

HOUSE BILL NO. 595

INTRODUCED BY W. STAHL

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE REAPPRAISAL OF CLASS THREE  
5 AGRICULTURAL LAND, CLASS FOUR RESIDENTIAL AND COMMERCIAL LAND AND IMPROVEMENTS, AND  
6 CLASS TEN FOREST LAND FOR PROPERTY TAX PURPOSES; REQUIRING THAT THE PERIODIC  
7 REAPPRAISAL OF PROPERTY CLASSES THREE, FOUR, AND TEN BE COMPLETED BY JANUARY 1, 2014;  
8 DELAYING THE EFFECTIVE DATE OF THE REAPPRAISAL VALUES FOR THE REAPPRAISAL COMPLETED  
9 JANUARY 1, 2014; PROVIDING THAT CLASS FOUR PROPERTY BE REAPPRAISED EVERY 2 YEARS;  
10 DELAYING THE EFFECTIVE DATE OF THE REAPPRAISAL VALUES FOR CLASS FOUR PROPERTY;  
11 PROVIDING THAT AGRICULTURAL LAND AND FOREST LAND BE REVALUED EVERY YEAR;  
12 ESTABLISHING MEETING SCHEDULES FOR THE AGRICULTURAL ADVISORY COMMITTEE AND FOR THE  
13 FOREST LANDS TAXATION ADVISORY COMMITTEE; REQUIRING THE DEPARTMENT OF REVENUE TO  
14 REPORT TO THE REVENUE AND TRANSPORTATION COMMITTEE ON THE RESULTS OF THE  
15 REAPPRAISAL CYCLE COMPLETED JANUARY 1, 2014, AND ON THE RESULTS OF THE REAPPRAISAL  
16 OF CLASS FOUR PROPERTY IN SUCCEEDING YEARS; REQUIRING THE REVENUE AND  
17 TRANSPORTATION INTERIM COMMITTEE TO RECOMMEND TO THE 64TH LEGISLATURE PROPERTY TAX  
18 MITIGATION MEASURES FOR TAX YEAR 2015; PROVIDING AN APPROPRIATION; AMENDING SECTIONS  
19 15-6-134, 15-6-222, 15-7-102, 15-7-103, 15-7-111, 15-7-112, 15-7-131, 15-7-201, 15-7-206, 15-8-111,  
20 15-15-102, 15-16-101, 15-44-103, AND 77-1-208, MCA; REPEALING SECTION 15-6-193, MCA; AND  
21 PROVIDING EFFECTIVE DATES."

22  
23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

24  
25 **Section 1.** Section 15-6-134, MCA, is amended to read:

26 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

27 (a) subject to 15-6-222 and subsections (1)(f) and (1)(g) of this section, all land, except that specifically  
28 included in another class;

29 (b) subject to 15-6-222 and subsections (1)(f) and (1)(g) of this section, all improvements, including  
30 trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another

1 class;

2 (c) the first \$100,000 or less of the ~~taxable~~ market value, after the application of the exemption under  
 3 15-6-222, of any improvement on real property, including trailers, manufactured homes, or mobile homes, and  
 4 appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7  
 5 months a year as the primary residential dwelling of one or more qualified claimants:

6 ~~—— (i) for tax year 2009, whose federal adjusted gross income did not exceed the thresholds established~~  
 7 ~~in subsection (2)(b)(i); or~~

8 ~~—— (ii) for tax years after tax year 2009, whose total household income did not exceed the thresholds~~  
 9 ~~established in subsection (2)(b)(i);~~

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

12 (e) subject to 15-6-222(1), all improvements on land that is eligible for valuation, assessment, and  
 13 taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land  
 14 described in 15-6-133(1)(c). The 1 acre must be valued at market value.

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

16 (ii) rental multifamily dwelling units;

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

19 (iv) vacant residential lots; and

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

21 (ii) vacant commercial lots.

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

23 (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and ~~15-24-2101~~ 15-24-2102, property  
 24 described in subsections (1)(a), (1)(b), and (1)(e) through (1)(g) of this section is taxed at:

25 ~~—— (i) 2.93% of its taxable market value in tax year 2009;~~

26 ~~—— (ii) 2.82% of its taxable market value in tax year 2010;~~

27 ~~—— (iii) 2.72% of its taxable market value in tax year 2011;~~

28 ~~—— (iv) 2.63% of its taxable market value in tax year 2012;~~

29 ~~—— (v) 2.54% of its taxable market value in tax year 2013; and~~

30 ~~—— (vi) 2.47% of its taxable market value, after the application of the exemption under 15-6-222, in tax years~~

1 after ~~2013~~ 2014.

