

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 PROPERTY, CLASS TEN FOREST
8 LAND, AND CLASS SEVENTEEN COMMERCIAL PROPERTY; DEFINING "MARKET VALUE" AND "TAXABLE
9 VALUE"; PROVIDING FOR ASSESSMENT REVIEW DURING THE BIENNIAL CYCLE; CLARIFYING THE
10 TERMS OF OFFICE OF AGRICULTURE ADVISORY COMMITTEE AND FOREST LAND TAXATION ADVISORY
11 COMMITTEE MEMBERS FOR PURPOSES OF IMPLEMENTING THE NEW REAPPRAISAL PROCESS;
12 PROVIDING FIXED CAPITALIZATION RATES SUBJECT TO INCREASES BASED ON RECOMMENDATIONS
13 FROM THE AGRICULTURE ADVISORY COMMITTEE AND FOREST LAND TAXATION ADVISORY
14 COMMITTEE; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-1-101, 15-6-133, 15-6-134,
15 15-6-156, 15-6-229, 15-7-102, 15-7-103, 15-7-111, 15-7-112, 15-7-131, 15-7-139, 15-7-201, 15-7-202, 15-8-111,
16 15-10-420, 15-15-102, 15-16-101, 15-24-2101, 15-24-2102, 15-24-3001, 15-24-3201, 15-24-3202, 15-24-3203,
17 15-44-103, AND 77-1-208, MCA; REPEALING SECTIONS 15-6-193 AND 15-6-222, MCA; AND PROVIDING
18 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 2.** 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 (w) The term "taxes" in relation to property under 15-6-133, 15-6-134, 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 3.** 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)~~ 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), class three property is taxed at ~~the taxable percentage rate applicable~~
16 ~~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)~~ The taxable value of land described in subsection ~~(1)(e)~~ (1)(d) is computed by multiplying the value
19 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~~ beginning after 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:

1	Income	Income	Percentage
2	Single Person	Married Couple	Multiplier
3		Head of Household	
4	\$0 - \$6,000	\$0 - \$8,000	20%
5	\$6,001 - \$9,200	\$8,001 - \$14,000	50%
6	\$9,201 - \$15,000	\$14,001 - \$20,000	70%

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

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

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

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

14 ~~———— (c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established
 15 in subsection (2)(a):~~

16 ~~———— (3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as
 17 commercial property is comparable only to other property assessed as commercial property and property
 18 assessed as other than commercial property is comparable only to other property assessed as other than
 19 commercial property:~~

20 ~~(4)(3)~~ (a) As used in this section, "qualified claimants" means one or more owners who:

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

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

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

27 (b) For the purposes of subsection (1)(c), total household income is the income as reported on the tax
 28 return or returns required by Title 15, chapter 30 or 31, for the year in which the assistance is being claimed
 29 excluding losses, depletion, and depreciation and before any federal or state adjustments to income. In cases
 30 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 5.** Section 15-6-156, MCA, is amended to read:

9 **"15-6-156. Class thirteen property -- description -- taxable percentage.** (1) Except as provided in
10 subsections (2)(a) through (2)(g), class thirteen property includes:

11 (a) electrical generation facilities, except wind generation facilities, biomass generation facilities, and
12 energy storage facilities classified under 15-6-157, of a centrally assessed electric power company;

13 (b) electrical generation facilities, except wind generation facilities, biomass generation facilities, and
14 energy storage facilities classified under 15-6-157, owned or operated by an exempt wholesale generator or an
15 entity certified as an exempt wholesale generator pursuant to 42 U.S.C. 16451;

16 (c) noncentrally assessed electrical generation facilities, except wind generation facilities, biomass
17 generation facilities, and energy storage facilities classified under 15-6-157, owned or operated by any electrical
18 energy producer; and

19 (d) allocations of centrally assessed telecommunications services companies.

20 (2) Class thirteen property does not include:

21 (a) property owned by cooperative rural electric cooperative associations classified under 15-6-135;

22 (b) property owned by cooperative rural electric cooperative associations classified under 15-6-137 or
23 15-6-157;

24 (c) allocations of electric power company property under 15-6-141;

25 (d) electrical generation facilities included in another class of property;

26 (e) property owned by cooperative rural telephone associations and classified under 15-6-135;

27 (f) property owned by organizations providing telecommunications services and classified under
28 15-6-135; and

29 (g) generation facilities that are exempt under 15-6-225.

30 (3) (a) For the purposes of this section, "electrical generation facilities" means any combination of a

1 physically connected generator or generators, associated prime movers, and other associated property, including
 2 appurtenant land and improvements and personal property, that are normally operated together to produce
 3 electric power. The term includes but is not limited to generating facilities that produce electricity from coal-fired
 4 steam turbines, oil or gas turbines, or turbine generators that are driven by falling water.

