

SENATE BILL NO. 260

INTRODUCED BY DEPRATU, BRUEGGEMAN, ANDERSON, BARKUS, BOHLINGER, BUTCHER,
 CURTISS, EVERETT, GRIMES, HAINES, KASTEN, KEENAN, KITZENBERG, LAIBLE, LAKE, LAWSON,
 MCNUTT, MOOD, MORGAN, A. OLSON, PATTISON, SALES, SPRAGUE, TASH, TAYLOR, WITT, ZOOK,
 BLACK, CURTISS, MCGEE, PERRY, DOWELL, B. OLSON, JACKSON

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAXATION; IMPLEMENTING
 ACQUISITION VALUATION OF A HOMESTEAD-QUALIFIED EXEMPTION FOR CLASS FOUR PROPERTY
 UPON PASSAGE OF A CONSTITUTIONAL AMENDMENT AUTHORIZING THE USE OF ACQUISITION
 VALUATION FOR PROPERTY TAX PURPOSES; PROVIDING FOR A LIMITED ANNUAL CHANGE IN
TAXABLE MARKET VALUE; PROVIDING FOR A 6-YEAR PHASE IN FROM 70 PERCENT OF ACQUISITION
 VALUE TO FULL ACQUISITION VALUE FOR FIRST-TIME HOME BUYERS; PROVIDING ACQUISITION
 VALUATION EXEMPTIONS FOR CERTAIN FAMILIAL, AGE, DISABILITY, DISASTER, AND DAMAGE
 TRANSFERS; PROVIDING AN EXEMPTION FOR CERTAIN CHANGES TO PROPERTY RELATING TO SUCH
 MATTERS AS HEALTH, SAFETY, AND HANDICAPPED ACCESSABILITY; PROVIDING FOR PENALTIES FOR
 PROPERTY THAT ILLEGALLY RECEIVED ACQUISITION VALUE TREATMENT; ESTABLISHING THAT
 DECEMBER 31, 2002, PROPERTY VALUES REMAIN THE VALUATION FOR TAXATION UNTIL PASSAGE
 OF THE CONSTITUTIONAL AMENDMENT AND THEN BECOME THE BASE YEAR FOR VALUATION;
 PROVIDING THAT IF THE CONSTITUTIONAL AMENDMENT FAILS TO BE APPROVED, THE 2003
 REAPPRAISAL VALUES ARE PHASED IN UNTIL THE NEXT REAPPRAISAL OF TAX RATE ADJUSTMENTS
 TO MITIGATE THE EFFECTS OF THE PERIODIC PROPERTY TAX REAPPRAISAL CYCLE THAT BEGINS IN
2003; PROVIDING AN EXTENSION OF DEADLINES RELATING TO PROPERTY TAXATION; AMENDING
 SECTIONS 15-6-134, 15-6-138, 15-6-143, 15-6-201, ~~15-6-246~~, ~~15-7-102~~, ~~15-7-103~~, 15-7-111, ~~15-7-112~~,
~~15-7-113~~, ~~15-7-114~~, ~~15-7-201~~, AND 15-8-111, AND 77-1-208; MCA; PROVIDING A CONTINGENT VOIDNESS
PROVISION; AND PROVIDING EFFECTIVE DATES AND A TRANSITION PROVISION A CONTINGENT
DELAYED EFFECTIVE DATE."

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

1
2 **NEW SECTION. Section 1. Homestead -- qualification.** (1) "Homestead", for the purposes of property
3 taxation, means the owner-occupied dwelling used as the primary dwelling place of the owner. The primary
4 dwelling place is the single place where an individual has a fixed and permanent home and principal
5 establishment and to which whenever the individual is absent the individual has the intention of returning. The
6 homestead may be occupied by any members of the owner's household as their home. The homestead includes
7 appurtenant or adjacent land not exceeding 5 contiguous acres owned or being purchased under contract for
8 deed by the owner or a member of the owner's family.

9 (2) (a) To be qualified as a homestead, the property must have been owned by the applicant for at least
10 1 year. The property must have been the owner's primary dwelling place on January 1 of the year for which the
11 application is made and for at least 7 months during the prior year.

