

HOUSE BILL NO. 472

INTRODUCED BY G. BENNETT

1
2
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING CLASS EIGHT BUSINESS EQUIPMENT TAXES BY
5 INCREASING THE CLASS EIGHT BUSINESS EQUIPMENT TAX EXEMPTION; PROVIDING THAT THE
6 EXEMPTION APPLIES TO CLASS EIGHT PROPERTY THAT EXCEEDS THE EXEMPTION AMOUNT;
7 PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING
8 DISTRICTS UNDER THE ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS THROUGH THE
9 BLOCK GRANT PROGRAM, TO COUNTY SCHOOL RETIREMENT AND COUNTY TRANSPORTATION
10 REIMBURSEMENT, AND TO THE MONTANA UNIVERSITY SYSTEM FOR THE LOSS OF CLASS EIGHT AND
11 CLASS TWELVE PROPERTY TAX REVENUE; AMENDING SECTIONS 15-1-123 AND 15-6-138, MCA; AND
12 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

13

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

15

16 **Section 1.** Section 15-1-123, MCA, is amended to read:

17 **"15-1-123. Reimbursement for class eight rate reduction and exemption -- distribution --**
18 **appropriations.** (1) (a) For the tax rate reductions in ~~15-6-138~~ 15-6-138(4), the increased exemption amount in
19 15-6-138(5), and for the effective tax rate reductions on property under 15-6-145 because of the rate reductions
20 required by the amendment of 15-6-138 in section 2, Chapter 411, Laws of 2011, and the increased exemption
21 amount in [section 2(5)], the department shall, ~~by June 1, 2012, and for each calendar year that the tax rate is~~
22 ~~adjusted under 15-6-138(4),~~ pursuant to the timeline in subsection (1)(b), estimate for each local government,
23 as defined in 15-1-121(5), each school district, the county retirement fund under 20-9-501, the countywide school
24 transportation reimbursement under 20-10-146, each tax increment financing district, and the 6-mill university
25 levy for the purposes of 15-10-108, the difference between property tax collections under 15-6-138; as amended
26 by section 2, Chapter 411, Laws of 2011, and [section 2], and under 15-6-145 and the property tax revenue that
27 would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been amended by section 2,
28 Chapter 411, Laws of 2011, and [section 2]. The difference is the ~~annual~~ reimbursable amount for each local
29 government, each school district, each tax increment financing district, and the 6-mill levy for the support of the
30 Montana university system under 15-10-108.

1 **(b) The department shall make the calculations provided for in subsection (1)(a):**
 2 **(i) by June 1 of each calendar year that the tax rate is adjusted as a tax rate reduction under 15-6-138(4);**
 3 **(ii) except as provided in subsection (2)(b)(i), (3)(b)(i), (4)(b)(i), (5)(b)(i), (6)(b)(i), and (7)(b)(i) pertaining**
 4 **to personal property taxes, by June 1 of each calendar year in which there is an effective tax rate reduction on**
 5 **property under 15-6-145 because of the rate reductions required by the amendment of 15-6-138 in section 2,**
 6 **Chapter 411, Laws of 2011, and the increased exemption amount required by the amendment of 15-6-138 in**
 7 **[section 2(5)]; and**

8 **(iii) except as provided in subsections (2)(b)(ii), (3)(b)(ii), (4)(b)(ii), (5)(b)(ii), (6)(b)(ii), and (7)(b)(ii)**
 9 **pertaining to personal property taxes, by June 1, 2014, for calendar year 2014 as a reimbursement for the**
 10 **increased exemption amount required by the amendment of 15-6-138 in [section 2(5)].**

11 (2) (a) The department shall distribute the ~~reimbursement~~ reimbursements calculated in subsection (1)
 12 to local governments with the entitlement share payments under 15-1-121(7) ~~for fiscal year 2012 and for all other~~
 13 ~~fiscal years in which rate reductions occur~~. Local government reimbursements for subsequent years are made
 14 pursuant to the entitlement share recomputation as provided in 15-1-121(6).

