Exhibit No. 4

Date 2-6-09

Bill No.

Reappraisal History

Senate Bill Nol. 461, 2003 Session:

Lee Heiman
Montana Legislative Services
406-444-4022
lheiman@mt.gov

1993	94	95	1996	1997	98	99	00	01	2002	2003	04	05	06	07	2008	2009	10	11	12	13	2014
Fourth Cycle				Fifth Cycle						Sixth Cycle						Seventh Cycle					
1992				1996						2002						2007					
	3.86%			3.84%	3.82%	3.71%	3.63%	3.55%	3.46%	3.40%	3.30%	3.22%	3.14%	3.07%	3.01%						

(The above tax rates are rounded)

Fourth Cycle

Reappraisal increases total market value 7%.

Because of the annual sales ratio adjustments to property, the sticker shock of the new reappraisal values was low. There was no reduction in the tax rate.

New land values for agricultural land were established in 1994. This is the first change in ag land valuation since 1962. The change in values, both the increases and decreases, are phased in over a four-year period.

Fifth Cycle

Reappraisal increases total market value 40%.

The 1997 Legislature phases-in the change due to reappraisal, both increases and decreases, over a 50-year period. The tax rate was also to be incrementally reduced over the same period. This effectively froze taxable values at the 1996 levels.

Supreme Court rules phasing property values down to a new, lower reappraisal value is unconstitutional.

The 1999 Legislature passes SB184 with these features:

- decreases in value are 100% immediately phased-down.
- increases are phased-up over a four-year period.
- the tax rate is phased-down to 3.46% over four-years.
- a percentage of market value is exempt from tax through a homestead and comstead exemption.

Sixth Cycle

Reappraisal increases total market value 20.2%

The 2003 Legislature passes SB461 with these features:

- Increase in market value phased-in over six years
- Decrease in market value implemented immediately
- The tax rate is phased-down over 6 years from 3.40% to 3.01%
- The homestead exemption is phased up over 6 years from 31% to 34%
- The comstead exemption is phased up over 6 years from 13% to 15%

An Extended Property Tax Assistance Program is established for residential property with a taxable value increase greater than 24% *and* a tax liability increase of greater than $250.

Seventh Cycle

Reappraisal values scheduled to be updated January 2009 based on January 2008 market valuation.

1993	94	95	1996	1997	98	99	00	01	2002	2003	04	05	06	07	2008	2009	10	11	12	13	2014

SENATE BILL NO. 461

INTRODUCED BY STORY, BRUEGGEMAN, STONINGTON

AN ACT TO MITIGATE THE EFFECTS OF THE PERIODIC PROPERTY TAX REVALUATION CYCLE THAT BEGINS IN 2003; DECREASING THE CLASS FOUR PROPERTY TAX RATE FROM 3.46 PERCENT TO 3.01 PERCENT OVER A 6-YEAR PERIOD; PROVIDING RATE ADJUSTMENTS TO CLASS FOUR PROPERTY TAX RATES FOR CERTAIN RESIDENCES WITH EXTRAORDINARY INCREASES IN MARKET VALUE; ESTABLISHING NEW CLASS FOUR PROPERTY TAX EXEMPTION RATES FOR RESIDENTIAL PROPERTY AND COMMERCIAL AND INDUSTRIAL PROPERTY THAT ADJUST THE EXEMPT PERCENTAGE OF VALUE OVER 6 YEARS; PROVIDING AN EXTENSION OF 2003 ADMINISTRATIVE DEADLINES RELATING TO PROPERTY TAXATION; PROVIDING FOR AN INTERIM PROPERTY TAX REAPPRAISAL STUDY COMMITTEE AND A TAX REFORM STUDY COMMITTEE; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-6-134, 15-6-201, AND 15-7-111, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE.

AN ACT TO MITIGATE THE EFFECTS OF THE PERIODIC PROPERTY TAX REVALUATION CYCLE THAT BEGINS IN 2003; DECREASING THE CLASS FOUR PROPERTY TAX RATE FROM 3.46 PERCENT TO 3.01 PERCENT OVER A 6-YEAR PERIOD; PROVIDING RATE ADJUSTMENTS TO CLASS FOUR PROPERTY TAX RATES FOR CERTAIN RESIDENCES WITH EXTRAORDINARY INCREASES IN MARKET VALUE; ESTABLISHING NEW CLASS FOUR PROPERTY TAX EXEMPTION RATES FOR RESIDENTIAL PROPERTY AND COMMERCIAL AND INDUSTRIAL PROPERTY THAT ADJUST THE EXEMPT PERCENTAGE OF VALUE OVER 6 YEARS; PROVIDING AN EXTENSION OF 2003 ADMINISTRATIVE DEADLINES RELATING TO PROPERTY TAXATION; PROVIDING FOR AN INTERIM PROPERTY TAX REAPPRAISAL STUDY COMMITTEE AND A TAX REFORM STUDY COMMITTEE; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-6-134, 15-6-201, AND 15-7-111, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE.

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

Section 1. Extended property tax assistance -- phasein. (1) For the purpose of mitigating extraordinary market value increases during the revaluation cycle that ended December 31, 2002, the rate of taxation of class four residential dwellings and appurtenant land not to exceed 5 acres otherwise set in 15-6-134(2)(a) is adjusted in this section for properties with extraordinary increases in market value with owners that meet income requirements.

(2) An annual application on a form provided by the department is required to receive a tax rate adjustment under this section. The application must be signed under oath. A tax rate adjustment may be granted only for the current tax year and may not be granted for a previous year.

(3) A rate adjustment may not be granted for:

(a) any property that was sold or for which the ownership was changed after December 31, 2002, unless the change in ownership is between husband and wife or parent and child with only nominal actual consideration or the change is pursuant to a divorce decree;

(b) the value of new construction, including remodeling, on the property occurring after December 31, 2002, that is greater than 25% of the market value of the improvements; or

(c) a land use change occurring after December 31, 2002, that increases the market value of the land by more than 25%.

