

SENATE BILL NO. 398

INTRODUCED BY B. TUTVEDT

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY TAX REVALUATION PROCESS AND  
5 THE TAXATION OF PROPERTY; ~~CREATING CLASS SEVENTEEN PROPERTY TO INCLUDE COMMERCIAL~~  
6 ~~LAND AND IMPROVEMENTS~~; PROVIDING FOR A 2-YEAR REVALUATION CYCLE BEGINNING IN 2015 FOR  
7 CLASS THREE AGRICULTURAL LAND, CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY, AND  
8 CLASS TEN FOREST LAND, ~~AND CLASS SEVENTEEN COMMERCIAL PROPERTY~~; DEFINING "MARKET  
9 VALUE" AND "TAXABLE VALUE"; PROVIDING FOR ASSESSMENT REVIEW DURING THE BIENNIAL CYCLE;  
10 CLARIFYING THE TERMS OF OFFICE OF AGRICULTURE ADVISORY COMMITTEE AND FOREST LAND  
11 TAXATION ADVISORY COMMITTEE MEMBERS FOR PURPOSES OF IMPLEMENTING THE NEW  
12 REAPPRAISAL PROCESS; PROVIDING FIXED CAPITALIZATION RATES SUBJECT TO INCREASES BASED  
13 ON RECOMMENDATIONS FROM THE AGRICULTURE ADVISORY COMMITTEE AND FOREST LAND  
14 TAXATION ADVISORY COMMITTEE; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS  
15 15-1-101, 15-6-133, 15-6-134, ~~15-6-156, 15-6-229, 15-6-211~~, 15-7-102, 15-7-103, 15-7-111, 15-7-112, 15-7-131,  
16 15-7-139, 15-7-201, ~~15-7-202~~, 15-8-111, ~~15-10-420~~, 15-15-102, 15-16-101, ~~15-24-2101, 15-24-2102, 15-24-3001,~~  
17 ~~15-24-3201~~, 15-24-3202, 15-24-3203, 15-44-103, AND 77-1-208, MCA; REPEALING SECTIONS 15-6-193 AND  
18 15-6-222, MCA; AND PROVIDING EFFECTIVE DATES AND A TERMINATION DATE."

19  
20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

21  
22 ~~NEW SECTION. Section 1. Class seventeen property -- description -- taxable percentage.~~ (1) Class  
23 ~~seventeen property is commercial property, as defined in 15-1-101, and includes:~~  
24 ~~(a) all commercial and industrial property that is used or owned by an individual, a business, a trade, a~~  
25 ~~corporation, a limited liability company, or a partnership and that is used primarily for the production of income;~~  
26 ~~(b) rental multifamily dwelling units;~~  
27 ~~(c) all golf courses, including land and improvements actually and necessarily used for that purpose, that~~  
28 ~~consist of at least nine holes and not less than 700 lineal yards;~~  
29 ~~(d) commercial buildings and parcels of land upon which the buildings are situated; and~~  
30 ~~(e) vacant commercial lots.~~



1 ~~———(2) Class seventeen property does not include property of a railroad car company classified under~~  
 2 ~~15-6-145.~~

3 ~~———(3) If a property includes both residential and commercial uses, the property is classified and appraised~~  
 4 ~~as follows:~~

5 ~~———(a) the land use with the highest percentage of total value is the use that is assigned to the property; and~~

6 ~~———(b) the improvements are apportioned according to the use of the improvements.~~

7 ~~———(4) Within the meaning of comparable property, as defined in 15-1-101, property assessed as~~  
 8 ~~commercial property is comparable only to other property assessed as commercial property and property~~  
 9 ~~assessed as other than commercial property is comparable only to other property assessed as other than~~  
 10 ~~commercial property.~~

11 ~~———(5) "Industrial property" for purposes of this section includes all land used for industrial purposes,~~  
 12 ~~improvements, and buildings used to house the industrial process and all storage facilities. Under this section,~~  
 13 ~~industrial property does not include personal property classified and taxed under 15-6-135 or 15-6-138.~~

14 ~~———(6) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, 15-24-2101, and subsection (6)(b)~~  
 15 ~~of this section, class seventeen property is taxed at 1.94% of its market value.~~

16 ~~———(b) Property described in subsection (1)(c) is taxed at one-half the taxable percentage rate established~~  
 17 ~~in subsection (6)(a).~~

18

19 **Section 1.** Section 15-1-101, MCA, is amended to read:

20 **"15-1-101. Definitions.** (1) Except as otherwise specifically provided, when terms mentioned in this  
 21 section are used in connection with taxation, they are defined in the following manner:

22 (a) The term "agricultural" refers to:

23 (i) the production of food, feed, and fiber commodities, livestock and poultry, bees, biological control  
 24 insects, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or  
 25 produced for commercial purposes; and

26 (ii) the raising of domestic animals and wildlife in domestication or a captive environment.

27 (b) The term "assessed value" means the value of property as defined in 15-8-111.

28 (c) The term "average wholesale value" means the value to a dealer prior to reconditioning and the profit  
 29 margin shown in national appraisal guides and manuals or the valuation schedules of the department.

30 (d) (i) The term "commercial", when used to describe property, means property used or owned by a

1 business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, except property  
2 described in subsection (1)(d)(ii).

3 (ii) The following types of property are not commercial:

4 (A) agricultural lands;

5 (B) timberlands and forest lands;

6 (C) single-family residences and ancillary improvements and improvements necessary to the function  
7 of a bona fide farm, ranch, or stock operation;

8 (D) mobile homes and manufactured homes used exclusively as a residence except when held by a  
9 distributor or dealer as stock in trade; and

10 (E) all property described in 15-6-135.

11 (e) The term "comparable property" means property that:

12 (i) has similar use, function, and utility;

13 (ii) is influenced by the same set of economic trends and physical, governmental, and social factors; and

14 (iii) has the potential of a similar highest and best use.

15 (f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

16 (g) (i) "Department", except as provided in subsection (1)(g)(ii), means the department of revenue  
17 provided for in 2-15-1301.

18 (ii) In chapters 70 and 71, department means the department of transportation provided for in 2-15-2501.

19 (h) The terms "gas" and "natural gas" are synonymous and mean gas as defined in 82-1-111(2). The  
20 terms include all natural gases and all other fluid hydrocarbons, including methane gas or any other natural gas  
21 found in any coal formation.

22 (i) The term "improvements" includes all buildings, structures, fences, and improvements situated upon,  
23 erected upon, or affixed to land. When the department determines that the permanency of location of a mobile  
24 home, manufactured home, or housetrailer has been established, the mobile home, manufactured home, or  
25 housetrailer is presumed to be an improvement to real property. A mobile home, manufactured home, or  
26 housetrailer may be determined to be permanently located only when it is attached to a foundation that cannot  
27 feasibly be relocated and only when the wheels are removed.

28 (j) The term "leasehold improvements" means improvements to mobile homes and mobile homes located  
29 on land owned by another person. This property is assessed under the appropriate classification, and the taxes  
30 are due and payable in two payments as provided in 15-24-202. Delinquent taxes on leasehold improvements

1 are a lien only on the leasehold improvements.

2 (k) The term "livestock" means cattle, sheep, swine, goats, horses, mules, asses, llamas, alpacas, bison,  
3 ostriches, rheas, emus, and domestic ungulates.

4 (l) (i) The term "manufactured home" means a residential dwelling built in a factory in accordance with  
5 the United States department of housing and urban development code and the federal Manufactured Home  
6 Construction and Safety Standards.

7 (ii) A manufactured home does not include a mobile home, as defined in subsection (1)(m), or a mobile  
8 home or housetrailer constructed before the federal Manufactured Home Construction and Safety Standards went  
9 into effect on June 15, 1976.

10 (m) The term "market value" means the value of property as defined in 15-8-111.

11 ~~(m)~~(n) The term "mobile home" means forms of housing known as "trailers", "housetrailer", or "trailer  
12 coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an  
13 independent power connected to them, or any trailer, housetrailer, or trailer coach up to 8 feet in width or 45 feet  
14 in length used as a principal residence.

15 ~~(n)~~(o) The term "personal property" includes everything that is the subject of ownership but that is not  
16 included within the meaning of the terms "real estate" and "improvements" and "intangible personal property" as  
17 that term is defined in 15-6-218.

18 ~~(o)~~(p) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in  
19 domestication to produce food or feathers.

20 ~~(p)~~(q) The term "property" includes money, credits, bonds, stocks, franchises, and all other matters and  
21 things, real, personal, and mixed, capable of private ownership. This definition may not be construed to authorize  
22 the taxation of the stocks of a company or corporation when the property of the company or corporation  
23 represented by the stocks is within the state and has been taxed.

24 ~~(q)~~(r) The term "real estate" includes:

25 (i) the possession of, claim to, ownership of, or right to the possession of land;

26 (ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and Title  
27 15, chapter 23, part 8;

28 (iii) all timber belonging to individuals or corporations growing or being on the lands of the United States;  
29 and

30 (iv) all rights and privileges appertaining to mines, minerals, quarries, and timber.

1           ~~(r)~~(s) "Recreational" means hunting, fishing, swimming, boating, waterskiing, camping, biking, hiking,  
2 and winter sports, including but not limited to skiing, skating, and snowmobiling.

3           ~~(s)~~(t) "Research and development firm" means an entity incorporated under the laws of this state or a  
4 foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical  
5 analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific  
6 and technical nature into practical application for experimental and demonstration purposes, including the  
7 experimental production and testing of models, devices, equipment, materials, and processes.

8           ~~(t)~~(u) The term "stock in trade" means any mobile home, manufactured home, or house trailer that is listed  
9 by the dealer as inventory and that is offered for sale, is unoccupied, and is not located on a permanent  
10 foundation. Inventory does not have to be located at the business location of a dealer or a distributor.