12 (b) A primary dwelling that qualified as a homestead in the prior year continues to qualify as a
13 homestead if the applicant resides in a health care facility and the applicant does not rent or lease the dwelling
14 to others for more than 21 days a year.

15 (3) The owner of a homestead and other residential dwellings may elect to have the homestead
16 qualification apply to the homestead or any one of the other residential dwellings. The homestead designation
17 may not apply to a dwelling that the owner rents or leases to others for more than 21 days a year.

18 (4) (a) For the purposes of this section, a person is considered an owner if the person:

19 (i) is the grantor, or the person's spouse is the grantor, of a revocable or irrevocable trust owning the
20 property and is named as a beneficiary of the trust; or

21 (ii) is a partner of a limited partnership, a member of a limited liability company, or a shareholder of a
22 corporation owning the property and the person holds at least a 5% ownership in the limited partnership, limited
23 liability company, or corporation.

24 (b) A person claiming ownership under subsection (4)(a) shall provide the department with an affidavit
25 setting forth the reasons the person should be considered the owner of the property, and attached to the affidavit
26 must be copies of the appropriate trust or business entity documents indicating the legal basis person's
27 ownership interest.

28 (5) (a) An owner shall apply for certification of homestead status to the department not later than a date
29 set by the department by rule. On the application, supplied by the department, the owner shall certify that the
30 owner is making an application for homestead certification under this section, that the dwelling is the owner's

1 homestead, determined pursuant to in subsections (1) and (2), and that the owner has not made any other
2 application for the exemption on any other residential property.

3 (b) A homestead qualification remains in effect as long as the homestead property meets the
4 requirements of subsections (1) and (2).

5 (c) A homestead exemption expires when the property changes ownership, and the exemption is that
6 percentage specified in [section 2(1)(a)(i)] until the new owner has qualified for the homestead exemption.

7 (6) (a) The following transactions do not constitute a change in ownership for the purposes of retaining
8 a homestead exemption:

9 (i) an interspousal transfer, whether done directly or indirectly through business entities or fiduciaries,
10 including transfers involving a deceased spouse or a former spouse due to dissolution of marriage under
11 supervision of a court; or

12 (ii) the transfer, by a parent to a child or by a grandparent to a grandchild, of the homestead property.

13 (b) For the purposes of subsection (6)(a)(ii), the following definitions apply:

14 (i) "Child" means:

15 (A) a child born of the parent except a child who has been adopted by another person as provided in
16 subsection (6)(b)(i)(D);

17 (B) a stepchild of the parent and the spouse of that stepchild while the relationship of stepparent and
18 stepchild exists. The relationship of stepparent and stepchild is considered to exist until the marriage on which
19 the relationship is based is terminated by divorce or, if the relationship is terminated by death, until the
20 remarriage of the surviving stepparent.

21 (C) a son-in-law or daughter-in-law of the parent. The relationship of parent and son-in-law or
22 daughter-in-law is considered to exist until the marriage on which the relationship is based is terminated by
23 divorce or, if the relationship is terminated by death, until the remarriage of the surviving son-in-law or
24 daughter-in-law.

25 (D) a child adopted by the parent pursuant to statute, other than an individual adopted after reaching
26 18 years of age.

27 (ii) "Grandchild" means a child of the child of the grandparent.

28 (7) There is no change of ownership if subsequent to the change or transfer the same person is the
29 owner of the homestead property and:

30 (a) the transfer of title is to correct an error; or

1 (b) the transfer is between legal and equitable title, including transactions involving contracts for deed.