(4) For the purposes of determining the adjustment in the class four property tax rate in this section, the following provisions apply:

(a) The change in taxable value before reappraisal is the 2002 tax year value adjusted for any new construction or destruction that occurred in the 2002 tax year. The taxable value before reappraisal for the 2003 tax year and subsequent years is the same as the 2002 tax year value if no new construction, destruction, land splits, land use changes, land reclassifications, land productivity changes, improvement grade changes, or other changes are made to the property during 2002 or subsequent tax years.

(b) The percentage increase in taxable value is measured as the percentage change in taxable value before reappraisal to the taxable value after reappraisal. The taxable value before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346. The taxable value after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.66 times 0.0301.

(c) The dollar increase in tax liability is measured as the change in tax liability before reappraisal to the tax liability after reappraisal. The tax liability before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346 times the tax year 2002 mill levy applied to the property. The tax liability after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.66 times 0.0301 times the tax year 2002 mill levy applied to the property. The tax year 2002 mill levy is the total of all mills applied to the property for fiscal year 2003.

(d) Total household income is the sum of the income of all members of the household and all other persons who are owners of the property. Income, as used in this section, includes income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home. Net business income is gross income less ordinary expenses but before deducting depreciation or depletion allowance, or both. For an entity, as defined in subsection (8), income also includes the income of any natural person or entity that is a trustee of or controls 25% or more of the entity. A household is an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. For single-family rental dwellings, total household income does not include the income of the tenant.

(e) The phase-in value is the valuation change made pursuant to 15-7-111(3) since the last reappraisal.

(5) (a) If total household income is $25,000 or less, the percentage increase in taxable value is greater

than 24%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03598 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03759 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.03932 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04109 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04289 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04485 times the value before reappraisal divided by the 2008 phase-in value.

(b) If total household income is greater than $25,000 but less than or equal to $50,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03633 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03828 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.04038 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04251 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04467 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04702 times the value before reappraisal divided by the 2008 phase-in value.

(c) If total household income is greater than $50,000 but less than or equal to $75,000, the percentage increase in taxable value is greater than 36%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate as follows:

(i) For tax year 2003, the tax rate is 0.03668 times the value before reappraisal divided by the 2003 phase-in value.

(ii) For tax year 2004, the tax rate is 0.03898 times the value before reappraisal divided by the 2004 phase-in value.

(iii) For tax year 2005, the tax rate is 0.04143 times the value before reappraisal divided by the 2005 phase-in value.

(iv) For tax year 2006, the tax rate is 0.04392 times the value before reappraisal divided by the 2006 phase-in value.

(v) For tax year 2007, the tax rate is 0.04646 times the value before reappraisal divided by the 2007 phase-in value.

(vi) For tax year 2008 and after, the tax rate is 0.04919 times the value before reappraisal divided by the 2008 phase-in value.

(d) The adjusted tax rate computed under this subsection (5) must be rounded to the nearest 1/100 of 1%.

(6) A person who applies for a tax rate adjustment under this section shall provide the department with documentation of total household income and other information that the department considers necessary to determine the person's eligibility for the tax rate adjustment. Documents provided to the department to determine eligibility for a tax rate adjustment are subject to the confidentiality provisions in 15-30-303.

(7) A person who applies for a tax rate adjustment and submits a false or fraudulent application for a tax rate adjustment is guilty of false swearing under 45-7-202.

(8) For the purposes of this section, "entity" means:

(a) a corporation, fiduciary, or pass-through entity, as those terms are defined in 15-30-101; and

(b) an association, joint-stock company, syndicate, trust or estate, or any other nonnatural person.

Section 2. Extended property tax assistance -- phasein. (1) For the purpose of mitigating extraordinary market value increases during revaluation cycles that begin after December 31, 2008, the rate of taxation of class four residential dwellings and appurtenant land not to exceed 5 acres otherwise set in 15-6-134(2)(a) is adjusted in this section for properties with extraordinary increases in market value with owners that meet income requirements.

(2) An annual application on a form provided by the department is required to receive a tax rate adjustment under this section. The application must be signed under oath. A tax rate adjustment may be granted only for the current tax year and may not be granted for a previous year.

(3) A rate adjustment may not be granted for:

(a) any property that was sold or for which the ownership was changed after December 31 of the last year of the previous revaluation cycle, unless the change in ownership is between husband and wife or parent and child with only nominal actual consideration or the change is pursuant to a divorce decree;

(b) the value of new construction, including remodeling, on the property occurring after December 31 of the last year of the previous revaluation cycle that is greater than 25% of the market value of the improvements; or

(c) a land use change occurring after December 31 of the last year of the previous revaluation cycle that increases the market value of the land by more than 25%.

(4) For the purposes of determining the adjustment in the class four property tax rate in this section, the following provisions apply for revaluation cycles beginning after December 31, 2008:

(a) (i) The percentage increase in taxable value is measured as the percentage change in taxable value before reappraisal to the taxable value after reappraisal. The taxable value before reappraisal is calculated by multiplying the value before reappraisal times the result of 1.00 minus the homestead exemption before reappraisal times the tax rate before reappraisal. The taxable value after reappraisal is calculated by multiplying the market value after reappraisal times the result of 1.00 minus the homestead exemption after reappraisal times the tax rate after reappraisal.

(ii) The tax rate before reappraisal is the tax rate that was in effect during the last year of the previous reappraisal cycle.

(iii) The tax rate after reappraisal is the tax rate that will be in effect during the last year of the current reappraisal cycle.

(iv) The homestead exemption before reappraisal is the homestead exemption that was in effect during the last year of the previous reappraisal cycle.

(v) The homestead exemption after reappraisal is the homestead exemption that will be in effect during the last year of the current reappraisal cycle.

(b) The dollar increase in tax liability is measured as the percentage change in tax liability before reappraisal to the tax liability after reappraisal. The tax liability before reappraisal is calculated by multiplying the value before reappraisal times the result of 1.00 minus the homestead exemption before reappraisal times the tax rate before reappraisal times the mill levy applied to the property before reappraisal. The tax liability after reappraisal is calculated by multiplying the market value after reappraisal times the result of 1.00 minus the homestead exemption after reappraisal times the tax rate after reappraisal times the mill levy applied to the property before reappraisal. The mill levy applied to property before reappraisal is the total of all mills applied to the property in the last year of the previous reappraisal cycle.

