fundraising activities.~~
- 18 ~~—— (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used~~
- 19 ~~by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal~~
- 20 ~~Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually~~
- 21 ~~with the department a copy of its federal tax return reporting any unrelated business taxable income received~~
- 22 ~~by the charity during the tax year, together with a statement indicating whether the exempt property was used~~
- 23 ~~to generate any unrelated business taxable income.~~
- 24 ~~—— (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and~~
- 25 ~~observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold~~
- 26 ~~property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes~~
- 27 ~~all real and personal property reasonably necessary for use in connection with the public display or observatory~~
- 28 ~~use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual~~
- 29 ~~or for-profit organization, real and personal property owned by other persons is exempt if it is:~~
- 30 ~~—— (i) actually used by the governmental entity or nonprofit organization as a part of its public display;~~

1 ~~—— (ii) held for future display; or~~

2 ~~—— (iii) used to house or store a public display:~~

3 ~~—— (3) For the purposes of subsection (1)(bb):~~

4 ~~—— (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes~~
 5 ~~the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products~~
 6 ~~solely for export from the state, either directly by the dairy or after the milk or milk product has been further~~
 7 ~~processed by an industrial milk processor. After export, any unprocessed milk must be further processed into~~
 8 ~~other dairy products.~~

9 ~~—— (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into~~
 10 ~~milk products for export from the state.~~

11 ~~—— (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form~~
 12 ~~of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt~~
 13 ~~from taxation for a period of 10 years following installation of the property:~~

14 ~~—— (a) \$20,000 in the case of a single-family residential dwelling;~~

15 ~~—— (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."~~

16

17 **Section 5.** Section 15-6-218, MCA, is amended to read:

18 **"15-6-218. Intangible personal property exemption.** (1) Except as provided in subsection (3),
 19 intangible personal property is exempt from taxation.

20 (2) ~~(a) For~~ Except as provided in subsection (2)(b), for the purposes of this section, "intangible personal
 21 property" means personal property that is not tangible personal property and that:

22 ~~(a)(i)~~ (i) has no intrinsic value but is the representative or evidence of value, including but not limited to
 23 certificates of stock, bonds, promissary notes, licenses, copyrights, patents, trademarks, contracts, ~~software,~~ and
 24 franchises; or

25 ~~(b)(ii)~~ (ii) lacks physical existence, including but not limited to goodwill.

26 (b) Intangible personal property does not include computer software.

27 (3) ~~The exemption for intangible personal property that is centrally assessed, other than property under~~
 28 ~~15-23-101(4) and (5), must be phased in over 3 years beginning in tax year 2000. Ten percent of the intangible~~
 29 ~~personal property is exempt for tax year 2000, and two-thirds of the intangible personal property is exempt for~~
 30 ~~tax year 2001. Centrally assessed intangible personal property is fully exempt from taxation in tax year 2002 and~~

1 thereafter.

2 (4) The department shall adopt administrative rules ~~prior to valuation determinations for tax year 2000~~
3 that specify the valuation methodology for centrally assessed intangible personal property. To the extent that
4 the unit value includes intangible personal property, that value must be removed from the unit value ~~according~~
5 ~~to the provisions in subsection (3).~~

6 (5) The department shall report intangible personal property annually to the revenue and transportation
7 interim committee of the Montana legislature ~~and to the Montana legislature meeting in the year 2001.~~"

8

9 **Section 6.** Section 15-8-301, MCA, is amended to read:

10 **"15-8-301. Statement -- what to contain.** (1) The department may require from a person a statement
11 under oath setting forth specifically all the real and personal property owned by, in possession of, or under the
12 control of the person at midnight on January 1. The statement must be in writing, showing separately:

13 (a) all property belonging to, claimed by, or in the possession or under the control or management of
14 the person;

15 (b) all property belonging to, claimed by, or in the possession or under the control or management of
16 any firm of which the person is a member;

17 (c) all property belonging to, claimed by, or in the possession or under the control or management of
18 any corporation of which the person is president, secretary, cashier, or managing agent;

19 (d) the county in which the property is situated or in which the property is liable to taxation and, if liable
20 to taxation in the county in which the statement is made, also the city, town, school district, road district, or other
21 revenue districts in which the property is situated;

22 (e) an exact description of all lands, improvements, and personal property;

23 (f) all depots, shops, stations, buildings, and other structures erected on the space covered by the
24 right-of-way and all other property owned by any person owning or operating any railroad within the county.