5 (b) The term does not include electrical generation facilities used for noncommercial purposes or
 6 exclusively for agricultural purposes.

7 (c) The term also does not include a qualifying small power production facility, as that term is defined
 8 in 16 U.S.C. 796(17), that is owned and operated by a person not primarily engaged in the generation or sale of
 9 electricity other than electric power from a small power production facility and classified under ~~15-6-134~~ and
 10 15-6-138 and [section 1].

11 (4) Class thirteen property is taxed at 6% of its market value."
 12

13 **Section 6.** Section 15-6-229, MCA, is amended to read:

14 **"15-6-229. Exemption for land adjacent to transmission line right-of-way easement -- application**
 15 **-- limitations.** (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there
 16 is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a
 17 transmission line right-of-way or easement.

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

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

26 (3) (a) The owner or operator of a transmission line shall inform the department of any change in
 27 ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The
 28 department shall determine whether any changes have occurred that affect the eligibility of the land for the
 29 exemption.

30 (b) The exemption allowed under this section does not apply to:

- 1 (i) the boundaries of an incorporated or unincorporated city or town;
 2 (ii) a platted and filed subdivision;
 3 (iii) tracts of land used for residential, commercial, or industrial purposes; or
 4 (iv) the 1 acre of land beneath improvements on land described in 15-6-133~~(1)(e)~~(1)(d) and 15-7-206(2).
 5 (4) For the purposes of this section, "transmission line" means an electric line with a design capacity of
 6 30 megavoltamperes or greater that is constructed after January 1, 2007."

7

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

9 **"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) Except as provided
 10 in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the
 11 classification of the land owned or being purchased and the appraisal of the improvements on the land only if one
 12 or more of the following changes pertaining to the land or improvements have been made since the last notice:

- 13 (i) change in ownership;
 14 (ii) change in classification;
 15 (iii) ~~except as provided in subsection (1)(b)~~; change in valuation; or
 16 (iv) addition or subtraction of personal property affixed to the land.

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

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

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

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

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

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

1 improvements.

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

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

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

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

15 (3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
16 market value of the property as determined by the department or with the classification of the land or
17 improvements, the owner may request an assessment review by submitting an objection in writing to the
18 department on forms provided by the department for that purpose. For property other than class three property
19 described in 15-6-133, class four property described in 15-6-134, ~~and~~ class ten property described in 15-6-143,
20 and class seventeen property described in [section 1], the objection must be submitted within 30 days after
21 receiving the notice of classification and appraisal from the department. For class three property described in
22 15-6-133, class four property described in 15-6-134, ~~and~~ class ten property described in 15-6-143, and class
23 seventeen property described in [section 1], an objection may be made only once in each valuation cycle. For
24 a reduction in the appraised value to be considered for both years of the biennial cycle, the objection ~~may be~~
25 ~~made at any time but only once each valuation cycle~~ must be made in writing within 30 days of notice of
26 classification and appraisal. An objection in writing may be made in the second year, but any reduction in value
27 will be applicable only for the second year.

28 (b) For properties valued using ~~the sales price~~ sales comparison approach or the ~~capitalization of net~~
29 ~~income method~~ income approach as an indication of value, the form must include a provision that the objector
30 agrees to confidentiality requirements for receipt of comparable sales data from information received from realty

1 transfer certificates under 15-7-308. Within 4 weeks of submitting an objection, if the objection relates to
2 residential and commercial property, the department shall provide the objector by posted mail or e-mail, unless
3 the objector waives receiving the information, with:

4 (i) data from comparable sales used by the department to value the property;

5 (ii) the methodology and sources of data used by the department in the valuation of the property; and

6 (iii) if the department uses a blend of evaluations developed from various sources, the reasons that the
7 methodology was used.

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

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

19 (e) After the review, the department shall determine the correct appraisal and classification of the land
20 or improvements and notify the taxpayer of its determination. The department may not determine an appraised
21 value that is higher than the value that was the subject of the objection unless the reason for an increase was
22 the result of a physical change in the property or caused by an error in the description of the property that is kept
23 by the department and used for calculating the appraised value. In the notification, the department shall state its
24 reasons for revising the classification or appraisal. When the proper appraisal and classification have been
25 determined, the land must be classified and the improvements appraised in the manner ordered by the
26 department.