2 (b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the  
 3 rate provided in subsection (2)(a) of its ~~taxable~~ market value, after the application of the exemption under  
 4 15-6-222, multiplied by a percentage figure based on the income for the preceding calendar year of the owner  
 5 or owners who occupied the property as their primary residence and determined from the following table:

6	Income	Income	Percentage
7	Single Person	Married Couple	Multiplier
8		Head of Household	
9	\$0 - \$6,000	\$0 - \$8,000	20%
10	\$6,001 - \$9,200	\$8,001 - \$14,000	50%
11	\$9,201 - \$15,000	\$14,001 - \$20,000	70%

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

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

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

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

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

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

25 (4) (a) As used in this section, "qualified claimants" means one or more owners who:

26 (i) occupied the residence as their primary residence for more than 7 months during the preceding  
 27 calendar year;

28 (ii) had combined income for the preceding calendar year that does not exceed the threshold provided  
 29 in subsection (2)(b); and

30 (iii) file a claim for assistance on a form that the department prescribes on or before April 15 of the year

1 for which the assistance is claimed.

2 (b) For the purposes of subsection (1)(c), total household income is the income as reported on the tax  
3 return or returns required by Title 15, chapter 30 or 31, for the year in which the assistance is being claimed  
4 excluding losses, depletion, and depreciation and before any federal or state adjustments to income. In cases  
5 in which the claimant is not required to file a tax return under Title 15, chapter 30 or 31, household income means  
6 the household's total income as it would have been calculated under this subsection (4)(b) if the claimant had  
7 been required to file a return.

8 (c) The combined income of two or more owners who are qualified claimants:

9 (i) may not exceed the married couple and head of household thresholds provided in subsection (2)(b);  
10 and

11 (ii) determines the amount of tax reduction under subsection (2)(b)."  
12

13 **Section 2.** Section 15-6-222, MCA, is amended to read:

14 **"15-6-222. Residential and commercial improvements -- percentage of value exempt.** (1) ~~(a) Except~~  
15 ~~as provided in subsection (1)(b), the following percentage~~ For tax years beginning after December 31, 2014, 47%  
16 of the market value of residential property described in 15-6-134(1)(e) and (1)(f) is exempt from property taxation:

17 ~~—— (i) 36.8% for tax year 2009;~~

18 ~~—— (ii) 39.5% for tax year 2010;~~

19 ~~—— (iii) 41.8% for tax year 2011;~~

20 ~~—— (iv) 44% for tax year 2012;~~

21 ~~—— (v) 45.5% for tax year 2013;~~

22 ~~—— (vi) 47% for tax year 2014 and succeeding tax years.~~

23 ~~(b) For single-family residential dwellings, the exemption provided under subsection (1)(a) is applied to~~  
24 ~~the first \$1.5 million or less in market value.~~

25 (2) ~~The following percentage~~ For tax years beginning after December 31, 2014, 21.5% of the market  
26 value of commercial property described in 15-6-134(1)(g) is exempt from property taxation:

27 ~~—— (a) 14.2% for tax year 2009;~~

28 ~~—— (b) 15.9% for tax year 2010;~~

29 ~~—— (c) 17.5% for tax year 2011;~~

30 ~~—— (d) 19% for tax year 2012;~~

- 1       ~~\_\_\_\_\_ (e) 20.3% for tax year 2013;~~  
 2       ~~\_\_\_\_\_ (f) 21.5% for tax year 2014 and succeeding tax years."~~

3

4           **Section 3.** Section 15-7-102, MCA, is amended to read:

5           **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) Except as provided  
 6 in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the  
 7 classification of the land owned or being purchased and the appraisal of the improvements on the land only if one  
 8 or more of the following changes pertaining to the land or improvements have been made since the last notice:

- 9           (i) change in ownership;  
 10          (ii) change in classification;  
 11          (iii) except as provided in subsection (1)(b), change in valuation; or  
 12          (iv) addition or subtraction of personal property affixed to the land.

13          (b) After the first year of the reappraisal of class four property, the department is not required to mail the  
 14 notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of ~~an annual incremental change~~  
 15 ~~in valuation caused by the phasing in of a reappraisal under 15-7-111 or the application of the exemptions~~  
 16 exemption under 15-6-222 or caused by an incremental change in the tax rate. The notice of a change in  
 17 valuation must be sent in the year the valuation change is effective.