(c) Total household income is the sum of the income of all members of the household and all other persons who are owners of the property. Income, as used in this section, includes income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home. Net business income is gross income less ordinary expenses but before deducting depreciation or depletion allowance, or both. For an entity, as defined in subsection (8), income also includes the income of any natural person or entity that is a trustee of or controls 25% or more of the entity. A household is an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. For single-family rental dwellings, total household income does not include the income of the tenant.

(d) The phase-in value is the valuation change made pursuant to 15-7-111(3) since the last reappraisal.

(5) (a) If total household income is $25,000 or less, the percentage increase in taxable value is greater than 24%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated such that the total increase in taxable value over the reappraisal cycle is 24% and such that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(b) If total household income is greater than $25,000 but less than or equal to $50,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated such that the total increase in taxable value over the reappraisal cycle is 30% and such that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(c) If total household income is greater than $50,000 but less than or equal to $75,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is $250 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate will be calculated such that the total increase in taxable value over the reappraisal cycle is 36% and such that the change in taxable value is phased in over the reappraisal cycle in equal increments.

(d) The adjusted tax rate computed under this subsection (5) must be rounded to the nearest 1/100 of 1%.

(6) A person who applies for a tax rate adjustment under this section shall provide the department with documentation of total household income and other information that the department considers necessary to determine the person's eligibility for the tax rate adjustment. Documents provided to the department to determine eligibility for a tax rate adjustment are subject to the confidentiality provisions in 15-30-303.

(7) A person who applies for a tax rate adjustment and submits a false or fraudulent application for a tax rate adjustment is guilty of false swearing under 45-7-202.

(8) For the purposes of this section, "entity" means:

(a) a corporation, fiduciary, or pass-through entity, as those terms are defined in 15-30-101; and

(b) an association, joint-stock company, syndicate, trust or estate, or any other nonnatural person.

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

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

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

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

Property Tax Assistance Program

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

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

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

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

(ii) rental multifamily dwelling units;

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

(iv) vacant residential lots; and

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

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

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

<u>(i)</u> ~~3.794%~~ <u>3.40%</u> of its taxable market value in tax year ~~1999~~ <u>2003;</u>

<u>(ii) 3.3% of its taxable market value in tax year 2004;</u>

<u>(iii) 3.22% of its taxable market value in tax year 2005;</u>

<u>(iv) 3.14% of its taxable market value in tax year 2006;</u>

<u>(v) 3.07% of its taxable market value in tax year 2007; and</u>

<u>(vi) 3.01% of its taxable market value in tax years after 2007</u>.

Class 4 rate phase-in

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

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

Income Single Person	Income Married Couple Head of Household	Percentage Multiplier
$0 - $ 6,000	$0 - $8,000	20%

6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

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

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

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

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

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

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

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

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

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

(i) the United States, except:

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

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

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

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

(iv) municipal corporations;

(v) public libraries; and

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

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

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

(d) property that is:

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

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

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

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

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

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

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

(i) truck canopy covers or toppers and campers;

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

(k) motor homes;

(l) all watercraft;

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

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

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

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

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

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

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

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

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

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

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

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

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

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

(y) motorcycles and quadricycles;

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

old residential

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

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

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

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

old commercial

~~(i) 9% for tax year 2000;~~

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

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

current cycle residential

(i) 31% for tax year 2003;

(ii) 31.4% for tax year 2004;

(iii) 32% for tax year 2005;

(iv) 32.6% for tax year 2006;

(v) 33.2% for tax year 2007;

(vi) 34% for tax year 2008 and succeeding tax years;

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

current cycle commercial

(i) 13% for tax year 2003;

(ii) 13.3% for tax year 2004;

(iii) 13.8% for tax year 2005;

(iv) 14.2% for tax year 2006;

(v) 14.6% for tax year 2007;

(vi) 15% for tax year 2008 and succeeding tax years;

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

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

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

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

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

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

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

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

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

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

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

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

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

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

(ii) held for future display; or

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

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

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

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

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

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

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

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

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

(i) the United States, except:

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

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

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

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

(iv) municipal corporations;

(v) public libraries; and

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

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

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

(d) property that is:

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

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

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

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

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

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

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

(i) truck canopy covers or toppers and campers;

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

(k) motor homes;

(l) all watercraft;

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

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100;

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

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

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

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

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

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

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

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

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

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

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

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

(y) motorcycles and quadricycles;

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

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

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

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

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

~~(i) 9% for tax year 2000;~~

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

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

(i) 31% for tax year 2003;

(ii) 31.4% for tax year 2004;

(iii) 32% for tax year 2005;

(iv) 32.6% for tax year 2006;

(v) 33.2% for tax year 2007;

(vi) 34% for tax year 2008 and succeeding tax years;

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

(i) 13% for tax year 2003;

(ii) 13.3% for tax year 2004;

(iii) 13.8% for tax year 2005;

(iv) 14.2% for tax year 2006;

(v) 14.6% for tax year 2007;

(vi) 15% for tax year 2008 and succeeding tax years;

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

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

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

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

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

~~(dd)~~(dd) all agricultural implements and equipment;

~~(ee)~~(ee) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;

~~(ff)~~(ff) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

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

~~(hh)~~(hh) special mobile equipment as defined in 61-1-104;

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

~~(jj)~~(jj) x-ray and medical and dental equipment;

~~(kk)~~(kk) citizens' band radios and mobile telephones;

~~(ll)~~(ll) radio and television broadcasting and transmitting equipment;

~~(mm)~~(mm) cable television systems;

~~(nn)~~(nn) coal and ore haulers;

~~(oo)~~(oo) theater projectors and sound equipment; and

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

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

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

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

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

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

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

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

(ii) held for future display; or

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

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

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

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

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

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

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

Section 5. Section 15-7-111, MCA, is amended to read:

"**15-7-111. Periodic revaluation of certain taxable property.** (1) The department shall administer and supervise a program for the revaluation of all taxable property within classes three, four, and ten. All other property must be revalued annually. ~~The revaluation of class three, four, and ten property is complete on December 31, 1996. The amount of the change in valuation from the 1996 base year for each property in classes three, four, and ten must be phased in each year at the rate of 25% of the change in valuation from December 31, 1998, to the appropriate percentage of taxable market value for each class.~~ 4 year phase-in

