

SENATE BILL NO. 256  
INTRODUCED BY J. ELLINGSON

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE PROPERTY TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT AND RELATED LAWS; EXEMPTING FROM TAXATION THE FIRST \$50,000 OR LESS OF MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT OWNED BY A PERSON OR BUSINESS ENTITY; REQUIRING THE APPORTIONMENT OF THE PROPERTY TAX EXEMPTION AMONG SCHOOL DISTRICTS; INCLUDING COMPUTER SOFTWARE IN CLASS EIGHT PROPERTY; IMPOSING PROPERTY TAX RATES ON CLASS EIGHT BUSINESS EQUIPMENT BASED ON THE MARKET VALUE OF THE PROPERTY IN EXCESS OF THE EXEMPTION AMOUNT; ELIMINATING THE PHASEOUT OF THE PROPERTY TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT BASED UPON INFLATION-ADJUSTED EMPLOYMENT STATISTICS; REVISING LOCAL GOVERNMENT ENTITLEMENT SHARE PAYMENTS, TAX INCREMENT FINANCING DISTRICT BLOCK GRANTS, SCHOOL DISTRICT BLOCK GRANTS, COUNTYWIDE SCHOOL RETIREMENT BLOCK GRANTS, AND COUNTYWIDE SCHOOL TRANSPORTATION BLOCK GRANTS BASED ON CHANGES TO THE PROPERTY TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT; AMENDING SECTIONS 15-1-121, 15-6-138, 15-6-201, 15-6-218, 15-8-301, 15-10-420, AND 15-32-405, MCA, SECTIONS 27 AND 31, CHAPTER 285, LAWS OF 1999, SECTIONS 244, 245, AND 246, CHAPTER 574, LAWS OF 2001, AND SECTIONS 25, 26, AND 27, CHAPTER 13, LAWS OF AUGUST 2002; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

**NEW SECTION. Section 1. Apportionment of personal property exemption -- rules.** (1) For the purposes of allocating the exemption of the first \$50,000 or less of market value of class eight property under 15-6-201(1)(ff), the department shall apportion the market value exemption amount of class eight property of a person or business entity that owns property in more than one school district. The exemption amount apportioned to each school district is equal to the ratio of the market value of all class eight property owned by the person or business entity in the school district to the market value of all class eight property owned by the person or business entity, and that figure must be multiplied by the first \$50,000 or less of market value owned by the person or business entity.

(2) The taxable valuation of class eight property resulting from the apportioned exemption amounts must

be used by all taxing entities that impose mill levies within the school district.

(3) The department may adopt rules to implement this section.

**Section 2.** Section 15-1-121, MCA, is amended to read:

**"15-1-121. Entitlement share payment -- appropriation.** (1) The amount calculated pursuant to this subsection is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

(a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

(b) vehicle and boat taxes and fees pursuant to:

(i) Title 23, chapter 2, part 5;

(ii) Title 23, chapter 2, part 6;

(iii) Title 23, chapter 2, part 8;

(iv) 61-3-317;

(v) 61-3-321;

(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;

(vii) Title 61, chapter 3, part 7;

(viii) 5% of the fees collected under 61-10-122;

(ix) 61-10-130;

(x) 61-10-148; and

(xi) 67-3-205;

(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

(d) district court fees pursuant to:

(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

(ii) 25-1-202;

(iii) 25-1-1103;

(iv) 25-9-506;

(v) 25-9-804; and

(vi) 27-9-103;

- (e) certificate of ownership fees for manufactured homes pursuant to 15-1-116;
- (f) financial institution taxes pursuant to Title 15, chapter 31, part 7;
- (g) coal severance taxes allocated for county land planning pursuant to 15-35-108;
- (h) all beer, liquor, and wine taxes pursuant to:
  - (i) 16-1-404;
  - (ii) 16-1-406; and
  - (iii) 16-1-411;
- (i) late filing fees pursuant to 61-3-201;
- (j) title and registration fees pursuant to 61-3-203;
- (k) disabled veterans' flat license plate fees and purple heart license plate fees pursuant to 61-3-332;
- (l) county personalized license plate fees pursuant to 61-3-406;
- (m) special mobile equipment fees pursuant to 61-3-431;
- (n) single movement permit fees pursuant to 61-4-310;
- (o) state aeronautics fees pursuant to 67-3-101; and
- (p) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.