18          (c) The notice must include the following for the taxpayer's informational purposes:

19          (i) a notice of the availability of all the property tax assistance programs available to property taxpayers,  
 20 including the property tax assistance program under 15-6-134, ~~the extended property tax assistance program~~  
 21 ~~under 15-6-193~~, the disabled or deceased veterans' residence exemption under 15-6-211, and the residential  
 22 property tax credit for the elderly under 15-30-2337 through 15-30-2341;

23          (ii) the total amount of mills levied against the property in the prior year; and

24          (iii) a statement that the notice is not a tax bill.

25          (d) Any misinformation provided in the information required by subsection (1)(c) does not affect the  
 26 validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

27          (2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the  
 28 correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a  
 29 standardized form, adopted by the department, containing sufficient information in a comprehensible manner  
 30 designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over

1 the prior tax year.

2 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal  
3 of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

4 (c) The department is not required to mail the notice of classification and appraisal to a new owner or  
5 purchaser under contract for deed unless the department has received the transfer certificate from the clerk and  
6 recorder as provided in 15-7-304 and has processed the certificate before the notices required by subsection  
7 (2)(a) are mailed. The department shall notify the county tax appeal board of the date of the mailing.

8 (3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market  
9 value of the property as determined by the department or with the classification of the land or improvements, the  
10 owner may request an assessment review by submitting an objection in writing to the department, on forms  
11 provided by the department for that purpose, within 30 days after receiving the notice of classification and  
12 appraisal from the department. The review must be conducted informally and is not subject to the contested case  
13 procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider  
14 the actual selling price of the property, independent appraisals of the property, and other relevant information  
15 presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. If a  
16 taxpayer's class four property under 15-6-134 has not been inspected and fully reappraised in the 2 calendar  
17 years prior to the assessment year, the department shall, upon request of the taxpayer, conduct a full inspection  
18 and reappraisal of the property as part of its review under this subsection. The department shall give reasonable  
19 notice to the taxpayer of the time and place of the review. After the review, the department shall determine the  
20 correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In  
21 the notification, the department shall state its reasons for revising the classification or appraisal. When the proper  
22 appraisal and classification have been determined, the land must be classified and the improvements appraised  
23 in the manner ordered by the department.

24 (4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an  
25 appraisal or classification upon the taxpayer's objection unless:

26 (a) the taxpayer has submitted an objection in writing; and

27 (b) the department has stated its reason in writing for making the adjustment.

28 (5) A taxpayer's written objection to a classification or appraisal and the department's notification to the  
29 taxpayer of its determination and the reason for that determination are public records. The department shall make  
30 the records available for inspection during regular office hours.

1           (6) If ~~any~~ a property owner feels aggrieved by the classification or appraisal made by the department  
 2 after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax  
 3 appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the  
 4 courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's  
 5 determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider  
 6 the actual selling price of the property, independent appraisals of the property, and other relevant information  
 7 presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the  
 8 state tax appeal board determines that an adjustment should be made, the department shall adjust the base value  
 9 of the property in accordance with the board's order."

10

11           **Section 4.** Section 15-7-103, MCA, is amended to read:

12           **"15-7-103. Classification and appraisal -- general and uniform methods.** (1) ~~It is the duty of the~~ The  
 13 ~~department of revenue to shall~~ implement the provisions of 15-7-101 ~~through 15-7-103, 15-7-102, and this section~~  
 14 by providing:

15           (a) for a general and uniform method of classifying lands in the state for the purpose of securing an  
 16 equitable and uniform basis of assessment of lands for taxation purposes;

17           (b) for a general and uniform method of appraising city and town lots;

18           (c) for a general and uniform method of appraising rural and urban improvements;

19           (d) for a general and uniform method of appraising timberlands.

20           (2) All lands must be classified according to their use or uses and graded within each class according  
 21 to soil and productive capacity. In the classification work, use must be made of soil surveys and maps and all  
 22 other pertinent available information.

23           (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections,  
 24 fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by  
 25 metes and bounds, whichever yields a true description of the land.

26           (4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best  
 27 and highest value use of adjacent or neighboring lands.

28           (5) In ~~any periodic~~ the revaluation of taxable property ~~completed under the provisions of 15-7-114,~~ all  
 29 property classified in 15-6-134 must be appraised as provided in 15-7-111 ~~on the taxable portion of its market~~  
 30 value in the same year. The department shall publish a rule specifying the year used in the appraisal.

