

HOUSE BILL NO. 519

INTRODUCED BY L. GRINDE

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A BILL FOR AN ACT ENTITLED: "AN ACT SUBMITTING TO THE QUALIFIED ELECTORS AN INCREASE IN PROPERTY TAX BY MAKING PROPERTY OF PURELY PUBLIC CHARITIES USED IN COMMERCIAL ENTERPRISE ACTIVITY SUBJECT TO PROPERTY TAX; AMENDING SECTION 15-6-201, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 15-6-201, MCA, is amended to read:

"15-6-201. Exempt categories. (1) The following categories of property are exempt from taxation:

(a) except as provided in 15-24-1203, the property of:

(i) the United States, except:

(A) if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or

(B) as provided in 15-24-1103;

(ii) the state, counties, cities, towns, and school districts;

(iii) irrigation districts organized under the laws of Montana and not operating for profit;

(iv) municipal corporations;

(v) public libraries; and

(vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

(b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings;

(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

(d) property that is:

- 1 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- 2 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
3 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 4 (iii) not maintained and operated for private or corporate profit;
- 5 (e) (i) property that is owned or property that is leased from a federal, state, or local governmental entity
6 by institutions of purely public charity if the property is directly used for purely public charitable purposes;
- 7 (ii) Property that is used for a commercial enterprise as defined in [section 1 of LC 698] is not being used
8 for a purely public charitable purpose.
- 9 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
10 Montana;
- 11 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
12 corporate profit;
- 13 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing
14 machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes
15 or for furnishing or equipping the family residence;
- 16 (i) truck canopy covers or toppers and campers;
- 17 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
- 18 (k) motor homes;
- 19 (l) all watercraft;
- 20 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or
21 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the
22 irrigation of agricultural land;
- 23 (n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive
24 of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore,
25 prospect, or dig for oil, gas, coal, or minerals;
- 26 (o) (i) property that is owned and used by a corporation or association organized and operated
27 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with
28 physical or mental impairments that constitute or result in substantial impediments to employment and that is not
29 operated for gain or profit; and
- 30 (ii) property that is owned and used by an organization owning and operating facilities that are for the care

1 of the retired, aged, or chronically ill and that are not operated for gain or profit;

2 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery
3 with a market value of less than \$100;

4 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
5 and practice for or competition in international sports and athletic events and that is not held or used for private
6 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization
7 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
8 under the Montana Nonprofit Corporation Act.

9 (r) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held
10 and that are used to:

11 (i) construct, repair, and maintain improvements to real property; or

12 (ii) repair and maintain machinery, equipment, appliances, or other personal property;

13 (s) harness, saddlery, and other tack equipment;

14 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in
15 33-25-105;

16 (u) timber as defined in 15-44-102;

17 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in
18 61-1-114, and travel trailers as defined in 61-1-131;

19 (w) all vehicles registered under 61-3-456;

20 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
21 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and

22 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection
23 (1)(x)(i); and

24 (y) motorcycles and quadricycles.

25 (2) (a) For the purposes of subsection (1)(e), the term "institutions of purely public charity" includes any
26 organization that meets the following requirements:

27 (i) The organization qualifies as a tax-exempt organization under the provisions of section 501(c)(3),
28 Internal Revenue Code, as amended.

29 (ii) The organization accomplishes its activities through absolute gratuity or grants. However, the
30 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public

1 performances or entertainment or by other similar types of fundraising activities.

2 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
3 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property
4 for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real
5 and personal property reasonably necessary for use in connection with the public display or observatory use.
6 Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or
7 for-profit organization, real and personal property owned by other persons is exempt if it is:

8 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

9 (ii) held for future display; or

10 (iii) used to house or store a public display.

11 (3) The following portions of the appraised value of a capital investment in a recognized nonfossil form
12 of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt
13 from taxation for a period of 10 years following installation of the property:

14 (a) \$20,000 in the case of a single-family residential dwelling;

15 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

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17 **NEW SECTION. Section 2. Submission of eliminating tax-exempt status for certain purely public**
18 **charities to electorate.** This act shall be submitted to the qualified electors of Montana at the tax election to be
19 held in 1999 by printing on the ballot the full title of this act and the following:

20 SHALL PROPERTY TAXES BE INCREASED ANNUALLY BY MAKING PROPERTY OF PURELY PUBLIC
21 CHARITIES USED IN COMMERCIAL ENTERPRISE ACTIVITY SUBJECT TO THE TAX?

22 FOR making property of purely public charities used in commercial enterprise activity subject to
23 property tax.

24 AGAINST making property of purely public charities used in commercial enterprise activity
25 subject to property tax.

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27 **NEW SECTION. Section 3. Contingent voidness.** (1) If Constitutional Initiative No. 75, enacting Article
28 VIII, section 17, of the Montana constitution, is declared invalid, then this act is void.

29 (2) If [LC 698] is not passed and approved, this act is void.

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1 NEW SECTION. **Section 4. Effective date.** If approved by the electorate, this act is effective July 1,
2 1999.

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4 NEW SECTION. **Section 5. Applicability.** This act applies to property taxes for commercial enterprise
5 activity engaged in by purely public charities subject to this act commencing January 1, 2000.

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