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

(3) ~~Beginning January 1, 2001, the~~ <u>The</u> department of revenue shall administer and supervise a program for the revaluation of all taxable property within classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued by January 1, ~~2003~~ <u>2008, effective for January 1, 2009</u>, and each succeeding 6 years. The resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of change for each year is not established, then the percentage of phasein for each year is 16.66%. ~~The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county.~~" 6 year phase-in

Section 6. Extension of 2003 deadlines relating to property taxation. As a result of the change in the phasein of reappraisal for class three, four, and ten property enacted by the 58th legislature, it may not be possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process may be delayed, which in turn may cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 2003, all deadlines are extended as necessary and reasonable, except that the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

Section 7. <u>Interim property tax reappraisal and tax reform study committees.</u> (1) (a) There is an interim property tax reappraisal study committee created to study the effects of cyclical reappraisal and methods for mitigating the changes in taxable value caused by cyclical reappraisal.

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

(2) (a) There is an interim tax reform study committee created to study tax reform that may include revising the existing tax structure and considering alternative forms of taxation. The members must include:

(i) four senators, two from each political party, appointed by the committee on committees;

(ii) four representatives, two appointed by the speaker and two appointed by the minority leader; and

(iii) the following members appointed by the governor:

(A) one representative of small business;

(B) one representative of large industry;

(C) one representative of agriculture; and

(D) one representative of labor.

(b) The members of the committee shall select a presiding officer and may appoint other officers as considered necessary.

(c) The committee shall adopt rules of procedure for conducting meetings.

(d) The purpose of the committee is to conduct a comprehensive examination of taxation in Montana. The committee shall:

(i) develop an inventory of taxes imposed at the state and local level, including but not limited to:

(A) the taxation of property;

(B) the taxation of income;

(C) excise and use taxes; and

(D) taxation of natural resource production, including energy production and transmission;

(ii) provide analyses that evaluate existing taxes in terms of:

(A) their adequacy, efficiency, burden or incidence, fairness, ability to be exported, and effect on economic behavior, including their effect on individual and business decisions; and

(B) costs of administration and compliance;

(iii) examine tax expenditures to assess the ongoing merit of each expenditure; and

(iv) examine alternative methods of taxation from existing sources, as well as new sources of revenue, and evaluate the alternative methods and new sources according to the criteria described in subsection (2)(d)(ii).

(e) The committee shall solicit the knowledge and advice of economists, tax policy experts, and representatives of taxpayer groups, local governments, small business organizations, large industry, agriculture, and economic and business development organizations.

(3) The committees created in this section shall coordinate their work and shall report to each other after each meeting. The two committees shall meet together at least once every 6 months.

(4) The committees shall submit written reports to the legislature not later than December 1, 2004, that must include recommendations and proposed legislation, if legislation is considered necessary, to mitigate the effects of cyclical reappraisal and to provide tax reform for Montana.

(5) The committees are attached for administrative purposes only to the department of revenue to be staffed by the executive branch with the cooperation of the staff of the legislative branch.

(6) (a) Nonlegislative members of the tax reform study committee must be reimbursed in accordance with 2-18-501 through 2-18-503 for actual and necessary expenses incurred in attending meetings or conducting committee business.

(b) Legislators serving on the committees must be reimbursed and compensated as provided for in 5-2-302 for actual and necessary expenses incurred in attending meetings or conducting committee business.

(7) The members of the committees created in this section must be appointed by July 1, 2003.

Section 8. Appropriation. (1) The committees created in [section 7] may receive gifts, grants, and donations. The money received must be used for fulfilling the duties of the committees, for reimbursing the expenses of committee members, or for providing staff for the committees. The money received must be placed in a special revenue fund account to the credit of the department of revenue.

(2) In addition to any money received pursuant to subsection (1), there is appropriated $60,000 from the general fund to the committees created in [section 7] for the biennium for the operating expenses and personnel expenses of the committees.

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

Section 10. Coordination instruction. If Senate Bill No. 126 and [this act] are both passed and approved, then the amendments contained in 15-6-201(1)(z) and (1)(aa) in [section 2 of Senate Bill No. 126] are void.

Section 11. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 12. Effective dates. (1) Except as provided in subsections (2) and (3), [this act] is effective on passage and approval.

(2) [Section 8] is effective July 1, 2003.

(3) [Section 2] is effective January 1, 2009.

Section 13. Applicability. (1) [Sections 1 and 3 through 5] apply retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2002.

(2) [Section 2] applies to tax years beginning after December 31, 2008.

Section 14. Termination. [Section 1] terminates December 31, 2008.

- END -

FISCAL NOTE

Bill #: SB0461 **Title:** Mitigate effects of cyclical reappraisal

Primary Sponsor: Story, B **Status:** FINAL

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date

Fiscal Summary	**FY 2004 Difference**	**FY 2005 Difference**
Expenditures:		
General Fund	$809,931	$1,621,512
Revenue:		
General Fund	($1,924,461	($6,079,208)
State Special Revenue	($120,871)	($381,820)
Net Impact on General Fund Balance:	($2,734,392)	($7,700,720)

☐	Significant Local Gov. Impact	☐	Technical Concerns
☐	Included in the Executive Budget	☒	Significant Long-Term Impacts
☐	Dedicated Revenue Form Attached	☒	Needs to be included in HB 2

Fiscal Analysis
Department of Revenue

1. Preliminary analysis indicates that the 2003 reappraisal cycle will increase residential class 4 property value overall by 20.2%, commercial class 4 property value overall by 18.5%, and class 3 agricultural land value overall by 15.3%.
2. Under current law, and HJR2 revenue estimates, the increase in assessed value is phased in over a 6 year period; the tax rate remains constant at 3.46%; the exemption for residential class 4 property remains at 31%; and the commercial class 4 exemption remains at 13%.
3. The proposal retains a 6 year phase-in of reappraisal values, but further mitigates the effects of reappraisal by increasing exemption amounts for residential and commercial class 4, while reducing the tax rate on class 3 and 4 property from 3.46% to 3.01% over a 6 year period.
4. The proposal also allows an additional tax rate reduction for residential dwellings with extraordinary increases in value due to reappraisal
5. SB461 is effective upon passage, and applies to tax year 2003 (FY 2004) and thereafter.
6. As displayed in Table 1, the proposal phases down the tax rate for all class 3 and 4 property from 3.46% to 3.40% in FY 2004, and to 3.30% in FY 2005. Table 1 also shows the exemption percentages for Class 4 Property.

