

SENATE BILL NO. 96

INTRODUCED BY B. TUTVEDT

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAX RATE FOR A PORTION OF THE TAXABLE
5 MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT OWNED BY A TAXPAYER; CHANGING
6 CERTAIN OTHER PROVISIONS RELATING TO TAXATION OF CLASS EIGHT PROPERTY; REMOVING A
7 CONTINGENCY REGARDING FUTURE TAX REDUCTIONS BASED ON INCREASES IN STATE
8 COLLECTIONS OF INDIVIDUAL INCOME TAX AND CORPORATION LICENSE TAX; PROVIDING A PARTIAL
9 REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING DISTRICTS UNDER THE
10 ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS THROUGH THE BLOCK GRANT PROGRAM,
11 TO COUNTY SCHOOL RETIREMENT AND COUNTY TRANSPORTATION REIMBURSEMENT, AND TO THE
12 MONTANA UNIVERSITY SYSTEM THROUGH SUPPORT OF PUBLIC EDUCATION INSTITUTIONS FOR THE
13 LOSS OF CLASS EIGHT AND CLASS TWELVE PROPERTY TAX REVENUE; AMENDING SECTIONS
14 15-1-123, 15-6-138, 15-6-141, AND 15-23-101, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
15 AND AN APPLICABILITY DATE."

16

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

18

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

20 **"15-1-123. Reimbursement for class eight rate reduction and exemption -- distribution --**
21 **appropriations.** (1) For the tax rate reductions in 15-6-138 and for the effective tax rate reductions on property
22 under 15-6-145 because of the rate reductions required by the amendment of 15-6-138 in section 2, Chapter 411,
23 Laws of 2011, and [section 2], the department shall, ~~by June 1, 2012, and for each calendar year~~ THE FISCAL
24 YEARS ENDING JUNE 30, 2014, AND JUNE 30, 2015 ~~that the tax rate is adjusted under 15-6-138(4)~~, estimate for each
25 local government, as defined in 15-1-121(5), each school district, the county retirement fund under 20-9-501, the
26 countywide school transportation reimbursement under 20-10-146, each tax increment financing district, and the
27 6-mill university levy for the purposes of 15-10-108, the difference between property tax collections under
28 15-6-138; as amended by section 2, Chapter 411, Laws of 2011, and [section 2], and under 15-6-145 and the
29 property tax revenue that would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been
30 amended by section 2, Chapter 411, Laws of 2011, and [section 2]. The difference is the annual reimbursable

1 amount for each local government, each school district, each tax increment financing district, and the 6-mill levy
2 for the support of the Montana university system under 15-10-108.

3 (2) (a) The department shall distribute the reimbursement to local governments with the entitlement share
4 payments under 15-1-121(7) for ~~fiscal year 2012 and for all other~~ THE ~~fiscal years in which rate reductions occur~~
5 YEAR ENDING JUNE 30, 2015. Local government reimbursements for subsequent years are made pursuant to the
6 entitlement share recomputation as provided in 15-1-121(6).

7 (b) For ~~fiscal year 2012 and all other~~ THE ~~fiscal years in which rate reductions occur~~ YEAR ENDING JUNE
8 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
9 attributable to personal property taxes that are not a lien on real property for each local government. By ~~August~~
10 ~~1 following each of those fiscal years~~ JUNE 15, 2014, the department shall distribute the amount determined under
11 this subsection (2)(b) for local governments as provided in 15-1-121(6)(a).

12 (3) (a) The office of public instruction shall distribute the reimbursement to school districts with the block
13 grants pursuant to 20-9-630 for ~~fiscal year 2012 and all other~~ THE ~~fiscal years in which rate reductions occur~~ YEAR
14 ENDING JUNE 30, 2015. School district reimbursements for subsequent fiscal years are made pursuant to 20-9-630.

15 (b) For ~~fiscal year 2012 and all other~~ THE ~~fiscal years in which rate reductions occur~~ YEAR ENDING JUNE
16 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
17 attributable to personal property taxes that are not a lien on real property for each school district. By November
18 ~~30, 2014 following each of those fiscal years~~, the office of public instruction shall distribute the amount determined
19 under this subsection (3)(b) in the same manner as the block grant is distributed by fund under 20-9-630.