11           ~~(u)~~(v) The term "taxable value" means the ~~percentage of market or assessed value~~ multiplied by the  
12 classification tax rate as provided for in Title 15, chapter 6, part 1.

13           ~~(v)~~ The term "taxes" in relation to property under 15-6-133, 15-6-134, OR 15-6-143, or [section 1] is the  
14 amount owed by a taxpayer that is the sum of the market value multiplied by the tax rate multiplied by the mills  
15 as provided for in 15-10-420, excluding local fees and assessments.

16           (2) The phrase "municipal corporation" or "municipality" or "taxing unit" includes a county, city,  
17 incorporated town, township, school district, irrigation district, or drainage district or a person, persons, or  
18 organized body authorized by law to establish tax levies for the purpose of raising public revenue.

19           (3) The term "state board" or "board" when used without other qualification means the state tax appeal  
20 board."

21  
22           **Section 2.** Section 15-6-133, MCA, is amended to read:

23           **"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property  
24 includes:

25           (a) agricultural land as defined in 15-7-202;

26           (b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an  
27 owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this  
28 subsection (1)(b), the following provisions apply:

29           (i) The claim may not include any property that is used for residential purposes, recreational purposes  
30 as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which

1 is being used for other than mining purposes or has a separate and independent value for other purposes.

2 (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in  
3 this title, including that portion of the land upon which the improvements are located and that is reasonably  
4 required for the use of the improvements.

5 (iii) Nonproductive patented mining claim property must be valued as if the land were devoted to  
6 agricultural grazing use.

7 ~~\_\_\_\_\_ (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land  
8 under 15-7-202, including 1 acre of real property beneath improvements on land described in subsection (1)(d).  
9 The 1 acre and improvements must be valued pursuant to 15-7-206 and 15-8-111.~~

10 ~~(e)(d)(C)~~ parcels of land of 20 acres or more but less than 160 acres under one ownership that are not  
11 eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to  
12 be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or industrial  
13 purpose. Nonqualified agricultural land is valued at the average productive capacity value of grazing land, ~~at the~~  
14 ~~average grade of grazing land.~~

15 (2) Subject to subsection ~~(3)~~ ~~(4)~~ (3), class three property is taxed at the ~~taxable percentage rate~~  
16 ~~applicable to class four property, as provided in 15-6-134(2)(a) 2.47% of its productive capacity value.~~

17 ~~\_\_\_\_\_ (3) The market value of the 1 acre and improvements described in subsection (1)(c) is taxed at 1.31%.~~

18 ~~(3)(4)(3)~~ The taxable value of land described in subsection (1)(e) ~~(1)(d)~~ (1)(C) is computed by multiplying  
19 the value of the land by seven times the taxable percentage rate for agricultural land."  
20

21 ~~\_\_\_\_\_ **Section 4.** Section 15-6-134, MCA, is amended to read:~~

22 ~~\_\_\_\_\_ **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:~~

23 ~~\_\_\_\_\_ (a) subject to 15-6-222 and subsections (1)(f) and (1)(g) of this section subsection (1)(d), all land, except~~  
24 ~~that specifically included in another class;~~

25 ~~\_\_\_\_\_ (b) subject to 15-6-222 and subsections (1)(f) and (1)(g) of this section subsection (1)(d), all~~  
26 ~~improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those~~  
27 ~~specifically included in another class;~~

28 ~~\_\_\_\_\_ (c) the first \$100,000 or less of the taxable market value of any improvement on real property, including~~  
29 ~~trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under~~  
30 ~~contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of one or~~

1 more qualified claimants:

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

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

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

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

11 ~~—— (f)(d) (i) single family residences, including trailers, manufactured homes, or mobile homes;~~  
12 ~~—— (ii) rental multifamily dwelling units;~~

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

15 ~~—— (iv)(iii) vacant residential lots; and;~~

16 ~~—— (g) (i) commercial buildings and the parcels of land upon which they are situated; and~~  
17 ~~—— (ii) vacant commercial lots.~~

18 ~~—— (2) Class four property is taxed as follows:~~

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

21 ~~—— (i) 2.93% of its taxable market value in tax year 2009;~~  
22 ~~—— (ii) 2.82% of its taxable market value in tax year 2010;~~  
23 ~~—— (iii) 2.72% of its taxable market value in tax year 2011;~~  
24 ~~—— (iv) 2.63% of its taxable market value in tax year 2012;~~  
25 ~~—— (v) 2.54% of its taxable market value in tax year 2013; and~~  
26 ~~—— (vi) 2.47% 1.31% of its taxable market value in tax years beginning after 2013 December 31, 2014.~~

27 ~~—— (b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the~~  
28 ~~rate provided in subsection (2)(a) of its taxable market value multiplied by a percentage figure based on the~~  
29 ~~income for the preceding calendar year of the owner or owners who occupied the property as their primary~~  
30 ~~residence and determined from the following table:~~

Income	Income	Percentage
Single Person	Married Couple	Multiplier
Head of Household		
\$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).

(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.

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

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

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

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

(b) For the purposes of subsection (1)(c), total household income is the income as reported on the tax return or returns required by Title 15, chapter 30 or 31, for the year in which the assistance is being claimed excluding losses, depletion, and depreciation and before any federal or state adjustments to income. In cases in which the claimant is not required to file a tax return under Title 15, chapter 30 or 31, household income means

1 the household's total income as it would have been calculated under this subsection (4)(b) ~~(3)(b)~~ if the claimant  
 2 had been required to file a return:

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

4 ~~—— (i) may not exceed the married couple and head of household thresholds provided in subsection (2)(b);~~  
 5 and

6 ~~—— (ii) determines the amount of tax reduction under subsection (2)(b)."~~

7

8 **SECTION 3. SECTION 15-6-134, MCA, IS AMENDED TO READ:**

9 **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

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

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

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

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

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

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

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

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

29 (ii) rental multifamily dwelling units;

30 (iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon

1 which the residences and dwelling units are located and any leasehold improvements; and

2 (iv) vacant residential lots; and

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

4 (ii) vacant commercial lots.

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

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

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

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

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

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

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

13 ~~—— (vi) 2.47%~~ 1.94% of its taxable market value in tax years beginning after 2013 December 31, 2014.

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

18 Income Income Percentage

19 Single Person	20 Married Couple Head of Household	Multiplier
21 \$0 - \$6,000	\$0 - \$8,000	20%
22 \$6,001 - \$9,200	\$8,001 - \$14,000	50%
23 \$9,201 - \$15,000	\$14,001 - \$20,000	70%

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

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

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

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

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

3 (d) Except as provided in 15-24-1501, property described in subsection (1)(c), (1)(e), and (1)(f) of this  
4 section is taxed on its market value at a tax rate equal to 67.5% of the tax rate established in subsection (2)(a)  
5 beginning after December 31, 2014.

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

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

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

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

15 (iii) file a claim for assistance on a form that the department prescribes on or before April 15 of the year  
16 for which the assistance is claimed.

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

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

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

26 (ii) determines the amount of tax reduction under subsection (2)(b)."  
27

28 ~~Section 5. Section 15-6-156, MCA, is amended to read:~~

29 ~~"15-6-156. Class thirteen property -- description -- taxable percentage. (1) Except as provided in~~  
30 ~~subsections (2)(a) through (2)(g), class thirteen property includes:~~

- 1 ~~—— (a) electrical generation facilities, except wind generation facilities, biomass generation facilities, and~~  
2 ~~energy storage facilities classified under 15-6-157, of a centrally assessed electric power company;~~
- 3 ~~—— (b) electrical generation facilities, except wind generation facilities, biomass generation facilities, and~~  
4 ~~energy storage facilities classified under 15-6-157, owned or operated by an exempt wholesale generator or an~~  
5 ~~entity certified as an exempt wholesale generator pursuant to 42 U.S.C. 16451;~~
- 6 ~~—— (c) noncentrally assessed electrical generation facilities, except wind generation facilities, biomass~~  
7 ~~generation facilities, and energy storage facilities classified under 15-6-157, owned or operated by any electrical~~  
8 ~~energy producer; and~~
- 9 ~~—— (d) allocations of centrally assessed telecommunications services companies.~~
- 10 ~~—— (2) Class thirteen property does not include:~~
- 11 ~~—— (a) property owned by cooperative rural electric cooperative associations classified under 15-6-135;~~  
12 ~~—— (b) property owned by cooperative rural electric cooperative associations classified under 15-6-137 or~~  
13 ~~15-6-157;~~
- 14 ~~—— (c) allocations of electric power company property under 15-6-141;~~  
15 ~~—— (d) electrical generation facilities included in another class of property;~~  
16 ~~—— (e) property owned by cooperative rural telephone associations and classified under 15-6-135;~~  
17 ~~—— (f) property owned by organizations providing telecommunications services and classified under~~  
18 ~~15-6-135; and~~
- 19 ~~—— (g) generation facilities that are exempt under 15-6-225.~~
- 20 ~~—— (3) (a) For the purposes of this section, "electrical generation facilities" means any combination of a~~  
21 ~~physically connected generator or generators, associated prime movers, and other associated property, including~~  
22 ~~appurtenant land and improvements and personal property, that are normally operated together to produce~~  
23 ~~electric power. The term includes but is not limited to generating facilities that produce electricity from coal-fired~~  
24 ~~steam turbines, oil or gas turbines, or turbine generators that are driven by falling water.~~
- 25 ~~—— (b) The term does not include electrical generation facilities used for noncommercial purposes or~~  
26 ~~exclusively for agricultural purposes.~~
- 27 ~~—— (c) The term also does not include a qualifying small power production facility, as that term is defined~~  
28 ~~in 16 U.S.C. 796(17), that is owned and operated by a person not primarily engaged in the generation or sale of~~  
29 ~~electricity other than electric power from a small power production facility and classified under 15-6-134 and~~  
30 ~~15-6-138 and [section 1].~~