15 (b) (i) ~~For fiscal year 2012 and all other~~ fiscal years in which rate reductions or effective tax rate
 16 reductions occur, the department shall determine from the amount calculated under subsection (1) the amount
 17 that is attributable to personal property taxes that are not a lien on real property for each local government. By
 18 August 1 following each of those fiscal years, the department shall distribute the amount determined under this
 19 subsection (2)(b)(i) for local governments as provided in 15-1-121(6)(a).

20 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
 21 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
 22 that are not a lien on real property for each local government. By June 15, 2014, the department shall distribute
 23 the amount determined under this subsection (2)(b)(ii) for local governments as provided in 15-1-121(6)(a).

24 (3) (a) The office of public instruction shall distribute the ~~reimbursement~~ reimbursements calculated in
 25 subsection (1) to school districts with the block grants pursuant to 20-9-630 for fiscal year 2012 and all other fiscal
 26 years in which rate reductions occur. School district reimbursements for subsequent fiscal years are made
 27 pursuant to 20-9-630.

28 (b) (i) ~~For fiscal year 2012 and all other~~ fiscal years in which rate reductions or effective tax rate
 29 reductions occur, the department shall determine from the amount calculated under subsection (1) the amount
 30 that is attributable to personal property taxes that are not a lien on real property for each school district. By

1 November 30 following each of those fiscal years, the office of public instruction shall distribute the amount
2 determined under this subsection (3)(b)(i) in the same manner as the block grant is distributed by fund under
3 20-9-630.

4 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
5 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
6 that are not a lien on real property for each school district. By November 30, 2014, the office of public instruction
7 shall distribute the amount determined under this subsection (3)(b)(ii) in the same manner as the block grant is
8 distributed by fund under 20-9-630.

9 (4) (a) ~~For each fiscal year beginning after fiscal year 2012 and all other fiscal years in which rate~~
10 ~~reductions occur, the~~ The amount determined under subsection (1) for each tax increment financing district must
11 be added to the reimbursement amount for the tax increment financing district as provided in 15-1-121(8)(b) if
12 the tax increment financing district is still in existence. If a tax increment financing district that is entitled to a
13 reimbursement under this section is not listed under 15-1-121(8)(b), the reimbursement must be made to that tax
14 increment financing district at the same time as other districts.

15 (b) (i) ~~For fiscal year 2012 and all other fiscal years in which rate reductions or effective tax rate~~
16 ~~reductions occur, the~~ department shall determine from the amount calculated under subsection (1) the amount
17 that is attributable to personal property taxes that are not a lien on real property for each tax increment financing
18 district. By August 1 following each of those fiscal years, the department shall distribute the amount determined
19 under this subsection (4)(b)(i) to each tax increment financing district as provided in 15-1-121(8) and to any other
20 tax increment financing district that is entitled to a reimbursement under this section.

21 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
22 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
23 that are not a lien on real property for each tax increment financing district. By June 15, 2014, the department
24 shall distribute the amount determined under this subsection (4)(b)(ii) to each tax increment financing district as
25 provided in 15-1-121(8) and to any other tax increment financing district that is entitled to a reimbursement under
26 this section.

27 (5) (a) ~~For fiscal year 2012 and all other fiscal years in which rate reductions occur, the~~ The amount
28 determined under subsection (1) for the 6-mill university levy must be added to current collections and
29 reimbursements for the support of the Montana university system as provided in 15-10-108.

30 (b) (i) ~~For fiscal year 2012 and all other fiscal years in which rate reductions or effective tax rate~~

1 reductions occur, the department shall determine from the amount calculated under subsection (1) the amount
2 that is attributable to personal property taxes that are not a lien on real property for the 6-mill university levy. By
3 August 1 following each of those fiscal years, the department of administration shall transfer the amount
4 determined under this subsection (5)(b)(i) from the general fund to the state special revenue fund for the support
5 of the Montana university system as provided in 15-10-108.