1 (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not be  
 2 appraised, assessed, and taxed separately from the land, house, or other improvements in which they are  
 3 located. ~~In no event may the sewage disposal or domestic water supply systems be included twice by including~~  
 4 ~~them in the valuation and assessing them separately."~~

5

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

7 **"15-7-111. ~~Periodic revaluation~~ Revaluation of certain taxable property.** (1) The department shall  
 8 administer and supervise a program for the revaluation of all taxable property within class three under 15-6-133,  
 9 class four under 15-6-134, and class ten under 15-6-143 as provided in this section. All other property must be  
 10 revalued annually.

11 (2) ~~The~~ For the revaluation cycle completed on December 31, 2008, the department shall value and  
 12 phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the  
 13 valuation within the same class and the values established pursuant to subsection (1). The department shall  
 14 adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified  
 15 property within the same class.

16 (3) The revaluation of class three, four, and ten property is complete on December 31, 2008. The amount  
 17 of the change in valuation from the 2002 base year for each property in classes three, four, and ten must be  
 18 phased in each year at the rate of 16.66% of the change in valuation. The change in value is fully phased in on  
 19 January 1, 2014, effective for January 1, 2014.

20 (4) During the end of the ~~second and fourth~~ year of ~~each~~ the revaluation cycle completed December 31,  
 21 2008, the department shall provide the revenue and transportation interim committee with a sales assessment  
 22 ratio study of residences to be used to allow the committee to be apprised of the housing market and value  
 23 trends.

24 (5) (a) The department shall administer and supervise a program for the revaluation of all taxable  
 25 property within classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by  
 26 the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each  
 27 county is revalued by January 1, ~~2015~~ 2014, effective for January 1, 2015, ~~and each succeeding 6 years.~~ The  
 28 ~~resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of change~~  
 29 ~~for each year is not established, then the percentage of phase in for each year is 16.66%.~~

30 (b) For revaluations occurring after December 31, 2013, the reappraisal plan must provide for the



1 revaluation of property as provided in subsections (6) and (7).

2 (6) (a) The reappraisal plan referred to in subsection (5)(b), beginning January 1, 2014, must provide  
3 that all class four property is appraised every 2 years or adjusted every 2 years to reflect current market value.

4 In order to achieve this goal, the department shall appraise all taxable property in a county at least once every  
5 4 years. For the 4-year period beginning after December 31, 2014, and for each succeeding 4-year period, the  
6 department shall appraise class four property as follows:

7 (i) not less than 25% of class four residential, commercial, and industrial property in the county must be  
8 appraised during the first year of the 4-year period;

9 (ii) not less than 50% of class four residential, commercial, and industrial property in the county must be  
10 appraised by the end of the second year of the 4-year period and the previous year;

11 (iii) not less than 75% of class four residential, commercial, and industrial property in the county must be  
12 appraised by the end of the third year of the 4-year period and the previous 2 years;

13 (iv) not less than 100% of class four residential, commercial, and industrial property in the county must  
14 be appraised by the end of the fourth year of the 4-year period and the previous 3 years.

15 (b) In completing the appraisal or adjustments under subsection (6)(a), the department shall, as provided  
16 in the reappraisal plan, conduct individual property inspections, building permit reviews, sales data verification  
17 reviews, and electronic data reviews, including but not limited to geographic information system data and oblique  
18 imagery data.

19 (c) The department shall value newly constructed, remodeled, or reclassified property within class four  
20 in a manner consistent with the valuation within class four established pursuant to subsections (5)(a), (6)(a), and  
21 (6)(b). The department shall adopt rules for determining the assessed valuation of new, remodeled, or reclassified  
22 property within class four.

23 (7) The reappraisal plan referred to in subsection (5)(b) must provide that all property within class three  
24 and class ten must be revalued by January 1, 2016, effective for January 1, 2016, and by January 1 of each  
25 succeeding year effective for that year. For the purposes of this subsection:

26 (a) agricultural land must be appraised as provided in Title 15, chapter 7, part 2; and

27 (b) forest land must be appraised as provided in Title 15, chapter 44, part 1.

28 (8) (a) By July 1, 2014, the department shall provide the revenue and transportation interim committee  
29 with the results of the reappraisal of property within class three, class four, and class ten property as provided  
30 in subsection (5)(a). By December 1, 2014, the committee shall recommend to the legislature the appropriate

1 changes in tax rates and exemption amounts, if any, effective January 1, 2015, for class three, class four, and  
 2 class ten property to mitigate tax increases or decreases on these classes of property.