(2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.

(b) The amount estimated pursuant to subsections (1) and (2)(a) is each local government's base year component. The sum of all local governments' base year components is the base year entitlement share pool. For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.

(3) (a) Beginning with fiscal year 2002 and in each succeeding fiscal year, the base year entitlement share pool must be increased annually by a growth rate as provided for in this subsection (3). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. For fiscal year 2002, the growth rate is 3%. For fiscal year 2003, the growth rate is 3% for incorporated cities and towns, 1.61% for counties, and 2.3% for consolidated local governments. Beginning with calendar year ~~2004~~ 2002, by October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

(i) Before applying the growth rate for fiscal year 2004 to determine the fiscal year 2004 entitlement share pool, the department shall:

(A) add to the fiscal year 2003 entitlement share pool the fiscal year 2003 amount of revenue actually distributed to the county from the 25-cent marriage license fee in 50-15-301 and the probation and parole fee in 46-23-1031(2)(b); and

(B) subtract from the fiscal year 2003 entitlement share pool the aggregate reduction in the entitlement share payment determined in [section 9(3)(a)] and add to the fiscal year 2003 entitlement share pool the aggregate increase of the entitlement share payment determined in [section 9(3)(b)].

(ii) The department shall calculate the average annual growth rate of the Montana gross state product, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(ii)(A).

(iii) The department shall calculate the average annual growth rate of Montana personal income, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection (3)(a)(iii)(A).

(b) (i) For fiscal year 2004 and subsequent fiscal years, the entitlement share pool growth rate for the first year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(B) and (3)(a)(iii)(B):

(A) for counties, 54%;

(B) for consolidated local governments, 62%; and

(C) for incorporated cities and towns, 70%.

(ii) The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections (3)(a)(ii)(A) and (3)(a)(iii)(A):

(A) for counties, 54%;

(B) for consolidated local governments, 62%; and

(C) for incorporated cities and towns, 70%.

(4) As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection (6). For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection (1) for all special districts within the county or consolidated local government. The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources listed in subsection (1).

(5) (a) The entitlement share pools calculated in this section and the block grants provided for in subsection (6) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool. The distributions must be made on a quarterly basis beginning September 15, 2001.

(b) (i) For fiscal year 2002, the growth amount is the difference between the fiscal year 2002 entitlement share pool and the base year entitlement share pool. For fiscal year 2002, a county may have a negative base year component. For fiscal year 2003 and each succeeding fiscal year, the growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. For the purposes of subsection (5)(b)(ii)(A), a county with a negative base year component has a base year component of zero. The growth factor in the entitlement share must be calculated separately for:

- (A) counties;
- (B) consolidated local governments; and
- (C) incorporated cities and towns.

(ii) In each fiscal year, the growth amount for counties must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each county's percentage of the base year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the base year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the base year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount is distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

(vi) For fiscal year 2002, an amount equal to the district court costs identified in subsection (2) must be added to each county government's distribution from the entitlement share pool.

(vii) For fiscal year 2002, an amount equal to the district court fees identified in subsection (1)(d) must be subtracted from each county government's distribution from the entitlement share pool.

(6) (a) If a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any block grant. If a tax increment financing district referred to in subsection (6)(b) terminates, then the block grant provided for in subsection (6)(b) terminates.

(b) (i) One-half of the payments provided for in this subsection (6)(b) must be made by November 30 and the other half by May 31 of each year. Subject to ~~subsection~~ subsections (6)(a) and (6)(b)(ii), the ~~entitlement share~~ block grant for tax increment financing districts is as follows:

Cascade	Great Falls - downtown	\$468,966
Deer Lodge	TIF District 1	3,148
Deer Lodge	TIF District 2	3,126
Flathead	Kalispell - District 1	758,359
Flathead	Kalispell - District 2	5,153

Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
Lewis and Clark	Helena - # 2	731,614
Missoula	Missoula - 1-1B & 1-1C	1,100,507
Missoula	Missoula - 4-1C	33,343
Silver Bow	Butte - uptown	283,801
Yellowstone	Billings	436,815

(ii) (A) For fiscal year 2004, the block grant payment to each tax increment financing district referred to in subsection (6)(b)(i) must be adjusted as provided in [section 9].