25 (2) (a) The department shall notify the taxpayer in the statement for reporting personal property owned
26 by a business or used in a business that the statement is for reporting business equipment and other business
27 personal property described in Title 15, chapter 6, part 1. ~~A Except as provided in subsection (2)(b), a taxpayer~~
28 ~~owning exempt business equipment is subject to limited reporting requirements; ~~however~~ However,~~ all new
29 businesses shall report their class eight property so that the department can determine the market value of the
30 property. The department shall by rule develop reporting requirements for business equipment to limit the annual

1 reporting of exempt business equipment to the extent feasible.

2 (b) For the purposes of apportioning the value of exempt property under [section 1], a person or
3 business entity that owns class eight property in more than one school district shall report all class eight business
4 equipment to the department.

5 (3) Whenever one member of a firm or one of the proper officers of a corporation has made a statement
6 showing the property of the firm or corporation, another member of the firm or another officer is not required to
7 include the property in that person's statement but the statement must show the name of the person or officer
8 who made the statement in which the property is included.

9 (4) The fact that a statement is not required or that a person has not made a statement, under oath or
10 otherwise, does not relieve the person's property from taxation."
11

12 **Section 7.** Section 15-10-420, MCA, is amended to read:

13 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
14 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
15 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
16 years. The maximum number of mills that a governmental entity may impose is established by calculating the
17 number of mills required to generate the amount of property tax actually assessed in the governmental unit in
18 the prior year based on the current year taxable value, less the current year's value of newly taxable property,
19 plus one-half of the average rate of inflation for the prior 3 years.

20 (b) A governmental entity that does not impose the maximum number of mills authorized under
21 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
22 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill
23 authority carried forward may be imposed in a subsequent tax year.

24 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate
25 of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
26 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

27 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
28 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including
29 newly taxable property.

30 (3) For purposes of this section, newly taxable property includes:

1 (a) annexation of real property and improvements into a taxing unit;
 2 (b) construction, expansion, or remodeling of improvements;
 3 (c) transfer of property into a taxing unit;
 4 (d) subdivision of real property; ~~and~~
 5 (e) transfer of property from tax-exempt to taxable status; and
 6 (f) for tax year 2003, the increase in taxable value attributable to the change in the property tax rate of
 7 class eight property in 15-6-138.

8 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
 9 release of taxable value from the incremental taxable value of a tax increment financing district because of:

- 10 (i) a change in the boundary of a tax increment financing district;
 11 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
 12 (iii) the termination of a tax increment financing district.

13 (b) For the purpose of subsection (3)(d), the subdivision of real property includes the first sale of real
 14 property that results in the property being taxable as class four property or as nonagricultural land as described
 15 in 15-6-133(1)(c).

16 ~~(c) For the purposes of this section, newly taxable property does not include an increase in appraised~~
 17 ~~value of land that was previously valued at 75% of the value of improvements on the land, as provided in~~
 18 ~~15-7-111(4) and (5), as those subsections applied on December 31, 2001.~~

19 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

- 20 (a) school district levies established in Title 20; or
 21 (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits
 22 excluded under 2-9-212 or 2-18-703.

23 (6) For purposes of subsection (1)(a), the amount of property taxes imposed do actually assessed does
 24 not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

25 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may
 26 increase the number of mills to account for a decrease in reimbursements, except for a reduction in the local
 27 government entitlement share payment or the tax increment finance district block grant as determined in [section
 28 9].

29 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for
 30 purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills

1 calculated by the department may not exceed the mill levy limits established in those sections. The mill
 2 calculation must be established in whole mills. If the mill levy calculation does not result in a whole number of
 3 mills, then the calculation must be rounded up to the nearest whole mill.

4 (9) (a) The provisions of subsection (1) do not prevent or restrict:

5 (i) a judgment levy under 2-9-316 or 7-7-2202;

6 (ii) a levy to repay taxes paid under protest as provided in 15-1-402; or

7 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326.

8 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
 9 actually assessed in a subsequent year.

