

HOUSE BILL NO. 213

INTRODUCED BY M. MILLER, M. BLASDEL, R. BRODEHL, B. BROWN, G. HERTZ,
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A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE CLASS EIGHT BUSINESS EQUIPMENT TAX EXEMPTION; PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING DISTRICTS UNDER THE ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS THROUGH THE BLOCK GRANT PROGRAM, TO THE COUNTY SCHOOL RETIREMENT FUND AND THE COUNTY TRANSPORTATION REIMBURSEMENT, AND TO THE MONTANA UNIVERSITY SYSTEM FOR THE LOSS OF CLASS EIGHT AND CLASS TWELVE PROPERTY TAX REVENUE; AMENDING SECTION SECTIONS 15-1-123 AND 15-6-138, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

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

SECTION 1. SECTION 15-1-123, MCA, IS AMENDED TO READ:

"15-1-123. Reimbursement for class eight rate reduction and exemption -- distribution -- appropriations. (1) For the ~~tax rate reductions in 15-6-138(3), the~~ increased exemption amount in 15-6-138(4); ~~the effective tax rate reductions on property under 15-6-145 because of the rate reductions required by the~~ amendments of 15-6-138 in section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013; and the effective tax rate reductions on property under 15-6-145 because of the increased exemption amount required by the amendment of 15-6-138 in ~~section 2, Chapter 396, Laws of 2013~~ [section 2 of House Bill No. 213], the department shall for the fiscal years ending June 30, ~~2014~~ 2016, and June 30, ~~2015~~ 2017, estimate for each local government, as defined in 15-1-121(5), each school district, the county retirement fund under 20-9-501, the countywide school transportation reimbursement under 20-10-146, each tax increment financing district, and the 6-mill university levy for the purposes of 15-10-108 the difference between property tax collections under 15-6-138 as amended by ~~section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013;~~ [section 2 of House Bill No. 213] and under 15-6-145 and the property tax revenue that would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been amended by ~~section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013~~ [section 2 of House Bill No. 213]. The difference is the annual reimbursable

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

3 (2) (a) The department shall distribute the reimbursements calculated in subsection (1) to local
4 governments with the entitlement share payments under 15-1-121(7) for the fiscal year ending June 30, ~~2015~~
5 2017. Local government reimbursements for subsequent years are made pursuant to the entitlement share
6 recomputation as provided in 15-1-121(6).

7 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
8 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
9 real property for each local government. By June 15, ~~2014~~ 2016, the department shall distribute the amount
10 determined under this subsection (2)(b) for local governments as provided in 15-1-121(6)(a).

11 (3) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)
12 to school districts with the block grants pursuant to 20-9-630 for the fiscal year ending June 30, ~~2015~~ 2017.
13 School district reimbursements for subsequent fiscal years are made pursuant to 20-9-630.

14 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
15 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
16 real property for each school district. By November 30, ~~2014~~ 2016, the office of public instruction shall distribute
17 the amount determined under this subsection (3)(b) in the same manner as the block grant is distributed by fund
18 under 20-9-630.

19 (4) (a) For the fiscal year ending June 30, ~~2015~~ 2017, the amount determined under subsection (1) for
20 each tax increment financing district must be added to the reimbursement amount for the tax increment financing
21 district as provided in 15-1-121(8)(b) if the tax increment financing district is still in existence. If a tax increment
22 financing district that is entitled to a reimbursement under this section is not listed under 15-1-121(8)(b), the
23 reimbursement must be made to that tax increment financing district at the same time as other districts.

24 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
25 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
26 real property for each tax increment financing district. By June 15, ~~2014~~ 2016, the department shall distribute the
27 amount determined under this subsection (4)(b) to each tax increment financing district as provided in 15-1-121(8)
28 and to any other tax increment financing district that is entitled to a reimbursement under this section.

29 (5) (a) For the fiscal year ending June 30, ~~2015~~ 2017, the amount determined under subsection (1) for
30 the 6-mill university levy must be added to current collections and reimbursements for the support of the Montana

1 university system as provided in 15-10-108.

2 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
3 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
4 real property for the 6-mill university levy. By June 15, ~~2014~~ 2016, the department of administration shall transfer
5 the amount determined under this subsection (5)(b) from the general fund to the state special revenue fund for
6 the support of the Montana university system as provided in 15-10-108.

7 (c) Beginning in fiscal year ~~2013~~ 2015, the department of administration shall transfer the amounts
8 determined under this subsection (5) from the general fund to the state special revenue fund for the support of
9 the Montana university system as provided in 15-10-108.

10 (6) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)
11 to the countywide retirement fund under 20-9-501 for the fiscal year ending June 30, ~~2015~~ 2017. One-half of the
12 amount must be distributed in November and the remainder in May.

13 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
14 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
15 real property in the county. By November 30, ~~2014~~ 2016, the office of public instruction shall distribute the amount
16 determined under this subsection (6)(b) to the countywide retirement fund.

17 (7) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)
18 to the county transportation reimbursement under 20-10-146 for the fiscal year ending June 30, ~~2015~~ 2017. The
19 reimbursement must be made at the same time as countywide school transportation block grants are distributed
20 under 20-9-632.

21 (b) For the fiscal year ending June 30, ~~2014~~ 2016, the department shall determine from the amount
22 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on
23 real property in the county. By November 30, ~~2014~~ 2016, the office of public instruction shall distribute the amount
24 determined under this subsection (7)(b) to the county transportation reimbursement."

25

26 **Section 2.** Section 15-6-138, MCA, is amended to read:

27 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
28 includes:

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

30 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies

- 1 except those included in class five under 15-6-135;
- 2 (c) for oil and gas production, all:
- 3 (i) machinery;
- 4 (ii) fixtures;
- 5 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
6 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas
7 metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is
8 skidable, portable, or movable;
- 9 (iv) tools that are not exempt under 15-6-219; and
- 10 (v) supplies except those included in class five;
- 11 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and
12 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors
13 as provided in 15-6-220, and supplies except those included in class five;
- 14 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are
15 specifically included and taxed in another class or that are rented under a purchase incentive rental program as
16 defined in 15-6-202(4);
- 17 (f) special mobile equipment as defined in 61-1-101;
- 18 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
19 commercial establishments as defined in this section;
- 20 (h) x-ray and medical and dental equipment;
- 21 (i) citizens' band radios and mobile telephones;
- 22 (j) radio and television broadcasting and transmitting equipment;
- 23 (k) cable television systems;
- 24 (l) coal and ore haulers;
- 25 (m) theater projectors and sound equipment; and
- 26 (n) all other property that is not included in any other class in this part, except that property that is subject
27 to a fee in lieu of a property tax.
- 28 (2) As used in this section, the following definitions apply:
- 29 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are
30 primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

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

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

7 (3) Except as provided in 15-24-1402 and 15-24-2102, class eight property is taxed at:

8 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection (4),
9 1.5%; and

10 (b) for all taxable market value in excess of \$6 million, 3%.

11 (4) The first ~~\$100,000~~ \$500,000 of market value of class eight property of a person or business entity
12 is exempt from taxation.

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

19

20 NEW SECTION. **Section 3. Effective date.** [This act] is effective January 1, 2016.

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