3 (b) Beginning in calendar year 2016, the department shall, by July 1 of each year before the legislature  
 4 convenes, provide the revenue and transportation interim committee with the results of the reappraisal of class  
 5 four property under subsection (6)."

6  
 7 **Section 6.** Section 15-7-112, MCA, is amended to read:  
 8 **"15-7-112. Equalization of valuations.** The same method of appraisal and assessment ~~shall provided~~  
 9 in 15-7-111 must be used in each county of the state ~~to the end so~~ that comparable ~~property properties~~ with  
 10 similar true market values and subject to taxation in Montana ~~shall will~~ have substantially equal taxable values  
 11 ~~at the end of each cyclical revaluation program hereinbefore provided from reappraisal."~~

12  
 13 **Section 7.** Section 15-7-131, MCA, is amended to read:  
 14 **"15-7-131. Policy.** It is the policy of the state of Montana to provide for equitable assessment of taxable  
 15 property in the state and to provide for ~~periodic~~ the revaluation of taxable property in a manner that is fair to all  
 16 taxpayers."

17  
 18 **Section 8.** Section 15-7-201, MCA, is amended to read:  
 19 **"15-7-201. Legislative intent -- value of agricultural property.** (1) Because the market value of many  
 20 agricultural properties is based upon speculative purchases that do not reflect the productive capability of  
 21 agricultural land, it is the legislative intent that bona fide agricultural properties be classified and assessed at a  
 22 value that is exclusive of values attributed to urban influences or speculative purposes.

23 (2) Agricultural land must be classified according to its use, which classifications include but are not  
 24 limited to irrigated use, nonirrigated use, and grazing use.

25 (3) Within each class, land must be subclassified by production categories. Production categories are  
 26 determined from the productive capacity of the land based on yield.

27 (4) In computing ~~the annual~~ agricultural land valuation schedules to take effect on ~~the date when each~~  
 28 ~~revaluation cycle takes effect pursuant to~~ January 1, 2016, and on January 1 of each succeeding tax year as  
 29 provided in 15-7-111, the department of revenue shall determine the productive capacity value of all agricultural  
 30 lands using the formula  $V = I/R$  where:

1 (a) V is the per-acre productive capacity value of agricultural land in each land use and production  
2 category;

3 (b) I is the per-acre net income of agricultural land in each land use and production category and is to  
4 be determined as provided in subsection (5); and

5 (c) R is the capitalization rate, ~~and, unless the advisory committee recommends a different rate and the~~  
6 ~~department adopts the recommended capitalization rate by rule, is equal to 6.4%. This capitalization rate must~~  
7 ~~remain in effect until the next revaluation cycle~~ The department shall, after consultation with the agricultural  
8 advisory committee, determine the capitalization rate for each year of the base period. The capitalization rate  
9 must be adopted by rule.

10 (5) (a) Net income must be determined separately in each land use based on production categories.

11 (b) Net income must be based on commodity price data, which may include grazing fees, crop and  
12 livestock share arrangements, cost of production data, and water cost data for the base period using the best  
13 available data.

14 (i) Commodity price data and cost of production data for the base period must be obtained from the  
15 Montana Agricultural Statistics, the Montana crop and livestock reporting service, and other sources of publicly  
16 available information if considered appropriate by the advisory committee.

17 (ii) Crop share and livestock share arrangements are based on typical agricultural business practices and  
18 average landowner costs.

19 (iii) Allowable water costs consist only of the per-acre labor costs, energy costs of irrigation, and, unless  
20 the agricultural advisory committee recommends otherwise and the department adopts the recommended cost  
21 by rule, a base water cost of \$15 for each acre of irrigated land. Total allowable water costs may not exceed \$50  
22 for each acre of irrigated land. Labor and energy costs must be determined as follows:

23 (A) Labor costs are \$5 an acre for pivot sprinkler irrigation systems; \$10 an acre for tow lines, side roll,  
24 and lateral sprinkler irrigation systems; and \$15 an acre for hand-moved and flood irrigation systems.