(B) The adjusted block grant payment referred to in subsection (6)(b)(ii)(A) is the entitlement share payment for fiscal year 2005 and succeeding fiscal years.

(c) ~~The entitlement share block grant payment~~ for industrial tax increment financing districts is as follows:

(i) for fiscal years 2002 and 2003:

Missoula County	Airport Industrial	\$4,812
Silver Bow	Ramsay Industrial	597,594;

(ii) subject to subsection (6)(d)(ii), for fiscal years 2004 and 2005:

Missoula	County Airport Industrial	\$2,406
Silver Bow	Ramsay Industrial	298,797; and

(iii) \$0 for all succeeding fiscal years.

(d) (i) ~~The entitlement share block grant payment~~ for industrial tax increment financing districts referred to in subsection (6)(c) may not be used to pay debt service on tax increment bonds to the extent that the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an owner of property within the tax increment financing industrial district.

(ii) For fiscal years 2004 and 2005, the block grant payment for industrial tax increment financing districts must be adjusted as provided in [section 9].

(e) One-half of the payments provided for in subsection (6)(c) must be made by July 30, and the other half must be made in December of each year.

(7) The estimated base year entitlement share pool and any subsequent entitlement share pool for local governments do not include revenue received from countywide ~~transportation retirement~~ transportation block grants or from countywide ~~retirement transportation~~ transportation block grants.

(8) The estimates for the base year entitlement share pool in subsection (1) must be calculated as if the fees in Chapter 515, Laws of 1999, were in effect for all of fiscal year 2001.

(9) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(p) is significantly reduced, except through legislative action, the department shall deduct the amount of revenue loss from the entitlement share pool beginning in the succeeding fiscal year and the department shall work with local governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of revenue.

(b) For the purposes of subsection (9)(a), a significant reduction is a loss that causes the amount of revenue received in the current year to be less than 95% of the amount of revenue received in the base year.

(10) ~~A~~ Except for reductions to entitlement share payments determined in [section 9], a three-fifths vote of each house is required to reduce the amount of the entitlement share calculated pursuant to subsections (1) through (3).

(11) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

(12) A local government may appeal the department's estimation of the base year component, the entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211."

**Section 3.** Section 15-6-138, MCA, is amended to read:

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

- (a) all agricultural implements and equipment that are not exempt under 15-6-201(1)(bb);
- (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;
- (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;



(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as providers as provided in 15-6-201, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

(h) x-ray and medical and dental equipment;

(i) citizens' band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

(n) computer software; and

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

(2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

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

(4) Class eight property is taxed at 3% of its market value as follows:

(a) on the first \$10 million of market value or any part of that value that is not exempt under 15-6-201, 3%; and

(b) on the market value in excess of \$10 million or any part of that value that is not exempt under 15-6-201, 6%.

~~(5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana wage and salary income, in the last full year for which data is available, is at least 2.85% from the prior year, then the tax rate for class eight property will be reduced by 1% each year until the tax rate reaches zero.~~

~~—— (b) The department shall calculate the percentage growth in subsection (5)(a) by using the formula~~

~~(W/GPI) - 1, where:~~

~~—— (i) W is the Montana wage and salary income for the most current available year divided by the Montana wage and salary income for the year prior to the most current available year; and~~

~~—— (ii) CPI is the consumer price index for the most current available year used in subsection (5)(b)(i) divided by the consumer price index for the year prior to the most current available year as used in subsection (5)(b)(i);~~

~~—— (c) For purposes of determining the percentage growth in subsection (5)(a), the department shall use the wage and salary data series referred to as the bureau of economic analysis of the United States department of commerce Montana wage and salary disbursements. Inflation must be measured by the consumer price index, U.S. city average, all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.~~

~~—— (6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs. 27(2), 31(4), Ch. 285, L. 1999.)"~~

**Section 4.** Section 15-6-201, MCA, is amended to read:

**"15-6-201. (Temporary) 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:

(i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories that are not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) truck canopy covers or toppers and campers;

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not

operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

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

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

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

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

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

(ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture, launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

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

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

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

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

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

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

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

(y) motorcycles and quadricycles;

(z) ~~the following percentage~~ 31% of the market value of residential property as described in

15-6-134(1)(e) and (1)(f):