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

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

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

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

4 (6) If ~~any~~ a property owner feels aggrieved by the classification or appraisal made by the department
 5 after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax
 6 appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the
 7 courts. The appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days after
 8 notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax
 9 appeal board may consider the actual selling price of the property, independent appraisals of the property, and
 10 other relevant information presented by the taxpayer as evidence of the market value of the property. If the county
 11 tax appeal board or the state tax appeal board determines that an adjustment should be made, the department
 12 shall adjust the base value of the property in accordance with the board's order."
 13

14 **Section 8.** Section 15-7-103, MCA, is amended to read:

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

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

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

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

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

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

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

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

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

1 (6) In any periodic ~~the~~ revaluation of taxable property completed under the provisions of ~~15-7-111~~, all
 2 property classified in 15-6-134 and ~~[section 1]~~ must be ~~appraised~~ valued as provided in 15-7-111 on the taxable
 3 ~~portion of its market value in the same year.~~ The department shall publish a rule specifying the year effective date
 4 used in the appraisal.

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

9

10 **Section 9.** Section 15-7-111, MCA, is amended to read:

11 **"15-7-111. Periodic revaluation of certain taxable property.** (1) The department shall administer and
 12 supervise a program for the revaluation of all taxable property within class three under 15-6-133, class four under
 13 15-6-134, and class ten under 15-6-143. All other property must be revalued annually.

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

19 (3) The revaluation of class three, four, and ten property for the revaluation cycle ending December 31,
 20 2014, is complete on December 31, 2008. The amount of the change in valuation from the 2002 base year for
 21 each property in classes three, four, and ten must be phased in each year at the rate of 16.66% of the change
 22 in valuation. The change in value is fully phased in on January 1, 2014, effective for January 1, 2014.

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

26 (5)~~(4)~~ The department shall administer and supervise a program for the revaluation of all taxable property
 27 within classes three, four, and ten. ~~A comprehensive written reappraisal plan must be promulgated by the~~
 28 ~~department.~~ The department shall adopt a comprehensive reappraisal plan by rule. The reappraisal plan adopted
 29 must provide that all class three, four, and ten property in each county is revalued by January 1, 2015, effective
 30 for January 1, 2015, ~~and each succeeding 6 years.~~ ~~The resulting valuation changes must be phased in for each~~

1 year until the next reappraisal. If a percentage of change for each year is not established, then the percentage
2 of phase in for each year is 16.66%."

3

4 **Section 10.** Section 15-7-111, MCA, is amended to read:

5 **"15-7-111. ~~Periodic revaluation~~ Revaluation of certain taxable property.** (1) The department shall
6 administer and supervise a program for the revaluation of all taxable property within class three under 15-6-133,
7 class four under 15-6-134, ~~and class ten under 15-6-143, and class seventeen under [section 1]~~ as provided in
8 this section. All other property must be revalued annually. Beginning January 1, 2015, all property within class
9 three under 15-6-133, class four under 15-6-134, class ten under 15-6-143, and class seventeen under [section
10 1] must be revalued biennially.

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

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

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

26 (5) (a) The department shall administer and supervise a program for the revaluation of all taxable
27 property within classes three, four, ~~and ten, and seventeen.~~ A comprehensive written reappraisal plan must be
28 ~~promulgated by the department.~~ The department shall adopt a comprehensive reappraisal plan by rule. The
29 reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued by
30 January 1, 2015, effective for January 1, 2015, ~~and each succeeding 6 years.~~ The resulting valuation changes

1 ~~must be phased in for each year until the next reappraisal. If a percentage of change for each year is not~~
 2 ~~established, then the percentage of phase in for each year is 16.66%.~~

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

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

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

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

15 (7) For the purposes of this section:

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

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

18

19 **Section 11.** Section 15-7-112, MCA, is amended to read:

20 **"15-7-112. Equalization of valuations.** ~~The same method of appraisal and assessment shall provided~~
 21 ~~in 15-7-111 must~~ be used in each county of the state ~~to the end so~~ that comparable ~~property properties~~ with
 22 similar true market values and subject to taxation in Montana ~~shall~~ have substantially equal taxable values ~~at the~~
 23 ~~end of each cyclical revaluation program hereinbefore~~ provided in the tax year."

24

25 **Section 12.** Section 15-7-131, MCA, is amended to read:

26 **"15-7-131. Policy.** It is the policy of the state of Montana to provide for equitable assessment of taxable
 27 property in the state and to provide for ~~periodic~~ the revaluation of taxable property in a manner that is fair to all
 28 taxpayers."

29

30 **Section 13.** Section 15-7-139, MCA, is amended to read:

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

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

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

10 (b) The published notice must indicate:

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

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

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

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

19 (a) the landowner's full name;

20 (b) the mailing address and property address; and

21 (c) a telephone number at which an appraiser may contact the landowner during normal business hours.