2

3 **NEW SECTION. Section 2. Percentage of class four property exempt from taxation.** (1) The
4 following percentage of the market value of the following described property is exempt from taxation:

5 (a) for residential property that is qualified as a homestead as defined in [section 1], the exemption,
6 which is necessary to mitigate the unpredictability of cyclical reappraisals in the interest of neighborhood
7 preservation, continuity, and stability, is the greater of:

8 (i) 31%;

9 (ii) $(1 - (\text{prior year's taxable market value times } 1.04 \text{ divided by the current year's phase-in value}))$ times
10 100; or

11 (iii) $(1 - (\text{prior year's taxable market value times } (1 + \text{CPI-U}) \text{ divided by the current year's phase-in value}))$
12 times 100, where CPI-U is the percent change in the consumer price index for all urban consumers, U.S. city
13 average all items, using the 1993 base of 100 or successor reports for the preceding calendar year as initially
14 reported by the United States department of labor, bureau of labor statistics;

15 (b) for residential property as described in 15-6-134(1)(e) and (1)(f) that is not qualified as a homestead
16 and for rental multifamily dwelling units of two or more units described in 15-6-134(1)(f)(ii), the exemption is that
17 specified in subsection (1)(a)(i);

18 (c) for commercial and industrial property as described in 15-6-134(1)(g), the exemption is 13%.

19 (2) For the formulas in subsections (1)(a)(ii) and (1)(a)(iii), the prior year's taxable market value must
20 be adjusted if changes in state law affect the way taxable market value is determined. The prior year's taxable
21 market value for use with the formula must be computed using the same state law used in determining current
22 year taxable market value.

23

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

25 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property 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, except
27 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, including
 2 trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under
 3 contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any
 4 person whose total income from all sources, including net business income and otherwise tax-exempt income
 5 of all types but not including social security income paid directly to a nursing home, is not more than \$15,000
 6 for a single person or \$20,000 for a married couple or a head of household, as adjusted according to subsection
 7 (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating
 8 expenses ~~but before deducting depreciation or depletion allowance, or both.~~

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

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

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

15 (ii) rental multifamily dwelling units;

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

18 (iv) vacant residential lots; and

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

20 (ii) vacant commercial lots.

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

22 (a) ~~(i) Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, and subsection (2)(a)(ii) of this~~
 23 ~~section,~~ property described in subsections (1)(a), (1)(b), (1)(e), (1)(f), and (1)(g) of this section is taxed at:

24 ~~(i) 3.794%~~ 3.41% of its taxable market value in tax year ~~1999~~ 2003;

25 (ii) 3.34% of its taxable market value in tax year 2004;

26 (iii) 3.26% of its taxable market value in tax year 2005;

27 (iv) 3.18% of its taxable market value in tax year 2006;

28 (v) 3.10% of its taxable market value in tax year 2007; and

29 (vi) 3.02% of its taxable market value in tax years after 2007.

30 ~~(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.0835~~

1 ~~percentage points each year until the tax rate is equal to or less than 3.46%.~~

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

5	Income	Income	Percentage
6	Single Person	Married Couple	Multiplier
7		Head of Household	
8	\$0 - \$ 6,000	\$0 - \$8,000	20%
9	6,001 - 9,200	8,001 - 14,000	50%
10	9,201 - 15,000	14,001 - 20,000	70%

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

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

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

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

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

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

24

25 **Section 4.** Section 15-6-138, MCA, is amended to read:

26 **"15-6-138. (Temporary) Class eight property -- description -- taxable percentage.** (1) Class eight
 27 property includes:

28 (a) all agricultural implements and equipment that are not exempt under 15-6-201(~~4~~)(~~bb~~)(1)(aa);

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

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

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

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

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

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

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

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

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

17 (k) cable television systems;

18 (l) coal and ore haulers;

19 (m) theater projectors and sound equipment; and

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

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

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

27 (4) Class eight property is taxed at 3% of its market value.

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

1 (b) The department shall calculate the percentage growth in subsection (5)(a) by using the formula
2 (W/CPI) - 1, where:

3 (i) W is the Montana wage and salary income for the most current available year divided by the Montana
4 wage and salary income for the year prior to the most current available year; and

5 (ii) CPI is the consumer price index for the most current available year used in subsection (5)(b)(i)
6 divided by the consumer price index for the year prior to the most current available year as used in subsection
7 (5)(b)(i).

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

13 (6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in
14 market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs.
15 27(2), 31(4), Ch. 285, L. 1999.)"

16

17 **Section 5.** Section 15-6-143, MCA, is amended to read:

18 "**15-6-143. Class ten property -- description -- taxable percentage.** (1) Class ten property includes
19 all forest lands as defined in 15-44-102.