Table 1
SB461 Proposed Tax Rates and Exemption Percentages for Class 4 Residential and Commercial

Fiscal Year	Tax Rate	Class 4 Residential Properties: Owner Occupied Exemption Percent	Class 4 Residential Properties: Non-Owner Occupied Exemption Percent	Class 4 Commercial Properties: Multi-Family Housing Exemption Percent	Class 4 Commercial Properties: All Other Commercial Exemption Percent
CL '03	3.46%	31.00%	31.00%	31.00%	13.00%
2004	3.40%	31.00%	31.00%	31.00%	13.00%
2005	3.30%	31.40%	31.40%	31.40%	13.30%
2006	3.22%	32.00%	32.00%	32.00%	13.80%
2007	3.14%	32.60%	32.60%	32.60%	14.20%
2008	3.07%	33.20%	33.20%	33.20%	14.60%
2009	3.01%	34.00%	34.00%	34.00%	15.00%

----------------- TAXABLE VALUE -----------------

Table 2
Fiscal 2004 Change in Taxable Value
Current Law and Proposed Law (SB461)

	Fiscal 2004 Taxable Value		
	Current Law	**Proposed Law**	**Change**
Ag. Land Class 3	**142,233,697**	**139,784,152**	**-2,449,545**
Residential Class 4			
- Owner Occupied	557,787,434	547,308,769	-10,478,665
- Other	218,063,171	213,893,538	-4,169,633
Total Residential	**775,850,605**	**761,202,307**	**-14,648,298**
Commercial Class 4			
- Multi-family	30,728,412	30,151,144	-577,268
- Other	253,105,341	250,801,855	-2,303,485
Total Commercial	**283,833,753**	**280,953,000**	**-2,880,753**
Total	**1,201,918,055**	**1,181,939,459**	**-19,978,596**

Table 3
Fiscal 2005 Change in Taxable Value
Current Law and Proposed Law (SB461)

	Fiscal 2005 Taxable Value		
	Current Law	**Proposed Law**	**Change**
Ag. Land Class 3	**145,845,100**	**139,268,363**	**-6,576,737**
Residential Class 4			
- Owner Occupied	598,953,738	567,944,824	-31,008,914
- Other	236,899,615	224,534,382	-12,365,233
Total Residential	**835,853,353**	**792,479,206**	**-43,374,147**
Commercial Class 4			
- Multi-family	33,589,973	31,850,960	-1,739,013
- Other	271,951,364	260,337,623	-11,613,740
Total Commercial	**305,541,337**	**292,188,583**	**-13,352,753**
Total	**1,287,239,790**	**1,223,936,153**	**-63,303,637**

Class 3 Agricultural Land

7. As displayed in Tables 2 and 3, under current law the taxable value of class 3 is estimated to be $142,233,697 in FY 2004, and $145,845,100 in FY 2005.
8. Under the proposal, the estimated taxable value of class 3 is estimated to be $139,784,152 in FY 2004, and $139,268,363 in FY 2005.
9. Under SB461, class 3 taxable value is estimated to *decrease* from its current law level by $2,449,545 in fiscal year 2004, and $6,576,737 in FY 2005.
10. Although the taxable value of class 3 agricultural land is reduced from the estimated FY 2004 and 2005 current law levels, class 3 taxable value is held almost entirely constant at its (current) FY 2003 level of $138,900,095.

Note: SB461 in its original form split class 4 residential property into two groups: owner occupied, and other than owner occupied. The current version of SB461 does *not* split residential class 4 property into these two groups. The format of the fiscal note for the original version of the bill is retained.

Residential Class 4 – Owner Occupied Property

11. The fiscal year 2003 total taxable value of all residential class 4 property is approximately $731.7 million.
12. According to the U.S. Census Bureau, there are 247,723 owner occupied housing units in Montana. DOR estimates the FY 2003 taxable value of owner occupied dwellings at approximately $528,155,000, or 72% ($528.1 million ÷ $731.7 million) of the total taxable value of residential class 4 property.
13. Beginning in fiscal year 2004, the exemption for owner occupied residential property is phased in from the current 31% to 34% over a 6 year period. (See Table 1)
14. The proposal's owner occupied homestead exemption percentages for owner occupied property are 31.0% for FY 2004, and 31.4% for FY 2005.
15. As shown in Table 2, under current law, the estimated FY 2004 phased-in taxable value of owner occupied residential class 4 property is $557,787,434.
16. Also shown in table 2, in FY 2004 the proposal, by reducing the current tax rate from 3.46% to 3.40%, with an exemption for owner occupied residential property of 31%, is estimated to *decrease* the statewide taxable value of owner occupied property to $547,308,769. This is a projected reduction in current law taxable value of $10,478,665 ($547,308,769- $557,787,434) in FY 2004.
17. Displayed in Table 3, under current law, the estimated FY 2005 phased-in taxable value of owner occupied residential class 4 property is $598,953,738.
18. Table 3 shows that in FY 2005, the proposal, by reducing the current tax rate to 3.30%, and increasing the exemption for owner occupied residential property to 31.4%, is estimated to *decrease* the statewide taxable value of owner occupied property to $567,944,824. This is a projected reduction in current law taxable value of $31,008,914 ($598,953,738 - $567,944,824) in FY 2005.

