

## HOUSE BILL NO. 333

INTRODUCED BY S. REICHNER

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A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE DEPARTMENT OF REVENUE TO INCLUDE SALES OF RESIDENTIAL PROPERTY THAT HAS BEEN SOLD BECAUSE OF NONPAYMENT OF MORTGAGE WHEN USING THE COMPARABLE SALES METHOD OF DETERMINING MARKET VALUE OF RESIDENTIAL PROPERTY; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

**Section 1.** Section 15-8-111, MCA, is amended to read:

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

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

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

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

(d) If the department uses comparable sales as one approximation of market value and if sufficient, relevant information on sales of residential property that has been sold because of foreclosure of the property for the nonpayment of mortgage is available, the department shall include those sales in the comparable sales method to appraise residential property.

~~(d)~~(e) Except as provided in subsection (3), the market value of special mobile equipment and agricultural tools, implements, and machinery is the average wholesale value shown in national appraisal guides and manuals or the value before reconditioning and profit margin. The department shall prepare valuation

1 schedules showing the average wholesale value when a national appraisal guide does not exist.

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

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

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

10 (c) for condominium property, the department shall establish the value as provided in subsection (4);

11 (d) as provided in subsection (2)(d); and

12 (d)(e) as otherwise authorized in Titles 15 and 61.

13 (4) (a) Subject to subsection (4)(c), if sufficient, relevant information on comparable sales is available,  
14 the department shall use the comparable sales method to appraise residential condominium units. Because the  
15 undivided interest in common elements is included in the sales price of the condominium units, the department  
16 is not required to separately allocate the value of the common elements to the individual units being valued.

17 (b) Subject to subsection (4)(c), if sufficient, relevant information on income is made available to the  
18 department, the department shall use the capitalization-of-net-income method to appraise commercial  
19 condominium units. Because the undivided interest in common elements contributes directly to the  
20 income-producing capability of the individual units, the department is not required to separately allocate the value  
21 of the common elements to the individual units being valued.

22 (c) If sufficient, relevant information on comparable sales is not available for residential condominium  
23 units or if sufficient, relevant information on income is not made available for commercial condominium units, the  
24 department shall value condominiums using the construction-cost method. When using the construction-cost  
25 method, the department shall determine the value of the entire condominium project and allocate a percentage  
26 of the total value to each individual unit. The allocation is equal to the percentage of undivided interest in the  
27 common elements for the unit as expressed in the declaration made pursuant to 70-23-403, regardless of whether  
28 the percentage expressed in the declaration conforms to market value.

29 (5) For purposes of taxation, assessed value is the same as appraised value.

30 (6) The taxable value for all property is the percentage of market or assessed value established for each

1 class of property.

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

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

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

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

11 (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value  
12 minus any portion of market value that is exempt from taxation under 15-6-222.

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

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

17 (8) Land and the improvements on the land are separately assessed when any of the following  
18 conditions occur:

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

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

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

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23 NEW SECTION. Section 2. Applicability. [This act] applies to tax years beginning after December 31,  
24 2011.

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