20 (2) Class ten property is taxed at ~~0.79%~~ 0.35% of its forest productivity value in tax year 1999, and the
21 rate is reduced by 0.11% each year until the property is taxed at 0.35% of its forest productivity value."

22

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

24 "**15-6-201. (Temporary) Exempt categories.** (1) The following categories of property are exempt from
25 taxation:

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

27 (i) the United States, except:

28 (A) if congress passes legislation that allows the state to tax property owned by the federal government
29 or an agency created by congress; or

30 (B) as provided in 15-24-1103;

- 1 (ii) the state, counties, cities, towns, and school districts;
- 2 (iii) irrigation districts organized under the laws of Montana and not operating for profit;
- 3 (iv) municipal corporations;
- 4 (v) public libraries; and
- 5 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;
- 6 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church
- 7 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
- 8 necessary for convenient use of the buildings;
- 9 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and
- 10 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human
- 11 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department
- 12 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.
- 13 (d) property that is:
- 14 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- 15 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
- 16 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 17 (iii) not maintained and operated for private or corporate profit;
- 18 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or
- 19 local governmental entity by institutions of purely public charity if the property is directly used for purely public
- 20 charitable purposes;
- 21 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
- 22 Montana;
- 23 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
- 24 corporate profit;
- 25 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing
- 26 machines, and wearing apparel of members of the family, used by the owner for personal and domestic
- 27 purposes or for furnishing or equipping the family residence;
- 28 (i) truck canopy covers or toppers and campers;
- 29 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
- 30 (k) motor homes;

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

- 1 33-25-105;
- 2 (u) timber as defined in 15-44-102;
- 3 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in
4 61-1-114, and travel trailers as defined in 61-1-131;
- 5 (w) all vehicles registered under 61-3-456;
- 6 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
7 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and
8 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection
9 (1)(x)(i);
- 10 (y) motorcycles and quadricycles;
- 11 (z) the following percentage of the market value of ~~residential~~ class four property as described in
12 15-6-134(1)(e) and (1)(f) as determined under [section 2]:
- 13 (i) ~~23% for tax year 2000;~~
- 14 ~~—— (ii) 27.5% for tax year 2001; and~~
- 15 ~~—— (iii) 31% for tax year 2002 and succeeding tax years;~~
- 16 ~~—— (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~
- 17 ~~—— (i) 9% for tax year 2000;~~
- 18 ~~—— (ii) 11% for tax year 2001; and~~
- 19 ~~—— (iii) 13% for tax year 2002 and succeeding tax years;~~
- 20 ~~(bb)(aa)~~ personal property used by an industrial dairy or an industrial milk processor and dairy livestock
21 used by an industrial dairy;
- 22 ~~(cc)(bb)~~ items of personal property intended for rent or lease in the ordinary course of business if each
23 item of personal property satisfies all of the following:
- 24 (i) the acquired cost of the personal property is less than \$15,000;
- 25 (ii) the personal property is owned by a business whose primary business income is from rental or lease
26 of personal property to individuals and no one customer of the business accounts for more than 10% of the total
27 rentals or leases during a calendar year; and
- 28 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;
- 29 ~~(dd)(cc)~~ all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol
30 from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after

1 completion of construction of the manufacturing facility; and

2 ~~(ee)~~(dd) light vehicles as defined in 61-1-139.

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

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

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

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

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

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

24 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

25 (ii) held for future display; or

26 (iii) used to house or store a public display.

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

28 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes
29 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products
30 solely for export from the state, either directly by the dairy or after the milk or milk product has been further

1 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into
2 other dairy products.