20 (4) (a) For ~~each~~ THE ~~fiscal year~~ ENDING JUNE 30, 2015 ~~beginning after fiscal year 2012 and all other~~ ~~fiscal~~
21 ~~years in which rate reductions occur~~, the amount determined under subsection (1) for each tax increment
22 financing district must be added to the reimbursement amount for the tax increment financing district as provided
23 in 15-1-121(8)(b) if the tax increment financing district is still in existence. If a tax increment financing district that
24 is entitled to a reimbursement under this section is not listed under 15-1-121(8)(b), the reimbursement must be
25 made to that tax increment financing district at the same time as other districts.

26 (b) For ~~fiscal year 2012 and all other~~ THE ~~fiscal years in which rate reductions occur~~ YEAR ENDING JUNE
27 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
28 attributable to personal property taxes that are not a lien on real property for each tax increment financing district.
29 By ~~August 1 following each of those fiscal years~~ JUNE 15, 2014, the department shall distribute the amount
30 determined under this subsection (4)(b) to each tax increment financing district as provided in 15-1-121(8) and

1 to any other tax increment financing district that is entitled to a reimbursement under this section.

2 (5) (a) For ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur YEAR ENDING JUNE
3 30, 2015, the amount determined under subsection (1) for the 6-mill university levy must be added to current
4 collections and reimbursements for the support of the Montana university system as provided in 15-10-108.

5 (b) For ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur YEAR ENDING JUNE
6 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
7 attributable to personal property taxes that are not a lien on real property for the 6-mill university levy. By ~~August~~
8 ~~4 following each of those fiscal years~~ JUNE 15, 2014, the department of administration shall transfer the amount
9 determined under this subsection (5)(b) from the general fund to the state special revenue fund for the support
10 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 to the countywide retirement
15 fund under 20-9-501 for ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur YEAR ENDING
16 JUNE 30, 2015. One-half of the amount must be distributed in November and the remainder in May.

17 (b) For ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur YEAR ENDING JUNE
18 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
19 attributable to personal property taxes that are not a lien on real property in the county. By November 30, 2014
20 ~~following each of those fiscal years~~, the office of public instruction shall distribute the amount determined under
21 this subsection (6)(b) to the countywide retirement fund.

22 (7) (a) The office of public instruction shall distribute the reimbursement to the county transportation
23 reimbursement under 20-10-146 for ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur
24 YEAR ENDING JUNE 30, 2015. The reimbursement must be made at the same time as countywide school
25 transportation block grants are distributed under 20-9-632.

26 (b) For ~~fiscal year 2012 and all other~~ THE fiscal years in which rate reductions occur YEAR ENDING JUNE
27 30, 2014, the department shall determine from the amount calculated under subsection (1) the amount that is
28 attributable to personal property taxes that are not a lien on real property in the county. By November 30, 2014
29 ~~following each of those fiscal years~~, the office of public instruction shall distribute the amount determined under
30 this subsection (7)(b) to the county transportation reimbursement."

- 1
- 2 **Section 2.** Section 15-6-138, MCA, is amended to read:
- 3 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
- 4 includes:
- 5 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;
- 6 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies
- 7 except those included in class five under 15-6-135;
- 8 (c) for oil and gas production, all:
- 9 (i) machinery;
- 10 (ii) fixtures;
- 11 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
- 12 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas
- 13 metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is
- 14 skidable, portable, or movable;
- 15 (iv) tools that are not exempt under 15-6-219; and
- 16 (v) supplies except those included in class five;
- 17 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and
- 18 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors
- 19 as provided in 15-6-220, and supplies except those included in class five;
- 20 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are
- 21 specifically included and taxed in another class or that are rented under a purchase incentive rental program as
- 22 defined in 15-6-202(4);
- 23 (f) special mobile equipment as defined in 61-1-101;
- 24 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
- 25 commercial establishments as defined in this section;
- 26 (h) x-ray and medical and dental equipment;
- 27 (i) citizens' band radios and mobile telephones;
- 28 (j) radio and television broadcasting and transmitting equipment;
- 29 (k) cable television systems;
- 30 (l) coal and ore haulers;

1 (m) theater projectors and sound equipment; and

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

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

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

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

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

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

15 (a) ~~as determined pursuant to subsection (4):~~

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

17 ~~—— (ii) for the first \$3 \$10 million of taxable market value, 1.5%; and~~

18 (b) for all taxable market value in excess of ~~the applicable amount of taxable market value in subsection~~
19 ~~(3)(a) \$10 million~~, 3%.