22 (5) When the department receives a written notice as described in subsection (4), the department shall
23 contact the landowner or the landowner's agent to establish a date and time for entering the land to appraise or
24 audit the property.

25 (6) If a landowner or the landowner's agent prevents a person qualified under subsection (1) from
26 entering land to appraise or audit property or fails or refuses to establish a date and time for entering the land
27 pursuant to subsection (5), the department shall estimate the value of the real and personal property located on
28 the land.

29 (7) A county tax appeal board and the state tax appeal board may not adjust the estimated value of the
30 real or personal property determined under subsection (6) unless the landowner or the landowner's agent:

1 (a) gives permission to the department to enter the land to appraise or audit the property; or
 2 (b) provides to the department and files with the county tax appeal board or the state tax appeal board
 3 an appraisal of the property conducted by an appraiser who is certified by the Montana board of real estate
 4 appraisers. The appraisal must ~~be conducted~~ provide an effective date in accordance with current uniform
 5 standards of professional appraisal practice established for certified real estate appraisers under 37-54-403. The
 6 appraisal must be conducted within 1 year of the reappraisal ~~base-year~~ valuation date provided for in 15-7-103(6)
 7 and must establish a separate market value for each improvement and the land.

8 (8) A person qualified under subsection (1) who enters land pursuant to this section shall carry on the
 9 person identification sufficient to identify the person and the person's employer and shall present the identification
 10 upon request.

11 (9) The authority granted by this section does not authorize entry into improvements, personal property,
 12 or buildings or structures without the permission of the owner or the owner's agent.

13 (10) Vehicular access to perform appraisals and audits is limited to established roads and trails, unless
 14 approval for other vehicular access is granted by the landowner.

15 (11) The department shall adopt rules that are necessary to implement 15-7-140 and this section. The
 16 rules must, at a minimum, establish procedures for granting a reasonable extension of time for landowners to
 17 respond to notices from the department."
 18

19 **Section 14.** Section 15-7-201, MCA, is amended to read:

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

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

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

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

1 ~~(a)(i)~~ V is the per-acre productive capacity value of agricultural land in each subclass;
 2 ~~(b)(ii)~~ I is the per-acre net income of agricultural land in each subclass and is to be determined as
 3 provided in subsection (5); and

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

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

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

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

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

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

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

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

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

28 (B) Energy costs must be based on per-acre energy costs incurred in the ~~energy cost base year, which~~
 29 ~~is the calendar year immediately preceding the revaluation year specified by the department in 15-7-103(6).~~ By
 30 ~~July~~ March 1 of the revaluation year ~~following the energy cost base year~~, an owner of irrigated land shall provide

1 the department, on a form prescribed by the department, with energy costs incurred in ~~that energy cost base~~ the
 2 calendar year preceding the revaluation year. ~~In the event that no~~ If energy costs were not incurred in the energy
 3 cost base calendar year preceding the revaluation year, the owner of irrigated land shall provide the department
 4 with energy costs from the most recent year available. The department shall adjust the most recent year's energy
 5 costs to reflect costs in the energy cost base calendar year preceding the revaluation year.

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

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

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

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

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

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

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

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

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

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

1 irrigated."

2

3 **Section 15.** Section 15-7-202, MCA, is amended to read:

4 **"15-7-202. Eligibility of land for valuation as agricultural.** (1) (a) Contiguous parcels of land totaling
5 160 acres or more under one ownership are eligible for valuation, assessment, and taxation as agricultural land
6 each year that none of the parcels is devoted to a residential, commercial, or industrial use.

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

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

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

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

19 (A) the land is an integral part of a bona fide agricultural operation undertaken by the persons set forth
20 in subsection (1)(b)(i) as defined in this section; and

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

22 (iii) Parcels of land of 20 acres or more but less than 160 acres that do not meet the income requirement
23 of subsection (1)(b)(i) may also be valued, assessed, and taxed as agricultural land if the owner:

24 (A) applies to the department requesting classification of the parcel as agricultural;

25 (B) verifies that the parcel of land is greater than 20 acres but less than 160 acres and that the parcel
26 is located within 15 air miles of the family-operated farming entity referred to in subsection (1)(b)(iii)(C); and

27 (C) verifies that:

28 (I) the owner of the parcel is involved in agricultural production by submitting proof that 51% or more of
29 the owner's Montana annual gross income is derived from agricultural production; and

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

1 or family trust that is involved in Montana agricultural production and 51% of the entity's Montana annual gross
2 income is derived from agricultural production; or

3 (III) the owner is a shareholder, partner, owner, or member of the family corporation, family partnership,
4 sole proprietorship, or family trust that is involved in Montana agricultural production and 51% of the person's or
5 entity's Montana annual gross income is derived from agricultural production.