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

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

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

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

10 **15-6-201. (Effective on occurrence of contingency) Exempt categories.** (1) The following categories
11 of property are exempt from taxation:

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

13 (i) the United States, except:

14 (A) if congress passes legislation that allows the state to tax property owned by the federal government
15 or an agency created by congress; or

16 (B) as provided in 15-24-1103;

17 (ii) the state, counties, cities, towns, and school districts;

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

19 (iv) municipal corporations;

20 (v) public libraries; and

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

22 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church
23 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
24 necessary for convenient use of the buildings;

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

29 (d) property that is:

30 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

- 1 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
2 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 3 (iii) not maintained and operated for private or corporate profit;
- 4 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or
5 local governmental entity by institutions of purely public charity if the property is directly used for purely public
6 charitable purposes;
- 7 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
8 Montana;
- 9 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
10 corporate profit;
- 11 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing
12 machines, and wearing apparel of members of the family, used by the owner for personal and domestic
13 purposes or for furnishing or equipping the family residence;
- 14 (i) truck canopy covers or toppers and campers;
- 15 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
- 16 (k) motor homes;
- 17 (l) all watercraft;
- 18 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or
19 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the
20 irrigation of agricultural land;
- 21 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
22 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another
23 to explore, prospect, or dig for oil, gas, coal, or minerals;
- 24 (o) (i) property that is owned and used by a corporation or association organized and operated
25 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with
26 physical or mental impairments that constitute or result in substantial impediments to employment and that is
27 not operated for gain or profit; and
- 28 (ii) property that is owned and used by an organization owning and operating facilities that are for the
29 care of the retired, aged, or chronically ill and that are not operated for gain or profit;
- 30 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and

1 machinery with a market value of less than \$100;

2 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
3 and practice for or competition in international sports and athletic events and that is not held or used for private
4 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization
5 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
6 under the Montana Nonprofit Corporation Act.

7 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily
8 hand-held and that are used to:

9 (A) construct, repair, and maintain improvements to real property; or

10 (B) repair and maintain machinery, equipment, appliances, or other personal property;

11 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,
12 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and
13 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and
14 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

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

16 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in
17 33-25-105;

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

19 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in
20 61-1-114, and travel trailers as defined in 61-1-131;

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

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

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

26 (y) motorcycles and quadricycles;

27 (z) the following percentage of the market value of residential class four property as described in
28 15-6-134(1)(e) and (1)(f) as determined under [section 2]:

29 (i) ~~23% for tax year 2000;~~

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

- 1 ~~_____ (iii) 31% for tax year 2002 and succeeding tax years;~~
- 2 ~~_____ (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~
- 3 ~~_____ (i) 9% for tax year 2000;~~
- 4 ~~_____ (ii) 11% for tax year 2001; and~~
- 5 ~~_____ (iii) 13% for tax year 2002 and succeeding tax years;~~
- 6 ~~(bb)~~(aa) personal property used by an industrial dairy or an industrial milk processor and dairy livestock
- 7 used by an industrial dairy;
- 8 ~~(ee)~~(bb) items of personal property intended for rent or lease in the ordinary course of business if each
- 9 item of personal property satisfies all of the following:
- 10 (i) the acquired cost of the personal property is less than \$15,000;
- 11 (ii) the personal property is owned by a business whose primary business income is from rental or lease
- 12 of personal property to individuals and no one customer of the business accounts for more than 10% of the total
- 13 rentals or leases during a calendar year; and
- 14 (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;
- 15 ~~(dd)~~(cc) all agricultural implements and equipment;
- 16 ~~(ee)~~(dd) all mining machinery, fixtures, equipment, tools, and supplies except those included in class
- 17 five;
- 18 ~~(ff)~~(ee) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in
- 19 class five;
- 20 ~~(gg)~~(ff) all goods and equipment that are intended for rent or lease, except goods and equipment that
- 21 are specifically included and taxed in another class;
- 22 ~~(hh)~~(gg) special mobile equipment as defined in 61-1-104;
- 23 ~~(ii)~~(hh) furniture, fixtures, and equipment, except that specifically included in another class, used in
- 24 commercial establishments as defined in this section;
- 25 ~~(jj)~~(ii) x-ray and medical and dental equipment;
- 26 ~~(kk)~~(jj) citizens' band radios and mobile telephones;
- 27 ~~(ll)~~(kk) radio and television broadcasting and transmitting equipment;
- 28 ~~(mm)~~(ll) cable television systems;
- 29 ~~(nn)~~(mm) coal and ore haulers;
- 30 ~~(oo)~~(nn) theater projectors and sound equipment; and

1 ~~(pp)~~(oo) light vehicles as defined in 61-1-139.