10 (10) The department may adopt rules to implement this section. The rules may include a method for
 11 calculating the percentage of change in valuation for purposes of determining the elimination of property, new
 12 improvements, or newly taxable property in a governmental unit."

13

14 **Section 8.** Section 15-32-405, MCA, is amended to read:

15 **"15-32-405. Exclusion from other tax incentives.** If a credit is claimed for an investment pursuant to
 16 this part, no other state energy or investment tax credit, including but not limited to the tax credits allowed by
 17 15-30-162 and 15-31-123 through 15-31-125, may be claimed for the investment. ~~Property~~ The property tax
 18 reduction allowed by 15-6-201~~(3)~~(4) may not be applied to a facility for which a credit is claimed pursuant to this
 19 part."

20

21 NEW SECTION. **Section 9. Adjustment to entitlement share payments.** (1) (a) For the purpose of
 22 adjusting entitlement share payments and tax increment financing district block grants under 15-1-121, the
 23 department of revenue shall determine the amount of property tax revenue gained or lost by each local
 24 government referred to in 15-1-121(4) and by each tax increment financing district referred to in 15-1-121(6)(b)
 25 and (6)(c) as the result of the increase in the property tax rate applied to class eight property in 15-6-138 and
 26 the class eight property tax exemption provided for in 15-6-201(1)(ff). The determination must be made by July
 27 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for the determination of
 28 changes of property tax revenue.

29 (b) The department shall determine the amount of revenue due each local government and tax
 30 increment financing district for fiscal year 2003 from the property tax imposed on business equipment in

1 15-6-138.

2 (2) The department shall then calculate for each local government and tax increment financing district
3 for fiscal year 2003, using fiscal year 2003 mill levies, the amount of revenue that would have been due from
4 the property tax imposed on business equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for
5 fiscal year 2003. In making the calculation, the department shall take into account the property tax exemption
6 in 15-6-201(1)(ff) and the apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had
7 been in effect for fiscal year 2003.

8 (3) (a) In fiscal year 2004, the entitlement share payment for each local government and each tax
9 increment financing district that gained property tax revenue in fiscal year 2003 must be reduced by the amount
10 of the difference between the calculation in subsections (2) and (1)(b).

11 (b) In fiscal year 2004, the entitlement share payment for each local government and each tax increment
12 financing district that lost property tax revenue in fiscal year 2003 must be increased by the amount of the
13 difference between the calculation in subsections (1)(b) and (2).

14

15 **NEW SECTION. Section 10. Adjustment to school district block grants.** (1) (a) For the purpose of
16 adjusting the school district block grants under section 244, Chapter 574, Laws of 2001, as amended by section
17 25, Chapter 13, Special Laws of August 2002, the department of revenue shall determine the amount of property
18 tax revenue gained or lost by each school district as the result of the increase in the property tax rate applied
19 to class eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff). The
20 determination must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003
21 as the base for the determination of changes of property tax revenue.

22 (b) The department shall determine the amount of revenue due each school district for fiscal year 2003
23 from the property tax imposed on business equipment in 15-6-138.

24 (2) The department shall then calculate for each school district for fiscal year 2003, using fiscal year
25 2003 mill levies, the amount of revenue that would have been due from the property tax imposed on business
26 equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the
27 calculation, the department shall take into account the property tax exemption in 15-6-201(1)(ff) and the
28 apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year
29 2003.

30 (3) (a) In fiscal year 2004, the school district block grant for each school district that gained property tax

1 revenue in fiscal year 2003 must be reduced by the amount of the difference between the calculation in
2 subsections (2) and (1)(b).

3 (b) In fiscal year 2004, the school district block grant of each school district that lost property tax
4 revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in
5 subsections (1)(b) and (2).

6
7 **NEW SECTION. Section 11. Adjustment to countywide school retirement block grants.** (1) (a) For
8 the purpose of adjusting the countywide school retirement block grants under section 245, Chapter 574, Laws
9 of 2001, as amended by section 26, Chapter 13, Special Laws of August 2002, the department of revenue shall
10 determine the amount of property tax revenue gained or lost by each county that imposed a countywide school
11 retirement property tax levy under 20-9-501 as the result of the increase in the property tax rate applied to class
12 eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff). The determination
13 must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for
14 the determination of changes of property tax revenue.