1 ~~\_\_\_\_\_ (4) Class thirteen property is taxed at 6% of its market value."~~

2

3 ~~\_\_\_\_\_ **Section 6.** Section 15-6-229, MCA, is amended to read:~~

4 ~~\_\_\_\_\_ "**15-6-229. Exemption for land adjacent to transmission line right-of-way easement -- application**~~  
 5 ~~**-- limitations.** (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there~~  
 6 ~~is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a~~  
 7 ~~transmission line right-of-way or easement.~~

8 ~~\_\_\_\_\_ (2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under~~  
 9 ~~this section on a form provided by the department. The application must include a legal description and a digitized~~  
 10 ~~certificate of survey prepared by a surveyor registered with the board of professional engineers and professional~~  
 11 ~~land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other~~  
 12 ~~information required by the department. A separate application must be made for each county in which an~~  
 13 ~~exemption is sought.~~

14 ~~\_\_\_\_\_ (b) An application for an exemption that would be in effect for the tax year and subsequent tax years~~  
 15 ~~must be filed with the department by March 1 in the tax year that the exemption is sought.~~

16 ~~\_\_\_\_\_ (3) (a) The owner or operator of a transmission line shall inform the department of any change in~~  
 17 ~~ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The~~  
 18 ~~department shall determine whether any changes have occurred that affect the eligibility of the land for the~~  
 19 ~~exemption.~~

20 ~~\_\_\_\_\_ (b) The exemption allowed under this section does not apply to:~~

21 ~~\_\_\_\_\_ (i) the boundaries of an incorporated or unincorporated city or town;~~

22 ~~\_\_\_\_\_ (ii) a platted and filed subdivision;~~

23 ~~\_\_\_\_\_ (iii) tracts of land used for residential, commercial, or industrial purposes; or~~

24 ~~\_\_\_\_\_ (iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c)(1)(d) and 15-7-206(2).~~

25 ~~\_\_\_\_\_ (4) For the purposes of this section, "transmission line" means an electric line with a design capacity of~~  
 26 ~~30 megavoltamperes or greater that is constructed after January 1, 2007."~~

27

28 ~~**SECTION 4. SECTION 15-6-211, MCA, IS AMENDED TO READ:**~~

29 ~~**"15-6-211. Certain disabled or deceased veterans' residences exempt.** (1) Subject to subsection~~  
 30 ~~(7), a residence and appurtenant land, not to exceed 5 acres, on which it is built that is owned and occupied by~~

1 a veteran or a veteran's spouse is exempt from property taxation as provided in this section if the veteran:

2 (a) was killed while on active duty or died as a result of a service-connected disability; or

3 (b) if living:

4 (i) was honorably discharged from active service in any branch of the armed services; and

5 (ii) is currently rated 100% disabled or is paid at the 100% disabled rate by the U.S. department of  
6 veterans affairs for a service-connected disability, as verified by official documentation from the U.S. department  
7 of veterans affairs.

8 (2) Property qualifying under subsection (1) is taxed at the rate provided in ~~15-6-134(2)(a)~~ 15-6-134(2)(d)  
9 multiplied by a percentage figure based on income and determined from the following table:

10	Income	Income	Percentage
11	Single Person	Married Couple	Multiplier
12		Head of Household	
13	\$0 - \$30,000	\$0 - \$36,000	0%
14	\$30,001 - \$33,000	\$36,001 - \$39,000	20%
15	\$33,001 - \$36,000	\$39,001 - \$42,000	30%
16	\$36,001 - \$39,000	\$42,001 - \$45,000	50%

17 (3) The property tax exemption under this section remains in effect as long as the property is the primary  
18 residence owned and occupied by the veteran or, if the veteran is deceased, by the veteran's spouse and the  
19 spouse:

20 (a) is the owner and occupant of the house;

21 (b) is unmarried; and

22 (c) has obtained from the U.S. department of veterans affairs a letter indicating that the veteran was  
23 rated 100% disabled or was paid at the 100% disabled rate by the U.S. department of veterans affairs for a  
24 service-connected disability at the time of death or that the veteran died while on active duty or as a result of a  
25 service-connected disability.

26 (4) Property qualifying under subsection (3) is taxed at the rate provided in ~~15-6-134(2)(a)~~ 15-6-134(2)(d)  
27 multiplied by a percentage figure based on income and determined from the following table:

28	Income	Percentage
29	Surviving Spouse	Multiplier
30	\$0 - \$25,000	0%

1	\$25,001 - \$28,000	20%
2	\$28,001 - \$31,000	30%
3	\$31,001 - \$34,000	50%

4 (5) For the purposes of the exemption under this section, the income referred to in subsections (2) and  
 5 (4) is the taxpayer's federal adjusted gross income for the preceding calendar year, as reported on the taxpayer's  
 6 federal income tax return. A taxpayer who is not required to file a federal income tax return for the preceding  
 7 calendar year shall determine the taxpayer's federal adjusted gross income as if the taxpayer had filed a return  
 8 and shall provide other evidence of income as required by the department.

9 (6) (a) The income levels contained in the tables in subsections (2) and (4) must be adjusted for inflation  
 10 annually by the department. The adjustment to the income levels is determined by:

11 (i) multiplying the appropriate dollar amount from the table by the ratio of the PCE for the second quarter  
 12 of the year prior to the year of application to the PCE for the second quarter of 2002; and

13 (ii) rounding the product obtained in subsection (6)(a)(i) to the nearest dollar amount.

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

16 (7) A claim for exemption on a form prescribed by the department must be filed with the department on  
 17 or before April 15 of the year for which the exemption is claimed."

18

19 **Section 5.** Section 15-7-102, MCA, is amended to read:

20 **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) Except as provided  
 21 in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the  
 22 classification of the land owned or being purchased and the appraisal of the improvements on the land only if one  
 23 or more of the following changes pertaining to the land or improvements have been made since the last notice:

24 (i) change in ownership;

25 (ii) change in classification;

26 (iii) ~~except as provided in subsection (1)(b)~~; change in valuation; or

27 (iv) addition or subtraction of personal property affixed to the land.

28 ~~—— (b) After the first year, the department is not required to mail the notice provided for in subsection~~  
 29 ~~(1)(a)(iii) if the change in valuation is the result of an annual incremental change in valuation caused by the~~  
 30 ~~phasing in of a reappraisal under 15-7-111 or the application of the exemptions under 15-6-222 or caused by an~~

1 incremental change in the tax rate.

2 ~~(e)~~(b) The notice must include the following for the taxpayer's informational purposes:

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

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

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

9 ~~(d)~~(c) When the department uses an appraisal method that values land and improvements as a unit,  
10 including the ~~comparable sales method~~ sales comparison approach for residential condominiums or the income  
11 ~~method approach~~ for commercial property, the notice must contain a combined appraised value of land and  
12 improvements.

13 ~~(e)~~(d) Any misinformation provided in the information required by subsection ~~(4)(c)~~ (1)(b) does not affect  
14 the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.

15 (2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the  
16 correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a  
17 standardized form, adopted by the department, containing sufficient information in a comprehensible manner  
18 designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over  
19 the prior tax year.

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

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

26 (3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the  
27 market value of the property as determined by the department or with the classification of the land or  
28 improvements, the owner may request an assessment review by submitting an objection in writing to the  
29 department on forms provided by the department for that purpose. For property other than class three property  
30 described in 15-6-133, class four property described in 15-6-134, ~~and~~ AND class ten property described in

1 15-6-143, ~~and class seventeen property described in [section 1]~~, the objection must be submitted within 30 days  
 2 after receiving the notice of classification and appraisal from the department. For class three property described  
 3 in 15-6-133, class four property described in 15-6-134, ~~and~~ AND class ten property described in 15-6-143, ~~and~~  
 4 ~~class seventeen property described in [section 1]~~, an objection may be made only once in each valuation cycle.  
 5 For a reduction in the appraised value to be considered for both years of the biennial cycle, the objection may  
 6 be made at any time but only once each valuation cycle must be made in writing within 30 days of notice of  
 7 classification and appraisal. An objection in writing may be made in the second year, but any reduction in value  
 8 will be applicable only for the second year.

9 (b) For properties valued using ~~the sales price sales comparison approach~~ or the ~~capitalization of net~~  
 10 ~~income method~~ income approach as an indication of value, the form must include a provision that the objector  
 11 agrees to confidentiality requirements for receipt of comparable sales data from information received from realty  
 12 transfer certificates under 15-7-308. Within 4 weeks of submitting an objection, if the objection relates to  
 13 residential and commercial property, the department shall provide the objector by posted mail or e-mail, unless  
 14 the objector waives receiving the information, with:

15 (i) data from comparable sales used by the department to value the property;  
 16 (ii) the methodology and sources of data used by the department in the valuation of the property; and  
 17 (iii) if the department uses a blend of evaluations developed from various sources, the reasons that the  
 18 methodology was used.

19 (c) For properties valued using the capitalization of net income method as one approximation of market  
 20 value, notice must be provided that the taxpayer will be given a form to acknowledge confidentiality requirements  
 21 for the receipt of all aggregate model output that the department used in the valuation model for the property.

22 (d) The review must be conducted informally and is not subject to the contested case procedures of the  
 23 Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling  
 24 price of the property, independent appraisals of the property, and other relevant information presented by the  
 25 taxpayer in support of the taxpayer's opinion as to the market value of the property. If a taxpayer's class four  
 26 property under 15-6-134 or class seventeen property under [section 1] has not been inspected and fully appraised  
 27 in the calendar year prior to the assessment year, the department shall, upon request of the taxpayer, conduct  
 28 a full inspection and appraisal of the property as part of its review under this subsection. The department shall  
 29 give reasonable notice to the taxpayer of the time and place of the review.