6 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
7 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
8 that are not a lien on real property for the 6-mill university levy. By August 1, 2014, the department of
9 administration shall transfer the amount determined under this subsection (5)(b)(ii) from the general fund to the
10 state special revenue fund for the support of the Montana university system as provided in 15-10-108.

11 (c) Beginning in fiscal year 2013, the department of administration shall transfer the amounts determined
12 under this subsection (5) from the general fund to the state special revenue fund for the support of the Montana
13 university system as provided in 15-10-108.

14 (6) (a) The office of public instruction shall distribute the ~~reimbursement~~ reimbursements calculated in
15 subsection (1) to the countywide retirement fund under 20-9-501 for fiscal year 2012 and all other fiscal years
16 in which rate reductions occur. One-half of the amount must be distributed in November and the remainder in
17 May.

18 (b) (i) ~~For fiscal year 2012 and all other fiscal years in which rate reductions~~ or effective tax rate
19 reductions occur, the department shall determine from the amount calculated under subsection (1) the amount
20 that is attributable to personal property taxes that are not a lien on real property in the county. By November 30
21 following each of those fiscal years, the office of public instruction shall distribute the amount determined under
22 this subsection (6)(b)(i) to the countywide retirement fund.

23 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
24 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
25 that are not a lien on real property in the county. By November 30, 2014, the office of public instruction shall
26 distribute the amount determined under this subsection (6)(b)(ii) to the countywide retirement fund.

27 (7) (a) The office of public instruction shall distribute the ~~reimbursement~~ reimbursements calculated in
28 subsection (1) to the county transportation reimbursement under 20-10-146 for fiscal year 2012 and all other fiscal
29 years in which rate reductions occur. The reimbursement must be made at the same time as countywide school
30 transportation block grants are distributed under 20-9-632.

1 (b) (i) For fiscal year 2012 and all other fiscal years in which rate reductions or effective tax rate
 2 reductions occur, the department shall determine from the amount calculated under subsection (1) the amount
 3 that is attributable to personal property taxes that are not a lien on real property in the county. By November 30
 4 following each of those fiscal years, the office of public instruction shall distribute the amount determined under
 5 this subsection (7)(b)(i) to the county transportation reimbursement.

6 (ii) For the fiscal year beginning July 1, 2013, the department shall determine the portion of the
 7 reimbursement for the increased exemption amount in 15-6-138(5) that is attributable to personal property taxes
 8 that are not a lien on real property in the county. By November 30 following each of those fiscal years, the office
 9 of public instruction shall distribute the amount determined under this subsection (7)(b)(ii) to the county
 10 transportation reimbursement."

11
 12 **Section 2.** 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
24 property is taxed at:

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

26 (i) for the first \$2 million of taxable market value in excess of the exemption amount in subsection (5),
27 2%; or

28 (ii) for the first \$3 million of taxable market value in excess of the exemption amount in subsection (5),
29 1.5%; and

30 (b) for all taxable market value in excess of the applicable amount of taxable market value in subsection

1 (3)(a), 3%.

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

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

12 (5) The class eight property of a person or business entity that owns an aggregate of ~~\$20,000~~ \$250,000
13 or less in market value of class eight property is exempt from taxation.

14 (6) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services
15 to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and
16 centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to
17 central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
18 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
19 aggregated for purposes of determining the 500-mile threshold."
20

21 NEW SECTION. Section 3. Notification to tribal governments. The secretary of state shall send a
22 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
23 Chippewa tribe.
24

25 NEW SECTION. Section 4. Saving clause. [This act] does not affect rights and duties that matured,
26 penalties that were incurred, or proceedings that were begun before [the effective date of this act].
27

28 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.
29

30 NEW SECTION. Section 6. Applicability. [This act] applies to property tax years beginning after

1 December 31, 2013.

2

- END -