15 (b) The department shall determine the amount of revenue due each county for fiscal year 2003 from
16 property taxes on business equipment in 15-8-138 from the mill levy imposed by 20-9-501.

17 (2) The department shall then calculate for each countywide school retirement levy imposed in fiscal
18 year 2003 the amount of revenue that would have been due from the property tax on business equipment in
19 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the
20 department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the
21 exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year 2003.

22 (3) (a) In fiscal year 2004, the countywide school retirement block grant for each county that gained
23 property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the
24 calculation in subsections (2) and (1)(b).

25 (b) In fiscal year 2004, the countywide school retirement block grant for each county that lost property
26 tax revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in
27 subsections (1)(b) and (2).

28
29 **NEW SECTION. Section 12. Adjustment to countywide school transportation block grants.** (1)
30 (a) For the purpose of adjusting the countywide school transportation block grants under section 246, Chapter

1 574, Laws of 2001, as amended by section 27, Chapter 13, Special Laws of August 2002, the department of
 2 revenue shall determine the amount of property tax revenue gained or lost by each county that imposed a
 3 countywide school transportation property tax levy under 20-10-146 as the result of the increase in the property
 4 tax rate applied to class eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff).
 5 The determination must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year
 6 2003 as the base for the determination of changes of property tax revenue.

7 (b) The department shall determine the amount of revenue due each county for fiscal year 2003 from
 8 property taxes on business equipment in 15-8-138 from the mill levy imposed by 20-10-146.

9 (2) The department shall then calculate for each countywide school transportation levy imposed in fiscal
 10 year 2003 the amount of revenue that would have been due from the property tax on business equipment in
 11 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the
 12 department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the
 13 exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year 2003.

14 (3) (a) In fiscal year 2004, the countywide school transportation block grant for each county that gained
 15 property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the
 16 calculation in subsections (2) and (1)(b).

17 (b) In fiscal year 2004, the countywide school transportation block grant for each county that lost
 18 property tax revenue in fiscal year 2003 must be increased by the amount of the difference between the
 19 calculation in subsections (1)(b) and (2).

20

21 **Section 13.** Section 27, Chapter 285, Laws of 1999, is amended to read:

22 "**Section 27. Repealer.** ~~(4)~~ Sections 15-6-136, 15-24-901, 15-24-920, 15-24-926, 15-24-927, and
 23 15-24-931, MCA, are repealed.

24 ~~(2) Section 15-6-138, MCA, is repealed."~~

25

26 **Section 14.** Section 31, Chapter 285, Laws of 1999, is amended to read:

27 "**Section 31. Effective dates.** (1) [Sections 1, 11, 12, 15, 22, 26, 28 through 30, and 32 and this section]
 28 are effective on passage and approval.

29 (2) [Sections 3 through 9 and 23] are effective July 1, 2000.

30 (3) [Sections 2, 10, 13, 14, 16 through 21, 24, 25, and 27~~(4)~~] are effective January 1, 2003.

1 ~~(4) [Sections 13(1)(aa) through (1)(ll) and 27(2)] are effective if the tax rate in [section 12], amending~~
2 ~~15-6-138, reaches zero."~~

3
4 **Section 15.** Section 25, Chapter 13, Laws of August 2002, is amended to read:

5 **"Section 25.** Section 244, Chapter 574, Laws of 2001, is amended to read:

6 **"Section 244. School district block grants.** (1) (a) The office of public instruction shall provide a block
7 grant to each school district based on the revenue received by each district in fiscal year 2001 from vehicle taxes
8 and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of
9 taxes, and, subject to subsection (4), property tax reimbursements pursuant to sections 167(1) through (5) and
10 169(6), Chapter 584, Laws of 1999.

11 (b) Block grants must be calculated using the electronic reporting system that is used by the office of
12 public instruction and school districts. The electronic reporting system must be used to allocate a portion of the
13 block grant amount into each district's fiscal year 2002 budget as an anticipated revenue source by fund.

14 (c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount
15 actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block
16 grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall
17 use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.

18 (2) If the ~~biennial~~ fiscal year 2003 appropriation provided in [section 248(1)] is insufficient to fund the
19 school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall
20 prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block
21 grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.