Residential Class 4 – Other than Owner Occupied Property

19. As illustrated in Table 1, the exemption amounts for owner occupied, and other than owner occupied are equal under the proposal: exemptions are phased in from the current 31% to 34% over 6 years.
20. The estimated taxable value of class 4 residential property that is not owner occupied property in FY 2003 is approximately $203,517,000, or 28% ($203.5 million ÷ $731.7 million) of the total taxable value of residential class 4 property.
21. As shown in Table 2, under current law, the estimated FY 2004 phased-in taxable value of residential class 4 property that is not owner occupied is $218,063,171.
22. In fiscal year 2004, the proposal, by lowering the current tax rate from 3.46% to 3.40%, with a 31% exemption, is estimated to *decrease* the statewide taxable value of class 4 residential property that is not owner occupied to $213,893,538. This is a projected *decrease* from current law taxable value of $4,169,633 ($218,063,171 - $213,893,538) in FY 2004.
23. As shown in Table 3, under current law, the estimated FY 2005 phased-in taxable value of class 4 residential property that is not owner occupied is $236,899,615.
24. In FY 2005, the proposal, by lowering the current tax rate to 3.30%, and increasing the exemption for class 4 residential property to 31.4%, is estimated to *decrease* the statewide taxable value of class 4 property other than owner occupied property to $224,534,382. This is a projected *decrease* from current law levels of $12,365,233 ($236,899,615 - $224,534,382) in FY 2005.
25. The proposal allows additional property tax assistance for owners who meet certain property tax increases and income requirements. Residential properties that have an increase in taxable value of at-least 24%, and a tax liability increase of $250 or more, are eligible for the additional tax assistance if their income is below $75,000. Under the provisions of the proposals, it is estimated that approximately 3,300 property

owners will qualify for the property tax assistance specified under the proposal. It is estimated that the extended property tax assistance will result in a *reduction* in taxable value of $166,500 in FY 2004, $333,000 in FY 2005, and $1,000,000 in FY 2009 when values are fully phased-in.

Commercial Class 4

26. Under current law, all commercial property, except multi-family housing, receive an exemption of 13%. Multi-family housing is classified as commercial property, but under the provisions of SB184 passed during the 1999 legislative session, multi-family housing receives the 31% exemption specified for residential class 4 property.
27. The fiscal year 2003, total taxable value of all commercial class 4 property is approximately $271.2 million.
28. In FY 2003 commercial class 4 property other than multi-family housing units had a statewide taxable value of $242.3 million, or 92% ($242.3 million ÷ $271.2 million) of the total taxable value classified as commercial class 4 .
29. As shown in Table 1, beginning in FY 2004, the proposal increases the exemption for commercial property from 13% to 15% over a 6-year period. While the exemption for multi-family housing, which is tied to residential class 4 property, is increased from its current 31% to 34% in FY 2009.
30. The proposal's exemption percentages for commercial property, other than multi-family housing are 13.0% for FY 2004, and 13.3% for FY 2005. (See Table 1)
31. As shown in Table 2, under current law, the estimated FY 2004 phased-in taxable value of commercial class 4 property other than multi-family housing is $253,105,341.
32. In fiscal year 2004, the proposal, by reducing the current tax rate from 3.46% to 3.40%, with an exemption for commercial class 4 property other than multi-family housing at 13%, is estimated to de*crease* the statewide taxable value of commercial class 4 property other than multi-family housing to $250,801,855. This is a projected reduction in current law taxable value of $2,303,485 ($253,105,341- $250,801,855) in FY 2004.
33. As shown in Table 3, under current law, the estimated FY 2005 phased-in taxable value of commercial class 4 property other than multi-family housing is $271,951,364.
34. In fiscal year 2005, the proposal, by reducing the current tax rate to 3.30%, and increasing the exemption for commercial class 4 property other than multi-family housing to 13.3% is estimated to *decrease* the statewide taxable value of commercial class 4 property other than multi-family housing to $260,337,623. This is a projected reduction in current law taxable value of $11,613,740 ($271,951,364 - $260,337,623) in FY 2005.

Multi-family Housing

35. Multi-family housing has an estimated FY 2003 taxable value of $28.9 million, or 8% ($28.9 million ÷ $271.2million) of the total taxable value classified as commercial class 4.
36. The proposal's exemption percentages for multi-family housing are 31.0% for FY 2004, and 31.4% for FY 2005. (See Table 1)
37. Displayed in Table 2, under current law, the estimated FY 2004 phased-in taxable value of multi-family housing is $30,728,412.
38. In fiscal year 2004, the proposal, by reducing the current tax rate from 3.46% to 3.40%, with a 31% exemption, is estimated to *decrease* the statewide taxable value of multi-family housing to $30,151,144. This is a projected reduction in current law taxable value of $577,268 ($30,728,412 - $30,151,144) in FY 2004.
39. As shown in Table 3, under current law, the estimated FY 2005 phased-in taxable value of multi-family housing is $33,589,973.

40. In fiscal year 2005, the proposal by reducing the current tax rate to 3.30%, and increasing the exemption for multi-family housing to 31.4%, is estimated to *decrease* the statewide taxable value of multi-family housing to $31,850,960. This is a projected reduction in current law taxable value of $1,739,013 ($33,589,973- $31,850,960) in FY 2005.

Summary

41. Illustrated in Tables 2 and 3, it is estimated that SB461 would *reduce* the taxable value of class 3 and 4 property below current law levels by $19,978,596 in FY 2004, and $63,303,637 in FY 2005. The extended property tax assistance program will further *reduce* taxable value by $166,500 in FY 2004, and $333,000 in FY 2005. The *total reduction* from current law levels is estimated to be $20,145,096 ($19,978,596 + $166,500) in FY 2004, and $63,636,637 ($63,303,637 + $333,000) in fiscal year 2005.
42. The average mill levy for the state general fund is 95.53 mills (95 mills plus the 1.5 mills levied in five counties).
43. It is estimated that property tax revenue for the state general fund would *decrease* $1,924,461 ($20,145,096 x 95.53 mills) in FY 2004, and $6,079,208 ($63,636,637 x 95.53 mills) in FY 2005.
44. The mill levy for the university system is 6.00 mills.
45. It is estimated that property tax revenue for the university system would *decrease* $120,871 ($20,145,096 x 6 mills) in FY 2004, and $381,820 ($63,636,637 x 6 mills) in FY 2005.