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

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

30 ~~(5)(4)~~ The class eight property of a person or business entity that owns an aggregate of \$20,000 or less

1 in market value of class eight property is exempt from taxation.

2 ~~(6)~~(5) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering
3 services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana,
4 and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject
5 to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
6 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
7 aggregated for purposes of determining the 500-mile threshold."

8

9 **Section 3.** Section 15-6-141, MCA, is amended to read:

10 **"15-6-141. Class nine property -- description -- taxable percentage.** (1) Class nine property includes:

11 (a) centrally assessed allocations of an electric power company or centrally assessed allocations of an
12 electric power company that owns or operates transmission or distribution facilities or both;

13 (b) if congress passes legislation that allows the state to tax property owned by an agency created by
14 congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by
15 a public agency created by congress to transmit or distribute electrical energy produced at privately owned
16 generating facilities, not including rural electric cooperatives;

17 (c) rural electric cooperatives' property, except wind generation facilities, biomass generation facilities,
18 and energy storage facilities classified under 15-6-157 and property used for headquarters, office, shop, or other
19 similar facilities, used for the sole purpose of serving customers representing less than 95% of the electric
20 consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally
21 assessed electric power company also owns property or serving an incorporated municipality with a population
22 that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service
23 from the facilities of an electric cooperative;

24 (d) allocations for centrally assessed natural gas distribution utilities, rate-regulated natural gas
25 transmission or oil transmission pipelines regulated by either the public service commission or the federal energy
26 regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49
27 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138~~(6)~~(5); and

28 (e) centrally assessed companies' allocations except:

29 (i) electrical generation facilities classified under 15-6-156;

30 (ii) all property classified under 15-6-157;

- 1 (iii) all property classified under 15-6-158 and 15-6-159;
- 2 (iv) property owned by cooperative rural electric and cooperative rural telephone associations and
3 classified under 15-6-135;
- 4 (v) property owned by organizations providing telephone communications to rural areas and classified
5 under 15-6-135;
- 6 (vi) railroad transportation property included in 15-6-145;
- 7 (vii) airline transportation property included in 15-6-145; and
- 8 (viii) telecommunications property included in 15-6-156.
- 9 (2) Class nine property is taxed at 12% of market value."

- 10
- 11 **Section 4.** Section 15-23-101, MCA, is amended to read:
- 12 **"15-23-101. Properties centrally assessed.** The department shall centrally assess each year:
- 13 (1) the railroad transportation property of railroads and railroad car companies operating in more than
14 one county in the state or more than one state;
- 15 (2) property owned by a corporation or other person operating a single and continuous property operated
16 in more than one county or more than one state including but not limited to:
- 17 (a) telegraph, telephone, microwave, and electric power or transmission lines;
- 18 (b) rate-regulated natural gas transmission or oil transmission pipelines regulated by the public service
19 commission or the federal energy regulatory commission;
- 20 (c) common carrier pipelines as defined in 69-13-101 or a pipeline carrier as defined in 49 U.S.C.
21 15102(2);
- 22 (d) natural gas distribution utilities;
- 23 (e) the gas gathering facilities specified in 15-6-138~~(6)~~(5);
- 24 (f) canals, ditches, flumes, or like properties; and
- 25 (g) if congress passes legislation that allows the state to tax property owned by an agency created by
26 congress to transmit or distribute electrical energy, property constructed, owned, or operated by a public agency
27 created by congress to transmit or distribute electrical energy produced at privately owned generating facilities,
28 not including rural electric cooperatives;
- 29 (3) all property of scheduled airlines;
- 30 (4) the net proceeds of mines, except bentonite mines;

1 (5) the gross proceeds of coal mines; and
2 (6) property described in subsections (1) and (2) that is subject to the provisions of Title 15, chapter 24,
3 part 12."

4
5 **NEW SECTION. Section 5. Notification to tribal governments.** The secretary of state shall send a
6 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
7 Chippewa tribe.

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9 **NEW SECTION. Section 6. Saving clause.** [This act] does not affect rights and duties that matured,
10 penalties that were incurred, or proceedings that were begun before [the effective date of this act].

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12 **NEW SECTION. Section 7. Effective date.** [This act] is effective on passage and approval.

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14 **NEW SECTION. Section 8. Applicability.** [This act] applies to property tax years beginning after
15 December 31, 2013.

16 - END -