30 (e) After the review, the department shall determine the correct appraisal and classification of the land

1 or improvements and notify the taxpayer of its determination. The department may not determine an appraised  
 2 value that is higher than the value that was the subject of the objection unless the reason for an increase was  
 3 the result of a physical change in the property or caused by an error in the description of the property that is kept  
 4 by the department and used for calculating the appraised value. In the notification, the department shall state its  
 5 reasons for revising the classification or appraisal. When the proper appraisal and classification have been  
 6 determined, the land must be classified and the improvements appraised in the manner ordered by the  
 7 department.

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

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

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

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

15 (6) If ~~any~~ a property owner feels aggrieved by the classification or appraisal made by the department  
 16 after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax  
 17 appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the  
 18 courts. The appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days after  
 19 notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax  
 20 appeal board may consider the actual selling price of the property, independent appraisals of the property, and  
 21 other relevant information presented by the taxpayer as evidence of the market value of the property. If the county  
 22 tax appeal board or the state tax appeal board determines that an adjustment should be made, the department  
 23 shall adjust the base value of the property in accordance with the board's order."

24

25 **Section 6.** Section 15-7-103, MCA, is amended to read:

26 **"15-7-103. Classification and appraisal -- general and uniform methods.** (1) ~~It is the duty of the~~ The  
 27 ~~department of revenue to shall~~ implement the provisions of 15-7-101, 15-7-102, and this section by providing:

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

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

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

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

3 (2) All lands must be classified according to their use or uses.

4 (3) Land classified as agricultural land or forest land must be subclassified according to soil type and  
5 productive capacity. In the classification work, use must be made of soil surveys and maps and all other pertinent  
6 available information.

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

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

12 (6) In ~~any periodic~~ the revaluation of taxable property ~~completed under the provisions of 15-7-111~~, all  
13 property classified in 15-6-134 ~~and [section 4]~~ must be appraised valued as provided in 15-7-111 on the taxable  
14 ~~portion of its market value in the same year.~~ The department shall publish a rule specifying the year effective date  
15 used in the appraisal.

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

20

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

22 **"15-7-111. Periodic revaluation of certain taxable property.** (1) The department shall administer and  
23 supervise a program for the revaluation of all taxable property within class three under 15-6-133, class four under  
24 15-6-134, and class ten under 15-6-143. All other property must be revalued annually.

25 (2) ~~The~~ For the revaluation cycle ending December 31, 2014, the department shall value and phase in  
26 the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation  
27 within the same class and the values established pursuant to subsection (1). The department shall adopt rules  
28 for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within  
29 the same class.

30 (3) The revaluation of class three, four, and ten property for the revaluation cycle ending December 31,

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

4 ~~———— (4) During the end of the second and fourth year of each revaluation cycle, the department shall provide~~  
 5 ~~the revenue and transportation interim committee with a sales assessment ratio study of residences to be used~~  
 6 ~~to allow the committee to be apprised of the housing market and value trends.~~

7 (5)(4) The department shall administer and supervise a program for the revaluation of all taxable property  
 8 within classes three, four, and ten. ~~A comprehensive written reappraisal plan must be promulgated by the~~  
 9 ~~department. The department shall adopt a comprehensive reappraisal plan by rule.~~ The reappraisal plan adopted  
 10 must provide that all class three, four, and ten property in each county is revalued by January 1, 2015, effective  
 11 for January 1, 2015, ~~and each succeeding 6 years. The resulting valuation changes must be phased in for each~~  
 12 ~~year until the next reappraisal. If a percentage of change for each year is not established, then the percentage~~  
 13 ~~of phase in for each year is 16.66%."~~

14

15 **Section 8.** Section 15-7-111, MCA, is amended to read:

16 **"15-7-111. Periodic revaluation Revaluation of certain taxable property.** (1) The department shall  
 17 administer and supervise a program for the revaluation of all taxable property within class three under 15-6-133,  
 18 class four under 15-6-134, ~~and AND~~ class ten under 15-6-143, ~~and class seventeen under [section 1] as provided~~  
 19 ~~in this section.~~ All other property must be revalued annually. Beginning January 1, 2015, all property within class  
 20 three under 15-6-133, class four under 15-6-134, AND class ten under 15-6-143, and class seventeen under  
 21 [section 1] must be revalued biennially.

22 (2) ~~The~~ For the revaluation cycle ending December 31, 2014, the department shall value and phase in  
 23 the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation  
 24 within the same class and the values established pursuant to subsection (1). The department shall adopt rules  
 25 for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within  
 26 the same class.

27 (3) The revaluation of class three, four, and ten property for the revaluation cycle ending December 31,  
 28 2014, is complete on December 31, 2008. The amount of the change in valuation from the 2002 base year for  
 29 each property in classes three, four, and ten must be phased in each year at the rate of 16.66% of the change  
 30 in valuation. The change in value is fully phased in on January 1, 2014, effective for January 1, 2014.

1           (4) During the ~~end of the second and fourth~~ second year of each revaluation cycle, the department shall  
 2 provide the revenue and transportation interim committee with a ~~sales assessment ratio study of residences to~~  
 3 ~~be used to allow the committee to be apprised of the housing market and value trends~~ report of the most recent  
 4 reappraisal cycle for a review of any proposed changes of classification, appraisal processes, and taxable rates.  
 5 The report must provide the committee with sufficient information regarding the taxable rates that would establish  
 6 revenue neutrality for each property class during the next revaluation cycle.

7           (5) (a) The department shall administer and supervise a program for the revaluation of all taxable  
 8 property within classes three, four, and ~~AND ten, and seventeen.~~ A comprehensive written reappraisal plan must  
 9 ~~be promulgated by the department.~~ The department shall adopt a comprehensive reappraisal plan by rule. The  
 10 reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued by  
 11 January 1, 2015, effective for January 1, 2015, ~~and each succeeding 6 years.~~ The resulting valuation changes  
 12 ~~must be phased in for each year until the next reappraisal. If a percentage of change for each year is not~~  
 13 ~~established, then the percentage of phase in for each year is 16.66%.~~

14           (b) For revaluations occurring after December 31, 2014, the reappraisal plan adopted must provide for  
 15 the revaluation of property as provided in subsections (6) and (7).

16           (6) (a) Beginning January 1, 2015, the reappraisal plan adopted must provide that all class three, four,  
 17 ~~AND ten, and seventeen~~ property in each county is revalued once every 2 years. The biennial appraised value  
 18 must reflect the property's current market value on the effective date of the appraisal.

19           (b) In completing the appraisal or adjustments under subsection (5), the department shall, as provided  
 20 in the reappraisal plan, conduct individual property inspections, building permit reviews, sales data verification  
 21 reviews, and electronic data reviews, including but not limited to aerial imagery and change detection software.  
 22 As new technology becomes available for recognizing changes to property, the department may consider  
 23 adopting those new technologies.

24           (c) The department shall conduct a field inspection of a sufficient number of taxable properties to meet  
 25 the requirements of subsection (5).

26           (7) For the purposes of this section:

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

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

29  
 30           **Section 9.** Section 15-7-112, MCA, is amended to read:

1           **"15-7-112. Equalization of valuations.** The ~~same~~ method of appraisal and assessment ~~shall~~ provided  
 2 in 15-7-111 must be used in each county of the state ~~to the end~~ so that comparable ~~property~~ properties with  
 3 similar true market values and subject to taxation in Montana ~~shall~~ have substantially equal taxable values ~~at the~~  
 4 ~~end of each cyclical revaluation program hereinbefore~~ provided in the tax year."

5

6           **Section 10.** Section 15-7-131, MCA, is amended to read:

7           **"15-7-131. Policy.** It is the policy of the state of Montana to provide for equitable assessment of taxable  
 8 property in the state and to provide for ~~periodic~~ the revaluation of taxable property in a manner that is fair to all  
 9 taxpayers."

10

11           **Section 11.** Section 15-7-139, MCA, is amended to read:

12           **"15-7-139. Requirements for entry on property by property valuation staff employed by**  
 13 **department -- authority to estimate value of property not entered -- rules.** (1) Subject to the conditions and  
 14 restriction of this section, the provisions of 45-6-203 do not apply to property valuation staff employed by the  
 15 department and acting within the course and scope of the employees' official duties.

16           (2) A person qualified under subsection (1) may enter private land to appraise or audit property for  
 17 property tax purposes.

18           (3) (a) No later than November 30 of each year, the department shall publish in a newspaper of general  
 19 circulation in each county a notice that the department may enter property for the purpose of appraising or  
 20 auditing property.

21           (b) The published notice must indicate:

22           (i) that a landowner may require that the landowner or the landowner's agent be present when the person  
 23 qualified in subsection (1) enters the land to appraise or audit property;

24           (ii) that the landowner shall notify the department in writing of the landowner's requirement that the  
 25 landowner or landowner's agent be present; and

26           (iii) that the landowner's written notice must be mailed to the department at an address specified and be  
 27 postmarked not more than 30 days following the date of publication of the notice. The department may grant a  
 28 reasonable extension of time for returning the written notice.