22 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
23 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed. ~~If~~
24 ~~the appropriation for block grants is greater than or less than the amount received by schools from the sources~~
25 ~~enumerated in subsection (1), the office of public instruction shall prorate the amount appropriated based upon~~
26 ~~the fiscal year 2001 revenue.~~

27 (4) ~~(a) The~~ Subject to subsection (4)(b), the average amount of the block grants in fiscal years 2002 and
28 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

29 (b) Before applying the growth rate in subsection (4)(a), the fiscal year 2003 school district block grant
30 must be adjusted as provided in [section 10] to determine the average of the block grants in fiscal years 2002

1 and 2003."

2

3 **Section 16.** Section 26, Chapter 13, Laws of August 2002, is amended to read:

4 **"Section 26.** Section 245, Chapter 574, Laws of 2001, is amended to read:

5 **"Section 245. Countywide school retirement block grants.** (1) The office of public instruction shall
6 distribute one-half of the amount appropriated for countywide school retirement in November and the remainder
7 in May. The total amount for each county is as follows:

	FY 2002	FY2002	FY2003	FY2003
	Elementary	High School	Elementary	High School
	Payment	Payment	Payment	Payment
11 Beaverhead	\$86,692	\$50,789	\$87,351 <u>\$55,503</u>	\$51,175 <u>\$41,981</u>
13 Big Horn	62,668	36,963	63,144 <u>95,018</u>	37,244 <u>33,837</u>
15 Blaine	61,160	10,193	61,624 <u>46,318</u>	40,271 <u>81,109</u>
17 Broadwater	0	92,686	0	93,390 <u>34,949</u>
19 Carbon	43,451	82,110	43,782 <u>72,602</u>	82,734 <u>58,957</u>
21 Carter	9,751	5,453	9,825 <u>8,478</u>	5,495 <u>6,155</u>
23 Cascade	349,056	192,848	351,709 <u>282,266</u>	194,314 <u>142,282</u>
25 Chouteau	75,384	41,034	75,957 <u>58,455</u>	41,346 <u>29,474</u>
27 Custer	78,925	36,930	79,525 <u>57,608</u>	37,211 <u>32,128</u>
29 Daniels	0	37,994	0	38,283 <u>36,083</u>

1	Dawson	85,568	38,722	86,219	39,016
2				<u>64,693</u>	<u>24,827</u>
3	Deer Lodge	39,980	17,059	40,284	47,189
4				<u>34,455</u>	<u>16,807</u>
5	Fallon	0	0	0	0
6					<u>30,444</u>
7	Fergus	119,028	78,809	119,932	79,408
8				<u>90,464</u>	<u>55,527</u>
9	Flathead	558,861	296,410	563,108	298,662
10				<u>530,274</u>	<u>268,731</u>
11	Gallatin	383,035	181,743	385,946	183,125
12				<u>537,244</u>	<u>107,717</u>
13	Garfield	12,337	10,170	12,431	10,247
14				<u>12,100</u>	<u>4,620</u>
15	Glacier	79,924	34,016	80,532	34,275
16				<u>106,815</u>	<u>10,494</u>
17	Golden Valley	0	16,716	0	16,843
18					<u>14,492</u>
19	Granite	14,074	48,026	14,180	48,391
20				<u>12,523</u>	<u>30,727</u>
21	Hill	142,867	82,538	143,953	83,165
22				<u>59,593</u>	<u>35,211</u>
23	Jefferson	116,679	59,523	117,565	59,976
24				<u>143,901</u>	<u>59,690</u>
25	Judith Basin	6,149	21,359	6,196	21,521
26				<u>4,744</u>	<u>30,198</u>
27	Lake	173,584	139,990	174,903	141,054
28				<u>156,485</u>	<u>103,365</u>
29	Lewis & Clark	344,112	211,726	346,728	213,335
30				<u>370,958</u>	<u>173,847</u>