25 (B) Energy costs must be based on per-acre energy costs incurred in the ~~energy cost base year, which~~  
26 ~~is the calendar year immediately preceding the reappraisal year specified by the department in 15-7-103(5).~~ By  
27 July March 1 of the reappraisal year following the energy cost base year, an owner of irrigated land shall provide  
28 the department, on a form prescribed by the department, with energy costs incurred in ~~that energy cost base~~ the  
29 calendar year preceding the reappraisal year. ~~In the event that no~~ If energy costs were not incurred in the ~~energy~~  
30 ~~cost base year~~ calendar year preceding the reappraisal year, the owner of irrigated land shall provide the

1 department with energy costs from the most recent year available. The department shall adjust the most recent  
 2 year's energy costs to reflect costs in the ~~energy cost base year~~ calendar year preceding the reappraisal year.

3 (c) The base crop for valuation of irrigated land is alfalfa hay adjusted to 80% of the sales price, and the  
 4 base crop for valuation of nonirrigated land is spring wheat. The base unit for valuation of grazing lands is animal  
 5 unit months (AUM), defined as the average monthly requirement of pasture forage to support a 1,000-pound cow  
 6 with a calf or its equivalent.

7 (d) Unless the advisory committee recommends a different base period and the department adopts the  
 8 recommended base period by rule, the base period used to determine net income must be the most recent 7  
 9 years for which data is available prior to the date the ~~reevaluation cycle~~ reappraisal year ends. Unless the advisory  
 10 committee recommends a different averaging method and the department adopts the recommended averaging  
 11 method by rule, data referred to in subsection (5)(b) must be averaged, but the average must exclude the lowest  
 12 and highest yearly data in the period.

13 (6) The department shall compile data and develop valuation manuals adopted by rule to implement the  
 14 valuation method established by subsections (4) and (5).

15 (7) The governor shall appoint an agricultural advisory committee of persons knowledgeable in  
 16 agriculture and agricultural economics. Members of the advisory committee must be appointed for terms of 3  
 17 years or until their successors are appointed. The advisory committee ~~shall~~ must include one member of the  
 18 Montana state university-Bozeman, college of agriculture, staff. The advisory committee shall:

19 (a) compile and review data required by subsections (4) and (5);

20 (b) recommend to the department any adjustments to data or to landowners' share percentages if  
 21 required by changes in government agricultural programs, market conditions, or prevailing agricultural practices;

22 (c) recommend appropriate base periods and averaging methods to the department;

23 (d) evaluate the appropriateness of the capitalization rate and recommend a rate to the department;

24 (e) verify for each class of land that the income determined in subsection (5) reasonably approximates  
 25 that which the average Montana farmer or rancher could have attained; ~~and~~

26 (f) recommend agricultural land valuation schedules to the department. With respect to irrigated land,  
 27 the recommended value of irrigated land may not be below the value that the land would have if it were not  
 28 irrigated.

29 (g) beginning after December 31, 2012, meet at least:

30 (i) twice in each tax year; and

1           (ii) once every 4 years to conduct a comprehensive review of the criteria used to value agricultural land  
2 to ensure that the productive capacity values determined by the department are accurate, uniform, and equitable."

3  
4           **Section 9.** Section 15-7-206, MCA, is amended to read:

5           **"15-7-206. Improvements on agricultural land.** (1) In determining the total area of land actively  
6 devoted to agricultural use, there is included the area of all land under barns, sheds, silos, cribs, greenhouses,  
7 and like structures, lakes, dams, ponds, streams, irrigation ditches, and like facilities.

8           (2) One acre of land beneath agricultural improvements on agricultural land, as described in  
9 15-7-202(1)(c)(ii), is valued at the class with the highest productive value and production capacity of agricultural  
10 land. Notwithstanding the provisions of 15-7-201, the land must be revalued at the same time as property in  
11 15-6-134 is revalued under 15-7-111."

12  
13           **Section 10.** Section 15-8-111, MCA, is amended to read:

14           **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
15 assessed at 100% of its market value except as otherwise provided.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after

1 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
2 15-23-516, 15-23-517, or 15-23-518.

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

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

7 (d) Properties in 15-6-134, under class four, are assessed at ~~the applicable percentage~~ 100% of market  
8 value minus any portion of market value that is exempt from taxation under 15-6-222.