29           (4) The written notice described in subsection (3)(b)(ii) must be legible and include:

30           (a) the landowner's full name;

- 1 (b) the mailing address and property address; and
- 2 (c) a telephone number at which an appraiser may contact the landowner during normal business hours.
- 3 (5) When the department receives a written notice as described in subsection (4), the department shall
- 4 contact the landowner or the landowner's agent to establish a date and time for entering the land to appraise or
- 5 audit the property.
- 6 (6) If a landowner or the landowner's agent prevents a person qualified under subsection (1) from
- 7 entering land to appraise or audit property or fails or refuses to establish a date and time for entering the land
- 8 pursuant to subsection (5), the department shall estimate the value of the real and personal property located on
- 9 the land.
- 10 (7) A county tax appeal board and the state tax appeal board may not adjust the estimated value of the
- 11 real or personal property determined under subsection (6) unless the landowner or the landowner's agent:
- 12 (a) gives permission to the department to enter the land to appraise or audit the property; or
- 13 (b) provides to the department and files with the county tax appeal board or the state tax appeal board
- 14 an appraisal of the property conducted by an appraiser who is certified by the Montana board of real estate
- 15 appraisers. The appraisal must ~~be conducted~~ provide an effective date in accordance with current uniform
- 16 standards of professional appraisal practice established for certified real estate appraisers under 37-54-403. The
- 17 appraisal must be conducted within 1 year of the reappraisal ~~base year~~ valuation date provided for in 15-7-103(6)
- 18 and must establish a separate market value for each improvement and the land.
- 19 (8) A person qualified under subsection (1) who enters land pursuant to this section shall carry on the
- 20 person identification sufficient to identify the person and the person's employer and shall present the identification
- 21 upon request.
- 22 (9) The authority granted by this section does not authorize entry into improvements, personal property,
- 23 or buildings or structures without the permission of the owner or the owner's agent.
- 24 (10) Vehicular access to perform appraisals and audits is limited to established roads and trails, unless
- 25 approval for other vehicular access is granted by the landowner.
- 26 (11) The department shall adopt rules that are necessary to implement 15-7-140 and this section. The
- 27 rules must, at a minimum, establish procedures for granting a reasonable extension of time for landowners to
- 28 respond to notices from the department."

29

30 **Section 12.** Section 15-7-201, MCA, is amended to read:

1           **"15-7-201. Legislative intent -- value of agricultural property.** (1) Because the market value of many  
 2 agricultural properties is based upon speculative purchases that do not reflect the productive capability of  
 3 agricultural land, it is the legislative intent that bona fide agricultural properties be classified and assessed at a  
 4 value that is exclusive of values attributed to urban influences or speculative purposes.

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

7           (3) Within each class, land must be subclassified by productive capacity. Productive capacity is  
 8 determined based on yield.

9           (4) ~~(a) In computing the agricultural land valuation schedules to take effect on the date when each~~  
 10 ~~revaluation cycle takes effect pursuant to 15-7-111, the~~ The department of revenue shall determine the productive  
 11 capacity value of all agricultural lands using the formula  $V = I/R$  where:

12           ~~(a)(i)~~ V is the per-acre productive capacity value of agricultural land in each subclass;

13           ~~(b)(ii)~~ I is the per-acre net income of agricultural land in each subclass and is to be determined as  
 14 provided in subsection (5); and

15           ~~(c)(iii) R is the capitalization rate and, unless the advisory committee recommends a different rate and~~  
 16 ~~the department adopts the recommended capitalization rate by rule, is equal to 6.4%. This capitalization rate must~~  
 17 ~~remain in effect until the next revaluation cycle. Beginning January 1, 2015, the department shall, after~~  
 18 consultation with the agriculture advisory committee established in subsection (7), determine the capitalization  
 19 rate for the next 4 years. The capitalization rate must be adopted by rule and may not go below 6.4%.

20           (b) Unless the agricultural advisory committee recommends a higher capitalization rate that is adopted  
 21 by the department for years beginning January 1, 2015, through January 1, 2019, the capitalization rate is 6.4%.

22           (c) Agricultural land valuation schedules take effect pursuant to 15-7-111 on January 1, 2015, for tax  
 23 years 2015 and 2016 and thereafter on January 1 of the first year of each 2-year cycle.

24           (5) (a) Net income must be determined separately for each subclass.

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

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

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

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

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

9 (B) Energy costs must be based on per-acre energy costs incurred in the ~~energy cost base year, which~~  
10 ~~is the~~ calendar year immediately preceding the revaluation year ~~specified by the department in 15-7-103(6)~~. By  
11 July March 1 of the revaluation year ~~following the energy cost base year~~, an owner of irrigated land shall provide  
12 the department, on a form prescribed by the department, with energy costs incurred in ~~that energy cost base~~ the  
13 calendar year preceding the revaluation year. ~~In the event that no~~ If energy costs were not incurred in the energy  
14 ~~cost base~~ calendar year preceding the revaluation year, the owner of irrigated land shall provide the department  
15 with energy costs from the most recent year available. The department shall adjust the most recent year's energy  
16 costs to reflect costs in the ~~energy cost base~~ calendar year preceding the revaluation year.

17 (c) The base crop for valuation of irrigated land is alfalfa hay adjusted to 80% of the sales price, and the  
18 base crop for valuation of nonirrigated land is spring wheat. The base unit for valuation of grazing lands is animal  
19 unit months, defined as the average monthly requirement of pasture forage to support a 1,200-pound cow with  
20 a calf or its equivalent.

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

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

29 (7) The governor shall appoint an agriculture advisory committee of persons knowledgeable in agriculture  
30 and agricultural economics. Members of the advisory committee must be appointed for terms of 3 years or until

1 their successors are appointed. The advisory committee shall include one member of the Montana state  
2 university-Bozeman, college of agriculture, staff. The advisory committee shall:

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

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

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

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

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

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

13

14 ~~Section 15.~~ Section 15-7-202, MCA, is amended to read:

15 ~~"15-7-202. Eligibility of land for valuation as agricultural. (1) (a) Contiguous parcels of land totaling~~  
16 ~~160 acres or more under one ownership are eligible for valuation, assessment, and taxation as agricultural land~~  
17 ~~each year that none of the parcels is devoted to a residential, commercial, or industrial use:~~

18 ~~(b) (i) Contiguous parcels of land of 20 acres or more but less than 160 acres under one ownership that~~  
19 ~~are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural land~~  
20 ~~if:~~

21 ~~(A) the land is used primarily for raising and marketing, as defined in subsection (1)(c), products that~~  
22 ~~meet the definition of agricultural in 15-1-101 and if, except as provided in subsection (3), the owner or the~~  
23 ~~owner's immediate family members, agent, employee, or lessee markets not less than \$1,500 in annual gross~~  
24 ~~income from the raising of agricultural products produced by the land; or~~

25 ~~(B) the parcels would have met the qualification set out in subsection (1)(b)(i)(A) were it not for~~  
26 ~~independent, intervening causes of production failure beyond the control of the producer or a marketing delay~~  
27 ~~for economic advantage, in which case proof of qualification in a prior year will suffice:~~

28 ~~(ii) Noncontiguous parcels of land that meet the income requirement of subsection (1)(b)(i) are eligible~~  
29 ~~for valuation, assessment, and taxation as agricultural land under subsection (1)(b)(i) if:~~

30 ~~(A) the land is an integral part of a bona fide agricultural operation undertaken by the persons set forth~~

1 in-subsection (1)(b)(i) as defined in this section; and

2 ~~—— (B) the land is not devoted to a residential, commercial, or industrial use.~~

3 ~~—— (iii) Parcels of land of 20 acres or more but less than 160 acres that do not meet the income requirement~~

4 ~~of subsection (1)(b)(i) may also be valued, assessed, and taxed as agricultural land if the owner:~~

5 ~~—— (A) applies to the department requesting classification of the parcel as agricultural;~~

6 ~~—— (B) verifies that the parcel of land is greater than 20 acres but less than 160 acres and that the parcel~~

7 ~~is located within 15 air miles of the family-operated farming entity referred to in subsection (1)(b)(iii)(C); and~~

8 ~~—— (C) verifies that:~~

9 ~~—— (I) the owner of the parcel is involved in agricultural production by submitting proof that 51% or more of~~

10 ~~the owner's Montana annual gross income is derived from agricultural production; and~~

11 ~~—— (II) property taxes on the property are paid by a family corporation, family partnership, sole proprietorship,~~

12 ~~or family trust that is involved in Montana agricultural production and 51% of the entity's Montana annual gross~~

13 ~~income is derived from agricultural production; or~~

14 ~~—— (III) the owner is a shareholder, partner, owner, or member of the family corporation, family partnership,~~

15 ~~sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of the person's or~~

16 ~~entity's Montana annual gross income is derived from agricultural production.~~

17 ~~—— (c) For the purposes of this subsection (1):~~

18 ~~—— (i) "marketing" means the selling of agricultural products produced by the land and includes but is not~~

19 ~~limited to:~~

20 ~~—— (A) rental or lease of the land as long as the land is actively used for grazing livestock or for other~~

21 ~~agricultural purposes; and~~

22 ~~—— (B) rental payments made under the federal conservation reserve program or a successor to that~~

23 ~~program;~~

24 ~~—— (ii) land that is devoted to residential use or that is used for agricultural buildings and is included in or is~~

25 ~~contiguous to land under the same ownership that is classified as agricultural land, other than nonqualified~~

26 ~~agricultural land described in 15-6-133(1)(c)(1)(d), must be classified as agricultural land, and the land must be~~