6 (c) For the purposes of this subsection (1):

7 (i) "marketing" means the selling of agricultural products produced by the land and includes but is not
8 limited to:

9 (A) rental or lease of the land as long as the land is actively used for grazing livestock or for other
10 agricultural purposes; and

11 (B) rental payments made under the federal conservation reserve program or a successor to that
12 program;

13 (ii) land that is devoted to residential use or that is used for agricultural buildings and is included in or is
14 contiguous to land under the same ownership that is classified as agricultural land, other than nonqualified
15 agricultural land described in 15-6-133(1)(e)(1)(d), must be classified as agricultural land, and the land must be
16 valued as provided in 15-7-206.

17 (2) Contiguous or noncontiguous parcels of land totaling less than 20 acres under one ownership that
18 are actively devoted to agricultural use are eligible for valuation, assessment, and taxation as agricultural each
19 year that the parcels meet any of the following qualifications:

20 (a) except as provided in subsection (3), the parcels produce and the owner or the owner's agent,
21 employee, or lessee markets not less than \$1,500 in annual gross income from the raising of agricultural products
22 as defined in 15-1-101;

23 (b) the parcels would have met the qualification set out in subsection (2)(a) were it not for independent,
24 intervening causes of production failure beyond the control of the producer or marketing delay for economic
25 advantage, in which case proof of qualification in a prior year will suffice; or

26 (c) in a prior year, the parcels totaled 20 acres or more and qualified as agricultural land under this
27 section, but the number of acres was reduced to less than 20 acres for a public use described in 70-30-102 by
28 the federal government, the state, a county, or a municipality, and since that reduction in acres, the parcels have
29 not been further divided.

30 (3) For grazing land to be eligible for classification as agricultural land under subsections (1)(b) and (2),

1 the land must be capable of sustaining a minimum number of animal unit months of carrying capacity. The
 2 minimum number of animal unit months of carrying capacity must equate to \$1,500 in annual gross income as
 3 determined by the Montana state university-Bozeman department of agricultural economics and economics.

4 (4) Parcels that do not meet the qualifications set out in subsections (1) and (2) may not be classified
 5 or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in
 6 compliance with the Montana Subdivision and Platting Act.

7 (5) Land may not be classified or valued as agricultural land or nonqualified agricultural land if it has
 8 stated covenants or other restrictions that effectively prohibit its use for agricultural purposes.

9 (6) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide
 10 agricultural enterprise is not considered a bona fide agricultural operation.

11 (7) The department may not classify land less than 160 acres as agricultural unless the owner has
 12 applied to have land classified as agricultural land. Land of 20 acres or more but less than 160 acres for which
 13 no application for agricultural classification has been made is valued as provided in 15-6-133~~(+)(c)(1)(d)~~ and is
 14 taxed as provided in 15-6-133~~(3)(4)~~. If land has been valued, assessed, and taxed as agricultural land in any
 15 year, it must continue to be valued, assessed, and taxed as agricultural until the department reclassifies the
 16 property. A reclassification does not mean revaluation pursuant to 15-7-111.

17 (8) For the purposes of this part, growing timber is not an agricultural use."
 18

19 **Section 16.** Section 15-8-111, MCA, is amended to read:

20 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be
 21 ~~assessed~~ appraised at 100% of its market value except as otherwise provided.

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

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

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

1 of market value.

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

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

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

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

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

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

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

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

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

30 (b) Subject to subsection (5)(c), if sufficient, relevant information on income is made available to the

1 department, the department shall use the ~~capitalization-of-net-income-method~~ income approach to appraise
 2 commercial condominium units. Because the undivided interest in common elements contributes directly to the
 3 income-producing capability of the individual units, the department is not required to separately allocate the value
 4 of the common elements to the individual units being valued.

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

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

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

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

18 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
 19 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
 20 15-23-516, 15-23-517, or 15-23-518.

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

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

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

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

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

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

2 (9) Land and the improvements on the land are separately assessed when any of the following
3 conditions occur:

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

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

6 (c) the land is outside an incorporated city or town."
7

8 **Section 17.** Section 15-10-420, MCA, is amended to read:

9 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
10 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
11 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
12 years. The maximum number of mills that a governmental entity may impose is established by calculating the
13 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
14 prior year based on the current year taxable value, less the current year's value of newly taxable property, plus
15 one-half of the average rate of inflation for the prior 3 years.

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

20 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of
21 inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
22 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

23 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
24 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly
25 taxable property.

26 (3) (a) For purposes of this section, newly taxable property includes:

27 (i) annexation of real property and improvements into a taxing unit;

28 (ii) construction, expansion, or remodeling of improvements;

29 (iii) transfer of property into a taxing unit;

30 (iv) subdivision of real property; and

1 (v) transfer of property from tax-exempt to taxable status.