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

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

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

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

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

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

23 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

24 (ii) held for future display; or

25 (iii) used to house or store a public display.

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

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

1 other dairy products.

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

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

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

8 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."
9

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

11 **"15-7-111. Periodic revaluation of certain taxable property.** (1) The department shall administer and
12 supervise a program for the revaluation of all taxable property within classes three, four, and ten. All other
13 property must be revalued annually. ~~The revaluation of class three, four, and ten property is complete on~~
14 ~~December 31, 1996. The amount of the change in valuation from the 1996 base year for each property in~~
15 ~~classes three, four, and ten must be phased in each year at the rate of 25% of the change in valuation from~~
16 ~~December 31, 1998, to the appropriate percentage of taxable market value for each class.~~

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

21 (3) ~~Beginning January 1, 2001, the~~ THE department of revenue shall administer and supervise a
22 program for the revaluation of all taxable property within classes three, four, and ten. A comprehensive written
23 reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all
24 class three, four, and ten property in each county is revalued by January 1, 2003, and each succeeding 6 years.
25 The resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of
26 change for each year is not established, then the percentage of phasein for each year is 16.66%. ~~The~~
27 ~~department shall furnish a copy of the plan and all amendments to the plan to the board of county~~
28 ~~commissioners of each county."~~

29

30 **Section 8.** Section 15-8-111, MCA, is amended to read:

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

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

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

9 (c) If the department uses the capitalization of net income method as one approximation of market value
10 and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely
11 upon the two methods that provide a similar market value as the better indicators of market value.

12 (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural
13 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and
14 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules
15 showing the average wholesale value when a national appraisal guide does not exist.

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

18 (a) the wholesale value for agricultural implements and machinery is the average wholesale value
19 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American
20 equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is
21 unavailable, the department shall use a comparable publication or wholesale value category.

22 (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare
23 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;
24 and

25 (c) as otherwise authorized in Titles 15 and 61.

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

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

29 (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as
30 follows:

1 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
 2 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
 3 15-23-516, 15-23-517, or 15-23-518.

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

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

8 (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value
 9 minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) ~~and (1)(aa)~~.

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

12 (f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula
 13 described in 15-23-205.

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

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

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

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

19

20 **NEW SECTION. Section 9. Extension of 2003 deadlines relating to property taxation.** As a result
 21 of the change in the phasein of reappraisal for class three, four, and ten property and the requirement to
 22 determine owner-occupied property for the purpose of determining eligibility for the homestead exemption
 23 enacted by the 58th legislature, it may not be possible to comply with certain statutory deadlines relating to
 24 appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and
 25 assessment process may be delayed, which in turn may cause delays for the tax appeal boards and local
 26 government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 2003, all deadlines
 27 are extended as necessary and reasonable, except that the time limits allowed for filing an appeal remain the
 28 same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

29

30 **NEW SECTION. Section 10. Interim property tax reappraisal study.** (1) There is an interim property

1 tax reappraisal study committee created to study the effects of cyclical reappraisal and methods for mitigating
2 the changes in taxable value caused by cyclical reappraisal.

3 (2) The committee is composed of four senators, two from each political party, appointed by the
4 committee on committees, and four representatives, two appointed by the speaker and two appointed by the
5 minority leader.

6 (3) The committee is attached for administrative purposes only to the department of revenue to be
7 staffed by the executive branch with the cooperation of the staff of the legislative branch.

8
9 **NEW SECTION. Section 11. Codification instruction.** [Sections 1 and 2] are intended to be codified
10 as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [sections
11 1 and 2].

12
13 **NEW SECTION. Section 12. Contingent voidness.** (1) The amendments to [section 3(2) of this act],
14 amending 15-6-134(2), are void if Senate Bill No. 461 or any other bill is passed and approved and amends the
15 tax rates in 15-6-134 to mitigate the effects of property tax reappraisal.

16 (2) If Senate Bill No. 255 is not passed and approved, [this act] is void.

17
18 **NEW SECTION. Section 13. Effective date -- contingency.** [This act] is effective on January 1, 2005,
19 if Senate Bill No. 255 is approved by the electorate at the general election to be held in November 2004.

20 - END -