27 ~~valued as provided in 15-7-206.~~

28 ~~—— (2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that~~

29 ~~are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural each~~

30 ~~year that the parcels meet any of the following qualifications:~~

- 1 ~~——— (a) except as provided in subsection (3), the parcels produce and the owner or the owner's agent,~~  
 2 ~~employee, or lessee markets not less than \$1,500 in annual gross income from the raising of agricultural products~~  
 3 ~~as defined in 15-1-101;~~
- 4 ~~——— (b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent,~~  
 5 ~~intervening causes of production failure beyond the control of the producer or marketing delay for economic~~  
 6 ~~advantage, in which case proof of qualification in a prior year will suffice; or~~
- 7 ~~——— (c) in a prior year, the parcels totaled 20 acres or more and qualified as agricultural land under this~~  
 8 ~~section, but the number of acres was reduced to less than 20 acres for a public use described in 70-30-102 by~~  
 9 ~~the federal government, the state, a county, or a municipality, and since that reduction in acres, the parcels have~~  
 10 ~~not been further divided.~~
- 11 ~~——— (3) For grazing land to be eligible for classification as agricultural land under subsections (1)(b) and (2),~~  
 12 ~~the land must be capable of sustaining a minimum number of animal unit months of carrying capacity. The~~  
 13 ~~minimum number of animal unit months of carrying capacity must equate to \$1,500 in annual gross income as~~  
 14 ~~determined by the Montana state university-Bozeman department of agricultural economics and economics.~~
- 15 ~~——— (4) Parcels that do not meet the qualifications set out in subsections (1) and (2) may not be classified~~  
 16 ~~or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in~~  
 17 ~~compliance with the Montana Subdivision and Platting Act.~~
- 18 ~~——— (5) Land may not be classified or valued as agricultural land or nonqualified agricultural land if it has~~  
 19 ~~stated covenants or other restrictions that effectively prohibit its use for agricultural purposes.~~
- 20 ~~——— (6) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide~~  
 21 ~~agricultural enterprise is not considered a bona fide agricultural operation.~~
- 22 ~~——— (7) The department may not classify land less than 160 acres as agricultural unless the owner has~~  
 23 ~~applied to have land classified as agricultural land. Land of 20 acres or more but less than 160 acres for which~~  
 24 ~~no application for agricultural classification has been made is valued as provided in 15-6-133(1)(c)(1)(d) and is~~  
 25 ~~taxed as provided in 15-6-133(3)(4). If land has been valued, assessed, and taxed as agricultural land in any~~  
 26 ~~year, it must continue to be valued, assessed, and taxed as agricultural until the department reclassifies the~~  
 27 ~~property. A reclassification does not mean revaluation pursuant to 15-7-111.~~
- 28 ~~——— (8) For the purposes of this part, growing timber is not an agricultural use."~~

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

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

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

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

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

13           (d) Except as provided in subsection (4), the market value of special mobile equipment and agricultural  
14 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and  
15 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules  
16 showing the average wholesale value when a national appraisal guide does not exist.

17           (3) In valuing class four residential ~~and commercial~~ AND COMMERCIAL property described in 15-6-134 ~~and~~  
18 ~~class seventeen commercial property described in [section 1]~~, the department shall conduct the appraisal  
19 following the appropriate uniform standards of professional appraisal practice for mass appraisal promulgated  
20 by the appraisal standards board of the appraisal foundation. In valuing the property, the department shall use  
21 information available from any source considered reliable. Comparable properties used for valuation must  
22 represent similar properties within an acceptable proximity of the property being valued.

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

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

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

1 (c) (i) for condominium property, the department shall establish the value as provided in subsection (5);  
2 and

3 (ii) for a townhome or townhouse, as defined in 70-23-102, the department shall determine the value in  
4 a manner established by the department by rule; and

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

6 (5) (a) Subject to subsection (5)(c), if sufficient, relevant information on comparable sales is available,  
7 the department shall use the ~~comparable sales method~~ sales comparison approach to appraise residential  
8 condominium units. Because the undivided interest in common elements is included in the sales price of the  
9 condominium units, the department is not required to separately allocate the value of the common elements to  
10 the individual units being valued.

11 (b) Subject to subsection (5)(c), if sufficient, relevant information on income is made available to the  
12 department, the department shall use the ~~capitalization-of-net-income method~~ income approach to appraise  
13 commercial condominium units. Because the undivided interest in common elements contributes directly to the  
14 income-producing capability of the individual units, the department is not required to separately allocate the value  
15 of the common elements to the individual units being valued.

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

24 (6) For purposes of taxation, assessed value is the same as appraised value.

25 (7) The taxable value for all property is the ~~percentage of market or assessed value established value~~  
26 multiplied by the tax rate for each class of property.

27 (8) The ~~assessed market~~ value of properties in 15-6-131 through 15-6-134, 15-6-143, and AND 15-6-145;  
28 ~~and [section 1]~~ is as follows:

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

1 15-23-516, 15-23-517, or 15-23-518.

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

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

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

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

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

12 ~~—— (g) Commercial properties in [section 1], under class seventeen, are assessed at 100% of market value.~~

13 (9) 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 17.** Section 15-10-420, MCA, is amended to read:~~

20 ~~—— "**15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a~~  
21 ~~governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount~~  
22 ~~of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3~~  
23 ~~years. The maximum number of mills that a governmental entity may impose is established by calculating the~~  
24 ~~number of mills required to generate the amount of property tax actually assessed in the governmental unit in the~~  
25 ~~prior year based on the current year taxable value, less the current year's value of newly taxable property, plus~~  
26 ~~one-half of the average rate of inflation for the prior 3 years.~~

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

1 ~~—— (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of~~  
2 ~~inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using~~  
3 ~~the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.~~  
4 ~~—— (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional~~  
5 ~~levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly~~  
6 ~~taxable property.~~  
7 ~~—— (3) (a) For purposes of this section, newly taxable property includes:~~  
8 ~~—— (i) annexation of real property and improvements into a taxing unit;~~  
9 ~~—— (ii) construction, expansion, or remodeling of improvements;~~  
10 ~~—— (iii) transfer of property into a taxing unit;~~  
11 ~~—— (iv) subdivision of real property; and~~  
12 ~~—— (v) transfer of property from tax-exempt to taxable status.~~  
13 ~~—— (b) Newly taxable property does not include an increase in value that arises because of an increase in~~  
14 ~~the incremental value within a tax increment financing district.~~  
15 ~~—— (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the~~  
16 ~~release of taxable value from the incremental taxable value of a tax increment financing district because of:~~  
17 ~~—— (i) a change in the boundary of a tax increment financing district;~~  
18 ~~—— (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or~~  
19 ~~—— (iii) the termination of a tax increment financing district.~~  
20 ~~—— (b) If a tax increment financing district terminates prior to the certification of taxable values as required~~  
21 ~~in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment~~  
22 ~~financing district terminates. If a tax increment financing district terminates after the certification of taxable values~~  
23 ~~as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.~~  
24 ~~—— (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property and class~~  
25 ~~seventeen property that was constructed, expanded, or remodeled property since the completion of the last~~  
26 ~~reappraisal cycle is the current year market value of that property less the previous year market value of that~~  
27 ~~property.~~  
28 ~~—— (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real~~  
29 ~~property that results in the property being taxable as class four property under 15-6-134, as class seventeen~~  
30 ~~property under [section 1], or as nonqualified agricultural land as described in 15-6-133(1)(c)(1)(d).~~

- 1 ~~—— (5) Subject to subsection (8), subsection (1)(a) does not apply to:~~
- 2 ~~—— (a) school district levies established in Title 20; or~~
- 3 ~~—— (b) a mill levy imposed for a newly created regional resource authority.~~
- 4 ~~—— (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received~~
- 5 ~~under 15-6-131 and 15-6-132.~~
- 6 ~~—— (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:~~
- 7 ~~—— (a) may increase the number of mills to account for a decrease in reimbursements; and~~
- 8 ~~—— (b) may not increase the number of mills to account for a loss of tax base because of legislative action~~
- 9 ~~that is reimbursed under the provisions of 15-1-121(7).~~
- 10 ~~—— (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes~~
- 11 ~~of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the~~
- 12 ~~department may not exceed the mill levy limits established in those sections. The mill calculation must be~~
- 13 ~~established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the~~
- 14 ~~calculation must be rounded up to the nearest tenth of a mill.~~
- 15 ~~—— (9) (a) The provisions of subsection (1) do not prevent or restrict:~~
- 16 ~~—— (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;~~
- 17 ~~—— (ii) a levy to repay taxes paid under protest as provided in 15-1-402;~~
- 18 ~~—— (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;~~
- 19 ~~—— (iv) a levy for the support of a study commission under 7-3-184;~~
- 20 ~~—— (v) a levy for the support of a newly established regional resource authority;~~
- 21 ~~—— (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property~~
- 22 ~~tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703; or~~
- 23 ~~—— (vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining~~
- 24 ~~county under 7-2-2807 upon relocation of a county boundary.~~
- 25 ~~—— (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes~~
- 26 ~~actually assessed in a subsequent year.~~
- 27 ~~—— (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,~~
- 28 ~~67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport~~
- 29 ~~authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating~~
- 30 ~~funds by a county or municipality during that time.~~

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

4

5 **Section 14.** Section 15-15-102, MCA, is amended to read:

6 **"15-15-102. Application for reduction in valuation.** (1) The valuation of property may not be reduced  
 7 by the county tax appeal board unless either the taxpayer or the taxpayer's agent makes and files a written  
 8 application for reduction with the county tax appeal board.

9 (2) The application for reduction may be obtained at the local appraisal office or from the county tax  
 10 appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt  
 11 is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county  
 12 tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

13 (3) An application for reduction with the county tax appeal board may be submitted once in either year  
 14 of each 2-year reappraisal cycle. The application must be submitted on or before the first Monday in June or 30  
 15 days after receiving either a notice of classification and appraisal or a determination after review from the  
 16 department under 15-7-102(3) ~~from the department~~, whichever is later. If the department's determination after  
 17 review is not made in time to allow the county tax appeal board to review the matter during the current tax year,  
 18 the appeal must be reviewed during the next tax year, but the decision by the county tax appeal board is effective  
 19 for the year in which the request for review was filed with the department. The application must state the  
 20 post-office address of the applicant, specifically describe the property involved, and state the facts upon which  
 21 it is claimed the reduction should be made."