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

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

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

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

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

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

19 **Section 11.** Section 15-15-102, MCA, is amended to read:

20 **"15-15-102. Application for reduction in valuation.** The valuation of property may not be reduced by  
21 the county tax appeal board unless either the taxpayer or the taxpayer's agent makes and files a written  
22 application for reduction with the county tax appeal board. The application for reduction may be obtained at the  
23 local appraisal office or from the county tax appeal board. The completed application must be submitted to the  
24 county clerk and recorder. The date of receipt is the date stamped on the appeal form by the county clerk and  
25 recorder upon receipt of the form. The county tax appeal board is responsible for obtaining the applications from  
26 the county clerk and recorder. The application must be submitted on or before the first Monday in June of the year  
27 in issue or 30 days after receiving either a notice of classification and appraisal or determination after review  
28 under 15-7-102(3) from the department, whichever is later. If the department's determination after review is not  
29 made in time to allow the county tax appeal board to review the matter during the current tax year, the appeal  
30 must be reviewed during the next tax year, but the decision by the county tax appeal board is effective for the year

1 in which the request for review was filed with the department. The application must state the post-office address  
 2 of the applicant, specifically describe the property involved, and state the facts upon which it is claimed the  
 3 reduction should be made."

4

5 **Section 12.** Section 15-16-101, MCA, is amended to read:

6 **"15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the receipt  
 7 of the property tax record, the county treasurer shall publish a notice specifying:

8 (a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next  
 9 November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount  
 10 then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency  
 11 until paid and 2% will be added to the delinquent taxes as a penalty;

12 (b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next  
 13 May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6  
 14 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;  
 15 and

16 (c) the time and place at which payment of taxes may be made.

17 (2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice,  
 18 postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due  
 19 and delinquent for other years. The written notice must include:

20 (i) the taxable value of the property;

21 (ii) the total mill levy applied to that taxable value;

22 (iii) itemized city services and special improvement district assessments collected by the county;

23 (iv) the number of the school district in which the property is located;

24 (v) the amount of the total tax due that is levied as city tax, county tax, state tax, school district tax, and  
 25 other tax; and

26 ~~(iv)~~(vi) a notice of the availability of all the property tax assistance programs available to property  
 27 taxpayers, including the property tax assistance program under 15-6-134, ~~the extended property tax assistance~~  
 28 ~~program under 15-6-193~~, the disabled or deceased veterans' residence exemption under 15-6-211, and the  
 29 residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.

30 (b) If the property is the subject of a tax lien sale for which a tax lien sale certificate has been issued



1 under 15-17-212, the notice must also include, in a manner calculated to draw attention, a statement that the  
2 property is the subject of a tax lien sale and that the taxpayer may contact the county treasurer for complete  
3 information.

4 (3) The municipality shall, upon request of the county treasurer, provide the information to be included  
5 under subsection (2)(a)(iii) ready for mailing.

6 (4) The notice in every case must be published once a week for 2 weeks in a weekly or daily newspaper  
7 published in the county, if there is one, or if there is not, then by posting it in three public places. Failure to publish  
8 or post notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the  
9 current year or of delinquent tax will not affect the legality of the tax.

10 (5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional  
11 tax is not owed and a new tax bill does not need to be prepared."

12

13 **Section 13.** Section 15-44-103, MCA, is amended to read:

14 **"15-44-103. Legislative intent -- value of forest lands -- valuation zones.** (1) In order to encourage  
15 landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest  
16 practices, and to encourage the investment of capital in reforestation, forest lands must be classified and  
17 assessed under the provisions of this section.

18 (2) The annual forest productivity value of forest land to take effect on January 1, 2016, and on January  
19 1 of each succeeding tax year as provided in 15-7-111 must be determined by:

20 (a) capitalizing the value of the mean annual net wood production at the culmination of mean annual  
21 increment plus other agriculture-related income, if any; less

22 (b) annualized expenses, including but not limited to the establishment, protection, maintenance,  
23 improvement, and management of the crop over the rotation period.

24 (3) To determine the forest productivity value of forest lands, the department shall:

25 (a) divide the state into appropriate forest valuation zones, with each zone designated so as to recognize  
26 the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors  
27 of that zone; and

28 (b) establish a uniform system of forest land classification that takes into consideration the productive  
29 capacity of the site to grow forest products and furnish other associated agricultural uses.

30 (4) In computing the forest land valuation schedules for each forest valuation zone, the department shall

1 determine the productive capacity value of all forest lands in each forest valuation zone using the formula  $V = I/R$ ,  
2 where:

3 (a) V is the per-acre forest productivity value of the forest land;

4 (b) I is the per-acre net income of forest lands in each valuation zone and is determined by the  
5 department using the formula  $I = (M \times SV) + AI - C$ , where:

6 (i) I is the per-acre net income;

7 (ii) M is the mean annual net wood production;

8 (iii) SV is the stumpage value;

9 (iv) AI is the per-acre agriculture-related income; and

10 (v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

11 (c) R is the capitalization rate determined by the department as provided in subsection (6).