2 (b) Newly taxable property does not include an increase in value that arises because of an increase in
3 the incremental value within a tax increment financing district.

4 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
5 release of taxable value from the incremental taxable value of a tax increment financing district because of:

6 (i) a change in the boundary of a tax increment financing district;

7 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

8 (iii) the termination of a tax increment financing district.

9 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
10 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
11 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
12 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

13 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property and class
14 seventeen property that was constructed, expanded, or remodeled property since the completion of the last
15 reappraisal cycle is the current year market value of that property less the previous year market value of that
16 property.

17 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
18 property that results in the property being taxable as class four property under 15-6-134, as class seventeen
19 property under [section 1], or as nonqualified agricultural land as described in 15-6-133~~(1)(c)~~(1)(d).

20 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

21 (a) school district levies established in Title 20; or

22 (b) a mill levy imposed for a newly created regional resource authority.

23 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received
24 under 15-6-131 and 15-6-132.

25 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

26 (a) may increase the number of mills to account for a decrease in reimbursements; and

27 (b) may not increase the number of mills to account for a loss of tax base because of legislative action
28 that is reimbursed under the provisions of 15-1-121(7).

29 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
30 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

1 department may not exceed the mill levy limits established in those sections. The mill calculation must be
 2 established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
 3 calculation must be rounded up to the nearest tenth of a mill.

4 (9) (a) The provisions of subsection (1) do not prevent or restrict:

5 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

6 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;

7 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

8 (iv) a levy for the support of a study commission under 7-3-184;

9 (v) a levy for the support of a newly established regional resource authority;

10 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property
 11 tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703; or

12 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining
 13 county under 7-2-2807 upon relocation of a county boundary.

14 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
 15 actually assessed in a subsequent year.

16 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
 17 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
 18 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
 19 funds by a county or municipality during that time.

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

23

24 **Section 18.** Section 15-15-102, MCA, is amended to read:

25 **"15-15-102. Application for reduction in valuation.** (1) The valuation of property may not be reduced
 26 by the county tax appeal board unless either the taxpayer or the taxpayer's agent makes and files a written
 27 application for reduction with the county tax appeal board.

28 (2) The application for reduction may be obtained at the local appraisal office or from the county tax
 29 appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt
 30 is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county

1 tax appeal board is responsible for obtaining the applications from the county clerk and recorder.

2 (3) An application for reduction with the county tax appeal board may be submitted once in either year
 3 of each 2-year reappraisal cycle. The application must be submitted on or before the first Monday in June or 30
 4 days after receiving either a notice of classification and appraisal or a determination after review from the
 5 department under 15-7-102(3) ~~from the department~~, whichever is later. If the department's determination after
 6 review is not made in time to allow the county tax appeal board to review the matter during the current tax year,
 7 the appeal must be reviewed during the next tax year, but the decision by the county tax appeal board is effective
 8 for the year in which the request for review was filed with the department. The application must state the
 9 post-office address of the applicant, specifically describe the property involved, and state the facts upon which
 10 it is claimed the reduction should be made."
 11

12 **Section 19.** Section 15-16-101, MCA, is amended to read:

13 **"15-16-101. Treasurer to publish notice -- manner of publication.** (1) Within 10 days after the receipt
 14 of the property tax record, the county treasurer shall publish a notice specifying:

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

19 (b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next
 20 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
 21 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;
 22 and

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

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

27 (i) the taxable value of the property;

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

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

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

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

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

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

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

17 (5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional
 18 tax is not owed and a new tax bill does not need to be prepared."
 19

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

21 **"15-24-2101. Purpose.** The purpose of this part is to facilitate the reopening and continued operation
 22 of a commercial or industrial property by reducing the taxable value of property subject to taxation under ~~15-6-134~~
 23 ~~and 15-6-138~~ and [section 1]."
 24

25 **Section 21.** Section 15-24-2102, MCA, is amended to read:

26 **"15-24-2102. Reduction in assessment of taxable value of commercial and industrial property --**
 27 **application -- approval.** (1) (a) For property tax years 2009, 2010, and 2011, the governing bodies of a county
 28 or consolidated local government unit, incorporated city or town, if the property is located in the city or town, and
 29 school district may jointly reduce by 95% the taxable value of commercial real property improvements, personal
 30 property, or any combination of that property, other than land, that is subject to taxation. The reduction in taxable

1 value under this section applies only to commercial or industrial property taxed under ~~15-6-134~~ or 15-6-138 and
2 [section 1]. A taxpayer that has not been operating the property for at least 6 months immediately preceding the
3 request for reduction in taxable value and that does not intend to use the property for at least 6 months following
4 the reduction in taxable value qualifies under this section.

