

1 HOUSE BILL NO. 35

2 INTRODUCED BY M. MILLER

3 BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT CERTAIN CLASS EIGHT PROPERTY TAX
6 ADJUSTMENTS ARE BASED ON CORPORATION LICENSE TAX COLLECTIONS RATHER THAN
7 CORPORATION INCOME TAX COLLECTIONS; AMENDING SECTION 15-6-138, MCA; AND PROVIDING AN
8 IMMEDIATE EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11
12 **Section 1.** Section 15-6-138, MCA, is amended to read:

13 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
14 includes:

15 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

16 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies
17 except those included in class five under 15-6-135;

18 (c) for oil and gas production, all:

19 (i) machinery;

20 (ii) fixtures;

21 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
22 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas
23 metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is
24 skidable, portable, or movable;

25 (iv) tools that are not exempt under 15-6-219; and

26 (v) supplies except those included in class five;

27 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and
28 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors
29 as provided in 15-6-220, and supplies except those included in class five;

30 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are

1 specifically included and taxed in another class or that are rented under a purchase incentive rental program as
2 defined in 15-6-202(4);

3 (f) special mobile equipment as defined in 61-1-101;

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

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

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

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

9 (k) cable television systems;

10 (l) coal and ore haulers;

11 (m) theater projectors and sound equipment; and

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

14 (2) As used in this section, the following definitions apply:

15 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are
16 primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

17 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service,
18 wholesale, retail, or food-handling business.

19 (c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas
20 production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,
21 a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate-regulated natural gas transmission or oil
22 transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

23 (3) Except as provided in 15-24-1402, 15-24-2102, and subsection (4) of this section class eight property
24 is taxed at:

25 (a) as determined pursuant to subsection (4):

26 (i) for the first \$2 million of taxable market value, 2%; or

27 (ii) for the first \$3 million of taxable market value, 1.5%; and

28 (b) for all taxable market value in excess of the applicable amount of taxable market value in subsection
29 (3)(a), 3%.

30 (4) (a) The adjusted taxable market value and rate in subsection (3)(a)(i) apply for class eight property

1 unless in any year beginning with fiscal year 2013 the revenue collected from individual income tax and
2 corporation ~~income~~ license tax exceeds the revenue collected from individual income tax and corporation ~~income~~
3 license tax in the previous fiscal year by more than 4%. In that case, for tax years beginning after the next
4 December 31, the taxable market value and rate in subsection (3)(a)(ii) apply.

5 (b) For the purpose of making the determination required in subsection (4)(a), the department of
6 administration shall certify to the secretary of state, by August 1 of each year in which class eight property is not
7 taxed pursuant to subsection (3)(a)(ii), the amount of unaudited individual income tax and corporation ~~income~~
8 license tax revenue in the prior fiscal year as recorded when that fiscal year statewide accounting, budgeting, and
9 human resource system records are closed in July.

10 (5) The class eight property of a person or business entity that owns an aggregate of \$20,000 or less
11 in market value of class eight property is exempt from taxation.

12 (6) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services
13 to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and
14 centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to
15 central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
16 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
17 aggregated for purposes of determining the 500-mile threshold."

18

19 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

20

- END -