1	Liberty	20,144	16,786	20,297	46,914
2				<u>3,067</u>	<u>31,953</u>
3	Lincoln	73,001	98,835	73,556	99,586
4				<u>61,499</u>	<u>87,710</u>
5	Madison	0	103,163	0	403,947
6				<u>4,891</u>	<u>19,788</u>
7	McCone	23,214	15,824	23,390	45,945
8				<u>21,778</u>	<u>14,004</u>
9	Meagher	13,654	10,678	43,758	40,759
10				<u>9,250</u>	<u>9,492</u>
11	Mineral	0	32,206	0	32,451
12					<u>33,292</u>
13	Missoula	487,129	362,756	490,832	365,513
14				<u>587,637</u>	<u>357,669</u>
15	Musselshell	30,675	21,577	30,908	21,741
16				<u>48,959</u>	<u>41,250</u>
17	Park	154,192	81,696	455,364	82,317
18				<u>135,256</u>	<u>78,135</u>
19	Petroleum	0	16,897	0	47,026
20					<u>9,510</u>
21	Phillips	10,502	95,084	40,582	95,806
22				<u>103,747</u>	<u>54,728</u>
23	Pondera	79,805	60,307	80,411	60,765
24				<u>18,821</u>	<u>47,629</u>
25	Powder River	18,815	15,011	48,958	45,125
26				<u>0</u>	<u>0</u>
27	Powell	69,695	22,666	70,225	22,838
28				<u>71,420</u>	<u>30,458</u>
29	Prairie	0	26,791	0	26,995
30					<u>21,945</u>

1	Ravalli	85,333	169,769	85,981	171,059
2				<u>2,062</u>	<u>40,316</u>
3	Richland	83,671	30,302	84,307	30,533
4				<u>15,500</u>	<u>26,650</u>
5	Roosevelt	71,090	60,329	71,630	60,787
6				<u>96,278</u>	<u>61,038</u>
7	Rosebud	359,662	286,411	362,395	288,588
8				<u>475,055</u>	<u>126,246</u>
9	Sanders	203,863	127,694	205,413	128,665
10				<u>197,286</u>	<u>14,442</u>
11	Sheridan	0	46,231	0	46,583
12					<u>47,628</u>
13	Silver Bow	249,821	141,541	251,719	142,617
14				<u>193,304</u>	<u>119,358</u>
15	Stillwater	91,487	75,926	92,182	76,503
16				<u>91,185</u>	<u>51,769</u>
17	Sweet Grass	36,996	36,327	37,277	36,603
18				<u>24,214</u>	<u>12,316</u>
19	Teton	57,760	41,547	58,199	41,863
20				<u>45,217</u>	<u>40,769</u>
21	Toole	43,323	51,399	43,652	51,790
22				<u>36,109</u>	<u>73,362</u>
23	Treasure	0	18,947	0	19,091
24					<u>16,243</u>
25	Valley	15,824	90,532	15,944	91,220
26				<u>10,558</u>	<u>143,204</u>
27	Wheatland	20,946	12,103	21,105	12,195
28				<u>15,031</u>	<u>12,109</u>
29	Wibaux	0	14,585	0	14,696
30					<u>25,103</u>

1	Yellowstone	1,125,488	643,136	1,134,042	648,024
2				<u>1,070,887</u>	<u>612,203</u>
3	Total	6,269,374	4,650,865	6,317,022	4,686,212
4				<u>6,139,506</u>	<u>3,723,973</u>

5 (2) ~~(a) The~~ Subject to subsection (2)(b), the average amount of the block grants in fiscal years 2002 and
 6 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

7 (b) Before applying the growth rate in subsection (2)(a), the fiscal year 2003 elementary payment and
 8 high school payment for countywide school retirement referred to in subsection (1) must be adjusted as provided
 9 in [section 11] to determine the average of the block grants in fiscal years 2002 and 2003."

10

11 **Section 17.** Section 27, Chapter 13, Laws of 2002, is amended to read:

12 **"Section 27.** Section 246, Chapter 574, Laws of 2001, is amended to read:

13 **"Section 246. Countywide school transportation block grants.** (1) The office of public instruction
 14 shall distribute one-half of the amount appropriated for countywide school transportation in November and the
 15 remainder in May. The total amount for each county is as follows:

	FY 2002	FY 2003
	Payment	Payment
18 Beaverhead	\$29,924	\$30,151 <u>\$26,197</u>
19 Big Horn	43,635	43,966 <u>52,920</u>
20 Blaine	3,727	3,756 <u>13,384</u>
21 Broadwater	14,935	15,048 <u>21,769</u>
22 Carbon	23,493	23,671 <u>23,040</u>
23 Carter	8,675	8,741 <u>6,457</u>
24 Cascade	84,382	85,024 <u>5,760</u>
25 Chouteau	33,063	33,314 <u>26,028</u>
26 Custer	7,069	7,123 <u>6,272</u>
27 Daniels	16,771	16,899 <u>12,993</u>
28 Dawson	21,356	21,518 <u>14,001</u>
29 Deer Lodge	14,392	14,502 <u>14,482</u>
30 Fallon	20,447	20,603 <u>25,422</u>

1	Fergus	58,765	59,211 <u>30,799</u>
2	Flathead	89,846	90,529 <u>77,223</u>
3	Gallatin	81,262	81,879 <u>90,930</u>
4	Garfield	17,284	17,415 <u>7,135</u>
5	Glacier	37,740	38,027 <u>34,300</u>
6	Golden Valley	3,547	3,574 <u>3,591</u>
7	Granite	8,153	8,215 <u>6,726</u>
8	Hill	46,409	46,762 <u>17,070</u>
9	Jefferson	36,329	36,605 <u>34,792</u>
10	Judith Basin	16,878	17,007 <u>20,322</u>
11	Lake	69,756	70,286 <u>52,163</u>
12	Lewis & Clark	58,287	58,730 <u>69,557</u>
13	Liberty	15,874	15,995 <u>12,731</u>
14	Lincoln	50,388	50,771 <u>0</u>
15	Madison	21,263	21,424 <u>14,174</u>
16	McCone	12,498	12,593 <u>11,856</u>
17	Meagher	4,237	4,269 <u>6,366</u>
18	Mineral	7,478	7,534 <u>9,038</u>
19	Missoula	93,969	94,683 <u>94,480</u>
20	Musselshell	12,945	13,043 <u>20,627</u>
21	Park	31,904	32,147 <u>32,394</u>
22	Petroleum	9,854	9,929 <u>6,086</u>
23	Phillips	31,080	31,316 <u>43,852</u>
24	Pondera	22,599	22,771 <u>18,308</u>
25	Powder River	21,304	21,465 <u>0</u>
26	Powell	16,622	16,748 <u>14,581</u>
27	Prairie	8,544	8,609 <u>4,809</u>
28	Ravalli	60,579	61,040 <u>24,889</u>
29	Richland	32,995	33,246 <u>30,868</u>
30	Roosevelt	25,740	25,935 <u>40,216</u>

1	Rosebud	97,820	98,564 <u>89,433</u>
2	Sanders	71,581	72,125 <u>173,489</u>
3	Sheridan	12,946	13,045 <u>17,460</u>
4	Silver Bow	21,872	22,038 <u>18,381</u>
5	Stillwater	27,358	27,566 <u>15,344</u>
6	Sweet Grass	14,996	15,110 <u>6,340</u>
7	Teton	28,202	28,416 <u>20,759</u>
8	Toole	17,208	17,339 <u>15,592</u>
9	Treasure	5,446	5,487 <u>5,073</u>
10	Valley	26,677	26,880 <u>36,436</u>
11	Wheatland	9,142	9,242 <u>6,386</u>
12	Wibaux	6,198	6,246 <u>8,816</u>
13	Yellowstone	149,314	150,448 <u>145,322</u>
14	Total	1,814,759	1,828,551 <u>1,637,437</u>

15 (2) (a) The Subject to subsection (2)(b), the average amount of the block grants in fiscal years 2002 and
 16 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

17 (b) Before applying the growth rate in subsection (2)(a), the fiscal year 2003 payment for countywide
 18 school transportation referred to in subsection (1) must be adjusted as provided in [section 12] to determine the
 19 average of the block grants in fiscal years 2002 and 2003."

20
 21 NEW SECTION. Section 18. Codification instruction. [Section 1] is intended to be codified as an
 22 integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

23
 24 NEW SECTION. Section 19. Saving clause. [This act] does not affect rights and duties that matured,
 25 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

26
 27 NEW SECTION. Section 20. Effective date. [This act] is effective on passage and approval.

28
 29 NEW SECTION. Section 21. Retroactive applicability. [This act] applies retroactively, within the
 30 meaning of 1-2-109, to property tax years beginning after December 31, 2002.

31 - END -