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

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

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

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

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

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

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

29 (3) The joint resolution must state that the reduction in taxable value is in the best interest of the
30 governing body based on full disclosure of all pertinent financial information by the owner of the real and personal

1 property as required by the local governing body. The joint resolution must be approved by a majority vote of the
2 governing body of each affected taxing jurisdiction referred to in subsection (2)(a).

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

7 (5) The reduction in taxable value granted by the joint resolution may be only for the current tax year.
8 The governing bodies may grant a reduction in taxable value for the same owner of the property in the
9 subsequent tax year under the provisions of this section, but they may not grant a reduction in taxable value for
10 more than 3 tax years as provided in this section. The tax benefit granted under this section applies for the entire
11 tax year.

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

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

17 (b) The benefit described in subsection (1) does not apply to levies or assessments required under Title
18 15, chapter 10, 20-9-331, 20-9-333, or 20-9-360 or otherwise required under state law.

19 (8) Within 15 days of approving the joint resolution to grant a reduction of taxable value but not later than
20 July 15 of the tax year for which the reduction is granted, the governing body of the affected county or
21 consolidated local government unit shall notify the department of the approval by each of the affected governing
22 bodies. Upon receipt of the notification of approval by the governing body of the affected county or consolidated
23 local government unit, the department shall make the assessment change pursuant to this section for each
24 affected taxing jurisdiction."
25

26 **Section 22.** Section 15-24-3001, MCA, is amended to read:

27 **"15-24-3001. Electrical generation and transmission facility exemption -- definitions.** (1) (a) Except
28 as provided in subsections (1)(b) and (3), an electrical generation facility and related delivery facilities constructed
29 in the state of Montana after May 5, 2001, and before January 1, 2006, may be exempt from property taxation
30 for a 10-year period beginning on the date that an owner or operator of an electrical generation facility and related

1 delivery facilities commences to construct the facility as defined in 75-20-104(6)(a) and (6)(b). In order to be
2 exempt from property taxation, an owner and operator of an electrical generation facility and related delivery
3 facilities shall offer contracts to sell 50% of that facility's net generating output at a cost-based rate, which includes
4 a rate of return not to exceed 12%, to customers for a 20-year period from the date of the facility's completion.

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

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

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

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

20 (c) If an owner or operator fails to perform the contract due to earthquakes or other acts of God, theft,
21 sabotage, acts of war, other social instabilities, or equipment failure, the property tax exemption in subsection
22 (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.

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

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

29 (ii) The term does not include:

30 (A) electrical generation facilities used for noncommercial purposes or exclusively for agricultural

1 purposes; or

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

5 (b) "Related delivery facilities" means transmission facilities necessary to deliver the energy from the
6 electrical generation facility to the existing network transmission system.

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

8 (5) The department shall appraise exempt electrical generation facilities for each year that the property
9 is exempt and determine the taxable value of the property as if it were subject to property taxation."
10

11 **Section 23.** Section 15-24-3201, MCA, is amended to read:

12 **"15-24-3201. Definitions.** As used in this part, the following definitions apply:

13 (1) "Common gray water and potable water system" means a gray water system and a potable water
14 system that are common elements of a multiple dwelling project.

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

18 (b) Household wastewater does not include water that is or has come into contact with toilet water;
19 wastewater from kitchen sinks, water softeners, and dishwashers; or laundry water used for washing infectious
20 garments, including diapers.

21 (3) "Multiple dwelling project" means:

22 (a) a residential condominium on common land consisting of residential units in single or multiunit
23 structures for at least 25 occupants; or

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

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

30 (5) "Residential dwelling" means any class four residential dwelling described in 15-6-134 that is a

1 single-family dwelling unit, including a trailer, manufactured home, or mobile home and as much of the
 2 surrounding land, not exceeding 5 acres, as is reasonably necessary for its use as a dwelling."

3

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

5 **"15-24-3202. Gray water system for newly constructed residence -- tax abatement.** (1) A residential
 6 dwelling that is under construction or that is newly constructed with a residential gray water system is taxed at
 7 91% of its ~~taxable~~ market value during the course of the construction and for 10 years after completion of
 8 construction as provided in this section.

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

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

18

19 **Section 25.** Section 15-24-3203, MCA, is amended to read:

20 **"15-24-3203. Common gray water and potable water systems for newly constructed multiple**
 21 **dwelling projects -- tax abatement.** (1) A multiple dwelling project that is under construction or that is
 22 constructed with a common gray water and potable water system is taxed at 91% of the ~~taxable~~ market value of
 23 the project or ~~taxable~~ market value of each residential condominium unit during the course of the construction
 24 and for 10 years after completion of construction as provided in this section.