22

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

24 **"15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the receipt  
 25 of the property tax record, the county treasurer shall publish a notice specifying:

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

30 (b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next

1 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  
2 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;  
3 and

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

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

8 (i) the taxable value of the property;

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

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

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

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

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

18 (b) If the property is the subject of a tax lien sale for which a tax lien sale certificate has been issued  
19 under 15-17-212, the notice must also include, in a manner calculated to draw attention, a statement that the  
20 property is the subject of a tax lien sale and that the taxpayer may contact the county treasurer for complete  
21 information.

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

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

28 (5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional  
29 tax is not owed and a new tax bill does not need to be prepared."  
30

1 ~~Section 20.~~ Section 15-24-2101, MCA, is amended to read:

2 ~~"15-24-2101. Purpose.~~ The purpose of this part is to facilitate the reopening and continued operation  
3 of a commercial or industrial property by reducing the taxable value of property subject to taxation under 15-6-134  
4 and 15-6-138 ~~and [section 1]."~~

5  
6 ~~Section 21.~~ Section 15-24-2102, MCA, is amended to read:

7 ~~"15-24-2102. Reduction in assessment of taxable value of commercial and industrial property --~~  
8 ~~application -- approval.~~ (1) (a) For property tax years 2009, 2010, and 2011, the governing bodies of a county  
9 or consolidated local government unit, incorporated city or town, if the property is located in the city or town, and  
10 school district may jointly reduce by 95% the taxable value of commercial real property improvements, personal  
11 property, or any combination of that property, other than land, that is subject to taxation. The reduction in taxable  
12 value under this section applies only to commercial or industrial property taxed under 15-6-134 or 15-6-138 ~~and~~  
13 ~~[section 1].~~ A taxpayer that has not been operating the property for at least 6 months immediately preceding the  
14 request for reduction in taxable value and that does not intend to use the property for at least 6 months following  
15 the reduction in taxable value qualifies under this section.

16 ~~(b) (i) Except as provided in subsection (1)(b)(ii), an application for the reduction in taxable value allowed~~  
17 ~~under this section must be made to the affected local governing bodies by April 15 of the property tax year.~~

18 ~~(ii) An application for the reduction in taxable value allowed under this section for property tax year 2009~~  
19 ~~must be made to the affected local governing bodies by May 15, 2009.~~

20 ~~(c) For the purposes of 15-24-2103 and this section, a local governing body includes the board of~~  
21 ~~trustees of a school district.~~

22 ~~(2) (a) In order for a taxpayer to receive the tax benefits described in subsection (1), the governing~~  
23 ~~bodies of the affected county or consolidated local government unit, incorporated city or town, if the property is~~  
24 ~~located in the city or town, and school district must have approved by a separate, joint resolution for each~~  
25 ~~commercial or industrial property, following due notice as defined in 76-15-103 and a public hearing, the taxable~~  
26 ~~value reduction provided for in subsection (1) for the respective jurisdictions. The presiding officer of the~~  
27 ~~governing body of the affected county or consolidated local government unit is the presiding officer of the joint~~  
28 ~~meeting of the affected taxing jurisdictions. If the property is located in more than one county, the presiding officer~~  
29 ~~of the governing body of the county in which most of the property is located is the presiding officer of the joint~~  
30 ~~meeting.~~

1 ~~———(b) For the purpose of this subsection (2), each affected governing body shall provide due notice of the~~  
2 ~~joint meeting.~~

3 ~~———(c) Subject to 15-10-420, the governing bodies may end the tax benefits by majority vote at any time,~~  
4 ~~but the tax benefits may not be denied to a commercial or industrial business that previously qualified for the~~  
5 ~~benefits in the tax year.~~

6 ~~———(d) The joint resolution provided for in subsection (2)(a) must include a description of the improvements~~  
7 ~~and personal property that qualify for the tax treatment that is to be allowed in the taxing jurisdictions. The joint~~  
8 ~~resolution may provide that commercial real property improvements, personal property, or any combination of~~  
9 ~~that property, other than land, is eligible for the tax benefits described in subsection (1).~~

10 ~~———(3) The joint resolution must state that the reduction in taxable value is in the best interest of the~~  
11 ~~governing body based on full disclosure of all pertinent financial information by the owner of the real and personal~~  
12 ~~property as required by the local governing body. The joint resolution must be approved by a majority vote of the~~  
13 ~~governing body of each affected taxing jurisdiction referred to in subsection (2)(a).~~

14 ~~———(4) The governing bodies may refuse to reduce the taxable value of the property if they determine that~~  
15 ~~the business is restructuring the ownership of the property for the primary purpose of escaping payment of~~  
16 ~~property taxes or if the governing bodies determine that the reduction in taxable value is not in the best interest~~  
17 ~~of the local governments.~~

18 ~~———(5) The reduction in taxable value granted by the joint resolution may be only for the current tax year.~~  
19 ~~The governing bodies may grant a reduction in taxable value for the same owner of the property in the~~  
20 ~~subsequent tax year under the provisions of this section, but they may not grant a reduction in taxable value for~~  
21 ~~more than 3 tax years as provided in this section. The tax benefit granted under this section applies for the entire~~  
22 ~~tax year.~~

23 ~~———(6) The tax benefits may not be granted under this section if the business owes delinquent property taxes~~  
24 ~~for prior tax years.~~

25 ~~———(7) (a) If the reduction in taxable value is granted by a majority vote of the governing body of each~~  
26 ~~affected taxing jurisdiction, the reduction applies only to mills levied in the affected county or consolidated local~~  
27 ~~government unit, the affected incorporated city or town, and the affected school district.~~

28 ~~———(b) The benefit described in subsection (1) does not apply to levies or assessments required under Title~~  
29 ~~15, chapter 10, 20-9-331, 20-9-333, or 20-9-360 or otherwise required under state law.~~

30 ~~———(8) Within 15 days of approving the joint resolution to grant a reduction of taxable value but not later than~~

1 July 15 of the tax year for which the reduction is granted, the governing body of the affected county or  
 2 consolidated local government unit shall notify the department of the approval by each of the affected governing  
 3 bodies. Upon receipt of the notification of approval by the governing body of the affected county or consolidated  
 4 local government unit, the department shall make the assessment change pursuant to this section for each  
 5 affected taxing jurisdiction."

6  
 7 ~~Section 22.~~ Section 15-24-3001, MCA, is amended to read:

8 ~~"15-24-3001. Electrical generation and transmission facility exemption -- definitions.~~ (1) (a) Except  
 9 as provided in subsections (1)(b) and (3), an electrical generation facility and related delivery facilities constructed  
 10 in the state of Montana after May 5, 2001, and before January 1, 2006, may be exempt from property taxation  
 11 for a 10-year period beginning on the date that an owner or operator of an electrical generation facility and related  
 12 delivery facilities commences to construct the facility as defined in 75-20-104(6)(a) and (6)(b). In order to be  
 13 exempt from property taxation, an owner and operator of an electrical generation facility and related delivery  
 14 facilities shall offer contracts to sell 50% of that facility's net generating output at a cost-based rate, which includes  
 15 a rate of return not to exceed 12%, to customers for a 20-year period from the date of the facility's completion.

16 ~~(b) The property tax exemption allowed under subsection (1)(a) is limited to a 5-year period for~~  
 17 ~~generation facilities powered by oil or gas turbines.~~

18 ~~(2) To the extent that 50% of the net generating output of the facility is not contracted for delivery to~~  
 19 ~~consumers for a contract term extending 5 years to 20 years from the completion of the facility, as determined~~  
 20 ~~by the owner, surplus capacity must be offered on a declining contract term basis for the remainder of the contract~~  
 21 ~~period at a cost-based rate that includes a rate of return not to exceed 12%. Surplus capacity that is not~~  
 22 ~~contracted for in this fashion may be sold at market rates.~~

23 ~~(3) (a) Except as provided in subsection (3)(c), if an owner or operator of property exempt from taxation~~  
 24 ~~under subsection (1)(a) signs a contract to sell power as required in subsection (1) and then fails to perform the~~  
 25 ~~contract during the first 10-year period, the 10-year property tax exemption in subsection (1) is void and the~~  
 26 ~~property is subject to a rollback tax as provided in 15-24-3002.~~

27 ~~(b) Except as provided in subsection (3)(c), if an owner or operator of property exempt from taxation~~  
 28 ~~under subsection (1)(b) signs a contract to sell power as required in subsection (1) and then fails to perform the~~  
 29 ~~contract during the first 5-year period, the 5-year property tax exemption in subsection (1) is void and the property~~  
 30 ~~is subject to a rollback tax as provided in 15-24-3002.~~

1 ~~———— (c) If an owner or operator fails to perform the contract due to earthquakes or other acts of God, theft,~~  
 2 ~~sabotage, acts of war, other social instabilities, or equipment failure, the property tax exemption in subsection~~  
 3 ~~(1)(a) or (1)(b) is not void and the owner or operator is not subject to the rollback tax as provided in 15-24-3002.~~

4 ~~———— (4) For the purposes of this section, the following definitions apply:~~

5 ~~———— (a) (i) "Electrical generation facility" means any combination of a physically connected generator or~~  
 6 ~~generators, associated prime movers, and other associated property, including appurtenant land and~~  
 7 ~~improvements and personal property, that are normally operated together to produce 20 average megawatts or~~  
 8 ~~more of electric power. The term is limited to generating facilities that produce electricity from coal-fired steam~~  
 9 ~~turbines, oil or gas turbines, or turbine generators that are driven by falling water.~~

10 ~~———— (ii) The term does not include:~~

11 ~~———— (A) electrical generation facilities used for noncommercial purposes or exclusively for agricultural~~  
 12 ~~purposes; or~~