Department of Revenue Expenditures

46. The application process for the extended property tax assistance program will require an estimated review of 7,000 applications each year.
47. The departments will need one additional grade 9 property valuation specialists (PVS) to review the 7,000 applications each year, and work on other annual activity associated with the proposal's extended property tax assistance program.
48. Salary and benefits for additional staff are estimated at $25,562 in FY 2004, and $25,398 in FY 2005.
49. Equipment and operating expenses, which include contract services, supplies, rent, computer equipment, printing, advertisement, and postage costs are estimated at $54,369 in FY 2004, and $6,114 in FY 2005.
50. The proposal's extended property tax assistance program will require alterations to the CAMAS system, which will be made by the CAMAS vendor at an estimated cost of $20,000 in FY 2004.
51. Total estimated costs to implement a the extended property tax assistance program are $99,931 ($25,562+ $54,369 + $20,000) in FY 2004, and $31,512 ($25,398 + $6,114) in FY 2005.
52. SB461 includes provisions for two interim committees to study taxation issues, with a biennial appropriation for administrative expenses of $60,000. Fiscal note assumes the costs to be $30,000 in each year.

Office of Public Instruction

53. The average number belonging (ANB) in K-12 public schools will be as follows:

	FY 2003	FY 2004	FY 2005
K-6 ANB	76,057	74,289	72,130
7-8 ANB	25,082	25,147	25,203
9-12 ANB	50,366	49,989	49,002
Totals	151,505	149,425	146,662

54. The basic and per-ANB entitlements would remain the same:

	FY 2003	FY 2004	FY 2005
Basic entitlement EL	$19,244	$19,244	$19,244
Basic entitlement HS	$213,819	$213,819	$213,819
Per-ANB entitlement EL	$3,906	$3,906	$3,906

Per-ANB entitlement HS	$5,205	$5,205	$5,205
Direct State Aid Percentage	44.7%	44.7%	44.7%

55. Under current law the statewide taxable valuation will increase by 4.0% in FY 2004 and by 5.5% in FY 2005. Under SB 461, the change in statewide taxable valuation will increase by 3.0% in FY 2004 and by 3.2% in FY 2005.
56. Under current law, direct state aid will be $319.05 million in FY 2004 and $314.20 million in FY 2005. Special education payments will be $34.91 million in FY 2004 and FY 2005. Guaranteed tax base aid to schools will be $97.82 million in FY 2004 and $95.24 million in FY 2005.
57. Under SB 461, direct state aid and special education expenses will remain the same as current law. Guaranteed tax base aid to schools will be $98.31 million in FY 2004 and $96.41 million in FY 2005. The net increased cost in guaranteed tax base aid to schools will be $490,000 in FY 2004 and $1,170,000 million in FY 2005.
58. The current law county retirement guaranteed tax base aid would be $21.57 million in FY 2004 and $23.07 million in FY 2005. Under SB 461, county retirement guaranteed tax base aid would be $21.76 million in FY 2004 and $23.46 million in FY 2005. The net increased cost in guaranteed tax base aid to counties will be $190,000 in FY 2004 and $390,000 in FY 2005.

FISCAL IMPACT **Department of Revenue**	FY 2004 Difference	FY 2005 Difference
FTE	1.00	1.00
Expenditures:		
Personal Services	$25,562	$25,398
Operating Expenses	68,569	6,114
Equipment	5,800	0
Committees Approp.	30,000	30,000
TOTAL	$129,931	$61,512
Office of Public Instruction		
Expenditures:		
Local Assistance	$680,000	$1,560,000
Funding of Expenditures:		
General Fund (01)	$809,931	$1,621,512
Revenues:		
General Fund (01)	($1,924,461)	($6,079,208)
State Special Revenue (02)		
University 6-Mill Account	($120,871)	($381,820)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($2,734,392)	($7,700,720)
State Special Revenue (02)		
University 6-Mill Account	($120,871)	($381,820)

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(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Local governments will see the same decreases from current law taxable value (as shown in Tables 2 and 3). However, since local government mill levies are set on current year taxable values, and the proposal actually slightly increases taxable value from its FY 2003 level (estimated increases of $82,500 in FY 2004, and $330,670 in 2005); the decreases from current law will not be realized at the local level.

LONG-RANGE IMPACTS:

The left hand side of Table 4 shows that in FY 2009, when reappraisal values are fully phased-in (including estimated natural growth under both current law and proposed), the total taxable value for classes 3 and 4 is estimated to decrease from its estimated current law level by $275 million.

Table 4
Fiscal 2009 Change in Taxable Value
Current Law and Proposed Law (SB461) ------ Fiscal 2003 and Proposed Law (SB461)

Includes Estimated Growth	Fiscal 2009 Taxable Value		
	Current Law	Proposed Law	Change
Ag. Land Class 3	**160,151,810**	**138,805,087**	**-21,346,722**
Residential Class 4			
- Owner Occupied	788,920,985	656,475,844	-132,445,141
- Other	324,414,050	269,780,210	-54,633,840
Total Residential	**1,113,335,035**	**926,256,054**	**-187,078,981**
Commercial Class 4			
- Multi-family	46,934,340	39,054,939	-7,879,401
- Other	363,608,440	304,470,334	-59,138,105
Total Commercial	**410,542,780**	**343,525,273**	**-67,017,507**
Total	**1,684,029,624**	**1,408,586,414**	**-275,443,210**

Does Not Include Estimated Growth	Fiscal 2009 Taxable Value		
	Fiscal 2003	Proposed Law	Change
Ag. Land Class 3	**138,900,095**	**139,418,778**	**518,683**
Residential Class 4			
- Owner Occupied	528,154,850	518,822,395	-9,332,454
- Other	203,516,641	213,211,219	9,694,577
Total Residential	**731,671,491**	**732,033,614**	**362,123**
Commercial Class 4			
- Multi-family	28,856,105	30,865,685	2,009,581
- Other	242,346,346	240,627,328	-1,719,018
Total Commercial	**271,202,451**	**271,493,013**	**290,562**
Total	**1,141,774,037**	**1,142,945,405**	**1,171,368**

However, under the provisions of SB461, shown on the right half of Table 4: if we look at the property that existed in FY 2003, excluding natural growth, the estimated change in taxable value from FY 2003 to 2009 is an increase of $1,171,368 in taxable value. This indicates that the proposal holds class 3 and 4 taxable values overall relatively constant at their (current) fiscal 2003 level.