25 (2) To receive a tax abatement, a taxpayer shall apply, on a form provided by the department, to the
 26 department on or before April 15 of the year for which the first abatement is claimed for property under
 27 construction and for the first year of the completion of construction but not later than 1 year after the completion
 28 of the construction of the residential units or, if construction is to occur over a multiyear period, after the
 29 completion of the first residential unit. The claimant shall provide a certification from the local board of health
 30 pursuant to 50-2-116 that the residential dwelling is under construction or was constructed with a common gray

1 water and potable water system that meets the requirements of this section. The department may require other
2 information that it considers necessary to determine the eligibility of the residential dwelling for a property tax
3 abatement.

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

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

8

9 **Section 26.** Section 15-44-103, MCA, is amended to read:

10 **"15-44-103. Legislative intent -- value of forest lands -- valuation zones.** (1) In order to encourage
11 landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest
12 practices, and to encourage the investment of capital in reforestation, forest lands must be classified and
13 assessed under the provisions of this section.

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

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

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

19 (b) The forest productivity value takes effect pursuant to 15-7-111 on January 1, 2015, for tax years 2015
20 and 2016 and on January 1 of each tax year after 2016.

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

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

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

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

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

- 1 (b) I is the per-acre net income of forest lands in each valuation zone and is determined by the
 2 department using the formula $I = (M \times SV) + AI - C$, where:
- 3 (i) I is the per-acre net income;
- 4 (ii) M is the mean annual net wood production;
- 5 (iii) SV is the stumpage value;
- 6 (iv) AI is the per-acre agriculture-related income; and
- 7 (v) C is the per-unit cost of the forest product and agricultural product produced, if any; and
- 8 (c) R is the capitalization rate determined by the department as provided in subsection (6).
- 9 (5) Net income must:
- 10 (a) be calculated for each year of a base period, which is the most recent ~~5-year~~ 7-year period for which
 11 data is available;
- 12 (b) be based on a rolling average of stumpage value of timber harvested within the forest valuation zone
 13 and on the associated production cost data for the base period from sources considered appropriate by the
 14 department; and
- 15 (c) include agriculture-related net income for the same time period as the period used to determine
 16 average stumpage values.
- 17 (6) (a) The capitalization rate must be calculated for each year of the base period and is the average
 18 capitalization rate determined by the department after consultation with the forest lands taxation advisory
 19 committee, plus the effective tax rate. The capitalization rate must be adopted by rule and may not go below 8%.
 20 ~~However, the capitalization rate for each year of the base period for tax years 2009 through 2014 may not be less~~
 21 ~~than 8%.~~
- 22 (b) Unless the forest lands taxation advisory committee recommends a higher capitalization rate that is
 23 adopted by the department for years beginning January 1, 2015, through January 1, 2019, the capitalization rate
 24 is 8%.
- 25 (7) The effective tax rate must be calculated for each year of the base period by dividing the total
 26 estimated tax due on forest lands subject to the provisions of this section by the total forest value of those lands.
- 27 (8) For the purposes of this section, if forest service sales are used in the determination of stumpage
 28 values, the department shall take into account purchaser road credits.
- 29 (9) In determining the forest productivity value of forest lands and in computing the forest land valuation,
 30 the department shall use information and data provided by the university of Montana-Missoula.

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

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

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

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

9 (c) The advisory committee shall:

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

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

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

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

18 (v) recommend forest land valuation techniques to the department."
19

20 **Section 27.** Section 77-1-208, MCA, is amended to read:

21 **"77-1-208. Cabin site licenses and leases -- method of establishing value.** (1) The board shall set
22 the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time
23 wishes to continue or assign the license or lease. The fee must attain full market value based on one of the
24 following methods:

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

30 (b) establishing full rental market value through the use of an open competitive bidding process as

1 provided in 77-1-235.

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

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

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

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

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

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

20 (iv) Within 3 years of canceling, terminating, or abandoning a cabin site lease, the owner of the
21 improvements shall sell the improvements, remove the improvements, or transfer ownership of the improvements
22 to the state. If ownership is transferred to the state, proceeds from the sale of the improvements must be paid
23 to the owner who transferred the improvements. The board shall set the conditions of the sale of transferred
24 improvements in order to sell the improvements in an expedient manner."
25

26 **NEW SECTION. Section 28. Repealer.** The following sections of the Montana Code Annotated are
27 repealed:

28 15-6-193. Extended property tax assistance -- phasein.

29 15-6-222. Residential and commercial improvements -- percentage of value exempt.
30