13 ~~———— (B) a qualifying small power production facility, as that term is defined in 16 U.S.C. 796(17), that is owned~~  
 14 ~~and operated by a person not primarily engaged in the generation or sale of electricity other than electric power~~  
 15 ~~from a small power production facility and that is classified under 15-6-134 and 15-6-138 and [section 1].~~

16 ~~———— (b) "Related delivery facilities" means transmission facilities necessary to deliver the energy from the~~  
 17 ~~electrical generation facility to the existing network transmission system.~~

18 ~~———— (c) "Surplus capacity" means that portion of the 50% of net generating output not contracted for use.~~

19 ~~———— (5) The department shall appraise exempt electrical generation facilities for each year that the property~~  
 20 ~~is exempt and determine the taxable value of the property as if it were subject to property taxation."~~

21

22 ~~———— **Section 23.** Section 15-24-3201, MCA, is amended to read:~~

23 ~~———— **"15-24-3201. Definitions.** As used in this part, the following definitions apply:~~

24 ~~———— (1) "Common gray water and potable water system" means a gray water system and a potable water~~  
 25 ~~system that are common elements of a multiple dwelling project.~~

26 ~~———— (2) (a) "Gray water system" means a system to treat and distribute untreated household wastewater that~~  
 27 ~~meets the requirements of 75-5-305(2), 75-5-325 through 75-5-327, and all administrative rules and local~~  
 28 ~~government regulations conforming with those provisions.~~

29 ~~———— (b) Household wastewater does not include water that is or has come into contact with toilet water;~~  
 30 ~~wastewater from kitchen sinks, water softeners, and dishwashers; or laundry water used for washing infectious~~

1 garments, including diapers:

2 ~~—— (3) "Multiple dwelling project" means:~~

3 ~~—— (a) a residential condominium on common land consisting of residential units in single or multiunit~~  
4 ~~structures for at least 25 occupants; or~~

5 ~~—— (b) a class four residential building seventeen rental multifamily dwelling as described in 15-6-134~~  
6 ~~[section 1], or that portion of a class four building seventeen dwelling that is used for residential purposes, that~~  
7 ~~has multiple residential units for at least 25 occupants and includes as much of the surrounding land, not~~  
8 ~~exceeding 5 acres, as is reasonably necessary for its residential use.~~

9 ~~—— (4) "Potable water system" means a privately owned public water supply system as defined in 75-6-102~~  
10 ~~that is used in common by all the dwellings of a multiple dwelling project.~~

11 ~~—— (5) "Residential dwelling" means any class four residential dwelling described in 15-6-134 that is a~~  
12 ~~single-family dwelling unit, including a trailer, manufactured home, or mobile home and as much of the~~  
13 ~~surrounding land, not exceeding 5 acres, as is reasonably necessary for its use as a dwelling."~~

14

15 **Section 16.** Section 15-24-3202, MCA, is amended to read:

16 **"15-24-3202. Gray water system for newly constructed residence -- tax abatement.** (1) A residential  
17 dwelling that is under construction or that is newly constructed with a residential gray water system is taxed at  
18 91% of its ~~taxable~~ market value during the course of the construction and for 10 years after completion of  
19 construction as provided in this section.

20 (2) To receive a tax abatement under this section, a taxpayer shall apply, on a form provided by the  
21 department, to the department on or before April 15 of the year for which the first abatement is claimed for  
22 property under construction and for the first year of the completion of construction but not later than 1 year after  
23 the completion of the construction. The claimant shall provide a certification from the local board of health  
24 pursuant to 50-2-116 that the residential dwelling is under construction or was constructed with a gray water  
25 system that meets the requirements of this section. The department may require other information that it  
26 considers necessary to determine the eligibility of the residential dwelling for a property tax abatement.

27 (3) An abatement granted under this section remains in effect through the 10th year following the year  
28 construction was completed."

29

30 **Section 17.** Section 15-24-3203, MCA, is amended to read:

1           **"15-24-3203. Common gray water and potable water systems for newly constructed multiple**  
 2 **dwelling projects -- tax abatement.** (1) A multiple dwelling project that is under construction or that is  
 3 constructed with a common gray water and potable water system is taxed at 91% of the ~~taxable~~ market value of  
 4 the project or ~~taxable~~ market value of each residential condominium unit during the course of the construction  
 5 and for 10 years after completion of construction as provided in this section.

6           (2) To receive a tax abatement, a taxpayer shall apply, on a form provided by the department, to the  
 7 department on or before April 15 of the year for which the first abatement is claimed for property under  
 8 construction and for the first year of the completion of construction but not later than 1 year after the completion  
 9 of the construction of the residential units or, if construction is to occur over a multiyear period, after the  
 10 completion of the first residential unit. The claimant shall provide a certification from the local board of health  
 11 pursuant to 50-2-116 that the residential dwelling is under construction or was constructed with a common gray  
 12 water and potable water system that meets the requirements of this section. The department may require other  
 13 information that it considers necessary to determine the eligibility of the residential dwelling for a property tax  
 14 abatement.

15           (3) An abatement granted under this section remains in effect through the 10th year following the year  
 16 construction was completed.

17           (4) Only property with a common gray water and potable water system is eligible for the property tax  
 18 abatement provided in this section."

19

20           **Section 18.** Section 15-44-103, MCA, is amended to read:

21           **"15-44-103. Legislative intent -- value of forest lands -- valuation zones.** (1) In order to encourage  
 22 landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest  
 23 practices, and to encourage the investment of capital in reforestation, forest lands must be classified and  
 24 assessed under the provisions of this section.

25           (2) (a) The forest productivity value of forest land must be determined by:

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

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

30           (b) The forest productivity value takes effect pursuant to 15-7-111 on January 1, 2015, for tax years 2015

1 ~~and 2016 and on January 1 of each tax year after 2016~~ THEREAFTER ON JANUARY 1 OF THE FIRST YEAR OF EACH  
2 2-YEAR CYCLE.

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

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

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

9 (4) In computing the forest land productivity valuation for each forest valuation zone, the department shall  
10 determine the productive capacity value of all forest lands in each forest valuation zone using the formula  $V = I/R$ ,  
11 where:

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

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

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

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

17 (iii) SV is the stumpage value;

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

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

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

21 (5) Net income must:

22 (a) be calculated for each year of a base period, which is the most recent ~~5-year~~ 7-year period for which  
23 data is available;

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

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

29 (6) (a) The capitalization rate must be calculated for each year of the base period and is the average  
30 capitalization rate determined by the department after consultation with the forest lands taxation advisory

1 committee, plus the effective tax rate. The capitalization rate must be adopted by rule and may not go below 8%.  
2 ~~However, the capitalization rate for each year of the base period for tax years 2009 through 2014 may not be less~~  
3 ~~than 8%.~~

4 (b) Unless the forest lands taxation advisory committee recommends a higher capitalization rate that is  
5 adopted by the department for years beginning January 1, 2015, through January 1, 2019, the capitalization rate  
6 is 8%.

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

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

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

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

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

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

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

21 (c) The advisory committee shall:

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

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

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

27 (iv) verify for each forest valuation zone and forest land classification and subclassification under  
28 subsection (3) that the income determined in subsection (5) reasonably approximates that which the average  
29 Montana forest landowner could have attained; and

30 (v) recommend forest land valuation techniques to the department."

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**Section 19.** Section 77-1-208, MCA, is amended to read:

**"77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on one of the following methods:

(a) appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide periodic revaluation of property pursuant to 15-7-111 ~~without any adjustments as a result of phasing in values~~. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 15.

(b) establishing full rental market value through the use of an open competitive bidding process as provided in 77-1-235.

(2) A current licensee or lessee may complete or renew the licensee's or lessee's current lease based on valuation methods provided in subsection (1)(a), or at the end of the lease or license contract, the licensee or lessee may choose to proceed with the valuation option provided in subsection (1)(b).

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

(4) (a) Subject to subsection (4)(b), the board shall follow the procedures set forth in 77-6-302, 77-6-303, and 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board.

(b) (i) A subsequent licensee or lessee may not take occupancy unless the license or lease contract and the sale of improvements have been finalized. If a winning bidder has been identified and the transaction for the sale of the improvements is in process, the current lessee shall pay a prorated lease fee based on the current lease until the date that the sale of the improvements is finalized.

(ii) The valuation of improvements must be applicable to residential property inclusive of all improvements.

1 (iii) A licensee or lessee may assign or rent any improvements.

2 (iv) Within 3 years of canceling, terminating, or abandoning a cabin site lease, the owner of the  
3 improvements shall sell the improvements, remove the improvements, or transfer ownership of the improvements  
4 to the state. If ownership is transferred to the state, proceeds from the sale of the improvements must be paid  
5 to the owner who transferred the improvements. The board shall set the conditions of the sale of transferred  
6 improvements in order to sell the improvements in an expedient manner."

7  
8 **NEW SECTION. Section 20. Repealer.** The following sections of the Montana Code Annotated are  
9 repealed:

10 15-6-193. Extended property tax assistance -- phase in.

11 15-6-222. Residential and commercial improvements -- percentage of value exempt.

12  
13 ~~NEW SECTION. Section 29. Codification instruction. [Section 1] is intended to be codified as an~~  
14 ~~integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 1].~~

15  
16 **NEW SECTION. Section 21. Effective dates.** (1) ~~[Sections 9, 29, and 31]~~ [SECTIONS 7 AND 22] and this  
17 section are effective July 1, 2013.

18 (2) ~~[Sections 1 through 8 and 10 through 28]~~ [SECTIONS 1 THROUGH 6 AND 8 THROUGH 20] are effective  
19 January 1, 2015.

20  
21 **NEW SECTION. Section 22. Termination.** ~~[Section 9]~~ [SECTION 7] terminates December 31, 2014.

22 - END -