When fully implemented in FY 2009, an additional $1 million reduction in taxable is expected under the extended property tax assistance program provided for in the bill.

15-30-171. Residential property tax credit for elderly -- definitions. As used in 15-30-171 through 15-30-179, the following definitions apply:

(1) "Claim period" means the tax year for individuals required to file Montana individual income tax returns and the calendar year for individuals not required to file returns.

(2) "Claimant" means a person who is eligible to file a claim under 15-30-172.

(3) "Department" means the department of revenue.

(4) "Gross household income" means all income received by all individuals of a household while they are members of the household.

(5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with the landlord.

(6) "Homestead" means:

(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a dwelling; or

(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal housing authority as provided in Title 7, chapter 15.

(7) "Household" means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(8) "Household income" means the amount obtained by subtracting $6,300 from gross household income.

(9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:

(i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;

(ii) the amount of capital gains excluded from adjusted gross income;

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief;

(vii) interest on federal, state, county, and municipal bonds; and

(viii) all payments received under federal social security except social security income paid directly to a nursing home.

(b) For the purposes of this subsection (9), income is reduced by the taxpayer's basis.

(10) "Property tax billed" means taxes levied against the homestead, including special assessments and fees but excluding penalties or interest during the claim period.

(11) "Rent-equivalent tax paid" means 15% of the gross rent.

15-30-172. Residential property tax credit for elderly -- eligibility. (1) In order to be eligible to make a claim under 15-30-171 through 15-30-179, an individual:

(a) must have reached age 62 or older during the claim period for which relief is sought;

(b) must have resided in Montana for at least 9 months of that period;

(c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months of the claim period; and

(d) must have less than $45,000 of gross household income.

(2) A person is not disqualified as a claimant if the person changes residences during the claim period, provided that the person occupies one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months during the claim period.

15-30-173. Residential property tax credit for elderly -- disallowance or adjustment of certain claims. (1) A claim is disallowed if the department finds that the claimant received title to his homestead primarily for the purpose of receiving benefits under 15-30-171 through 15-30-179.

(2) When the landlord and tenant have not dealt at arm's length and the department judges the gross rent charged to be excessive, the department may adjust the gross rent to a reasonable amount.

15-30-174. Residential property tax credit for elderly -- filing date. (1) Except as provided in subsection (2), a claim for relief must be submitted at the same time the claimant's individual income tax return is due. For an individual not required to file a tax return, the claim must be submitted on or before April 15 of the year following the year for which relief is sought.

(2) The department may grant a reasonable extension for filing a claim whenever, in its judgment, good cause exists.

(3) In the event that an individual who would have a claim under 15-30-171 through 15-30-179 dies before filing the claim, the personal representative of the estate of the decedent may file the claim.

(4) The department or an individual may revise a return and make a claim under 15-30-171 through 15-30-179 within 5 years from the last day prescribed for filing a claim for relief.

15-30-175. Residential property tax credit for elderly -- form of relief. Relief under 15-30-171 through 15-30-179 is a credit against the claimant's Montana individual income tax liability for the claim period. If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess shall be refunded to the claimant. The credit may be claimed even though the claimant has no income taxable under this chapter.

15-30-176. Residential property tax credit for elderly -- computation of relief. The amount of the tax credit granted under the provisions of 15-30-171 through 15-30-179 is computed as follows:

(1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the amount of property tax billed less the deduction specified in subsection (4).

(2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the amount of rent-equivalent tax paid less the deduction specified in subsection (4).

(3) In the case of a claimant who both owns and rents the homestead for which a claim is made, the credit is:

(a) the amount of property tax billed on the owned portion of the homestead less the deduction specified in subsection (4); plus

(b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the deduction specified in subsection (4).

(4) Property tax billed and rent-equivalent tax paid are reduced according to the following schedule:

Household income	Amount of reduction
$0 - $999	$0
$1,000 - $1,999	$0
$2,000 - $2,999	the product of .006 times the household income
$3,000 - $3,999	the product of .016 times the household income
$4,000 - $4,999	the product of .024 times the household income
$5,000 - $5,999	the product of .028 times the household income
$6,000 - $6,999	the product of .032 times the household income
$7,000 - $7,999	the product of .035 times the household income
$8,000 - $8,999	the product of .039 times the household income
$9,000 - $9,999	the product of .042 times the household income
$10,000 - $10,999	the product of .045 times the household income
$11,000 - $11,999	the product of .048 times the household income
$12,000 & over	the product of .050 times the household income

(5) For a claimant whose household income is $35,000 or more but less than $45,000, the amount of the credit is equal to the credit calculated under this section multiplied by the decimal equivalent of a percentage figure according to the following table:

Gross household income	Percentage of credit allowed
$35,000 - $37,500	40%
$37,501 - $40,000	30%
$40,001 - $42,500	20%
$42,501 - $44,999	10%
$45,000 or more	0%

(6) The credit granted may not exceed $1,000.

15-30-177. Residential property tax credit for elderly -- limitations. (1) Only one claimant per household in a claim period under the provisions of 15-30-171 through 15-30-179 is entitled to relief.

(2) Except as provided in subsection (3), a claim for relief may not be allowed for any portion of property taxes billed or rent-equivalent taxes paid that is derived from a public rent or tax subsidy program.

(3) Except for dwellings rented from a county or municipal housing authority, a claim for relief may not be allowed on rented lands or rented dwellings that are not subject to Montana property taxes during the claim period.

15-30-178. Residential property tax credit for elderly -- proof of claim. A receipt showing property tax billed or a receipt showing gross rent paid, whichever is appropriate, must be filed with each claim. In addition, each claimant shall, at the request of the department, supply all additional information necessary to support a claim.

15-30-179. Residential property tax credit for elderly -- denial of claim. A person filing a false or fraudulent claim under the provisions of 15-30-171 through 15-30-179 shall be charged with the offense of unsworn falsification to authorities pursuant to 45-7-203. If a false or fraudulent claim has been paid, the amount paid may be recovered as any other debt owed to the state. An additional 10% may be added to the amount due as a penalty. The unpaid debt shall bear interest from the date of the original payment of claim until paid, at the rate of 1% per month.