12 (5) Net income must:

13 (a) be calculated for each year of a base period, which is the most recent 5-year period for which data  
14 is available;

15 (b) be based on a rolling average of stumpage value of timber harvested within the forest valuation zone  
16 and on the associated production cost data for the base period from sources considered appropriate by the  
17 department; and

18 (c) include agriculture-related net income for the same time period as the period used to determine  
19 average stumpage values.

20 (6) The capitalization rate must be calculated for each year of the base period and is the average  
21 capitalization rate determined by the department after consultation with the forest lands taxation advisory  
22 committee, plus the effective tax rate. The capitalization rate must be adopted by rule. ~~However, the capitalization~~  
23 ~~rate for each year of the base period for tax years 2009 through 2014 may not be less than 8%.~~

24 (7) The effective tax rate must be calculated for each year of the base period by dividing the total  
25 estimated tax due on forest lands subject to the provisions of this section by the total forest value of those lands.

26 (8) For the purposes of this section, if forest service sales are used in the determination of stumpage  
27 values, the department shall take into account purchaser road credits.

28 (9) In determining the forest productivity value of forest lands and in computing the forest land valuation  
29 schedules, the department shall use information and data provided by the university of Montana-Missoula.

30 (10) (a) There is a forest lands taxation advisory committee consisting of:

1 (i) four members with expertise in forest matters, one appointed by the majority leader of the senate, one  
 2 by the minority leader of the senate, one by the majority leader of the house of representatives, and one by the  
 3 minority leader of the house of representatives; and

4 (ii) three members appointed by the governor, one who is an industrial forest landowner, one who is a  
 5 nonindustrial forest landowner, and one who is a county commissioner.

6 (b) ~~The terms of the members expire on June 30 of the first year of each reappraisal cycle~~ Members  
 7 must be appointed for terms of 3 years or until their successors are appointed.

8 (c) The advisory committee shall:

9 (i) review data required by subsections (2) through (6), (8), and (9), including data on productivity value,  
 10 stumpage value, wood production, capitalization rate, net income, and agriculture-related income;

11 (ii) recommend to the department any adjustments to data if required by changes in government forest  
 12 land programs, market conditions, or prevailing forest lands practices;

13 (iii) recommend appropriate base periods and averaging methods to the department;

14 (iv) verify for each forest valuation zone and forest land classification under subsection (3) that the income  
 15 determined in subsection (5) reasonably approximates that which the average Montana forest landowner could  
 16 have attained; ~~and~~

17 (v) recommend forest land valuation schedules to the department; and

18 (vi) beginning after December 31, 2012, meet at least:

19 (A) twice in each tax year; and

20 (B) once every 4 years to conduct a comprehensive review of the criteria used to value forest land to  
 21 ensure that the productivity values determined by the department are accurate, uniform, and equitable."

22

23 **Section 14.** Section 77-1-208, MCA, is amended to read:

24 **"77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set  
 25 the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time  
 26 wishes to continue or assign the license or lease. The fee must attain full market value based on appraisal of the  
 27 cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the  
 28 entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may  
 29 be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111  
 30 ~~without any adjustments as a result of phasing in values.~~ An appeal of a cabin site value determined by the

1 department of revenue must be conducted pursuant to Title 15, chapter 15.

2 (2) The board shall set the fee of each initial cabin site license or lease or each current cabin site license  
3 or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a  
4 system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined  
5 under the method provided for in subsection (1).

6 (3) The board shall follow the procedures set forth in 77-6-302, 77-6-303, and 77-6-306 for the disposal  
7 or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and  
8 shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures  
9 or improvements in the manner required by the board."

10  
11 **NEW SECTION. Section 15. Repealer.** The following section of the Montana Code Annotated is  
12 repealed:

13 15-6-193. Extended property tax assistance -- phasein.

14  
15 **NEW SECTION. Section 16. Appropriation.** There is appropriated \$800,000 for fiscal year 2013 from  
16 the state general fund to the department of revenue for personnel and operation costs for data collection and  
17 market modeling.

18  
19 **NEW SECTION. Section 17. Effective dates.** (1) [Sections 5 through 7 and 16] and this section are  
20 effective July 1, 2011.

21 (2) [Sections 4 and 10] are effective January 1, 2014.

22 (3) [Sections 1, 2, 3, 8, 9, and 11 through 15] are effective January 1, 2015.

23 - END -