~~—— (i) 23% for tax year 2000;~~

~~—— (ii) 27.5% for tax year 2001; and~~

~~—— (iii) 31% for tax year 2002 and succeeding tax years;~~

(aa) ~~the following percentage~~ 13% of the market value of commercial property as described in 15-6-134(1)(g):

~~—— (i) 9% for tax year 2000;~~

~~—— (ii) 11% for tax year 2001; and~~

~~—— (iii) 13% for tax year 2002 and succeeding tax years;~~

(bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy;

(cc) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:

(i) the acquired cost of the personal property is less than \$15,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

(dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility; ~~and~~

(ee) light vehicles as defined in 61-1-139; and

(ff) the first \$50,000 or less of market value of class eight property of a person or business entity. The exemption amount must be apportioned as provided in [section 1].

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the

organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

(ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income.

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

- (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
- (ii) held for future display; or
- (iii) used to house or store a public display.

(3) For the purposes of subsection (1)(bb):

(a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.

(b) "industrial milk processor" means a facility and integral machinery used solely to process milk into milk products for export from the state.

(4) ~~The~~ Except as provided in 15-32-405, the following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

- (a) \$20,000 in the case of a single-family residential dwelling;
- (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

**15-6-201. (Effective on occurrence of contingency) 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:~~
  - ~~\_\_\_\_\_ (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;~~
  - ~~\_\_\_\_\_ (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and~~
  - ~~\_\_\_\_\_ (iii) not maintained and operated for private or corporate profit;~~
- ~~\_\_\_\_\_ (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;~~
- ~~\_\_\_\_\_ (f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;~~
- ~~\_\_\_\_\_ (g) public museums, art galleries, zoos, and observatories that are not used or held for private or corporate profit;~~

- ~~——— (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;~~
- ~~——— (i) truck canopy covers or toppers and campers;~~
- ~~——— (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;~~
- ~~——— (k) motor homes;~~
- ~~——— (l) all watercraft;~~
- ~~——— (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;~~
- ~~——— (n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;~~
- ~~——— (o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and~~
- ~~——— (ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;~~
- ~~——— (p) all farm buildings with a market value of less than \$500 and all agricultural implements and machinery with a market value of less than \$100;~~
- ~~——— (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.~~
- ~~——— (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily hand-held and that are used to:~~
  - ~~——— (A) construct, repair, and maintain improvements to real property; or~~
  - ~~——— (B) repair and maintain machinery, equipment, appliances, or other personal property;~~
- ~~——— (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,~~



~~launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;~~

~~——— (s) harness, saddlery, and other tack equipment;~~

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

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

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

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

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

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

~~——— (y) motorcycles and quadricycles;~~

~~——— (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e) and (1)(f):~~

~~——— (i) 23% for tax year 2000;~~

~~——— (ii) 27.5% for tax year 2001; and~~

~~——— (iii) 31% for tax year 2002 and succeeding tax years;~~

~~——— (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~

~~——— (i) 9% for tax year 2000;~~

~~——— (ii) 11% for tax year 2001; and~~

~~——— (iii) 13% for tax year 2002 and succeeding tax years;~~

~~——— (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy;~~

~~——— (cc) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:~~

~~——— (i) the acquired cost of the personal property is less than \$15,000;~~

~~——— (ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total~~

rentals or leases during a calendar year; and

- ~~\_\_\_\_\_ (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;~~
- ~~\_\_\_\_\_ (dd) all agricultural implements and equipment;~~
- ~~\_\_\_\_\_ (ee) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;~~
- ~~\_\_\_\_\_ (ff) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;~~
- ~~\_\_\_\_\_ (gg) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;~~
- ~~\_\_\_\_\_ (hh) special mobile equipment as defined in 61-1-104;~~
- ~~\_\_\_\_\_ (ii) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;~~
- ~~\_\_\_\_\_ (jj) x-ray and medical and dental equipment;~~
- ~~\_\_\_\_\_ (kk) citizens' band radios and mobile telephones;~~
- ~~\_\_\_\_\_ (ll) radio and television broadcasting and transmitting equipment;~~
- ~~\_\_\_\_\_ (mm) cable television systems;~~
- ~~\_\_\_\_\_ (nn) coal and ore haulers;~~
- ~~\_\_\_\_\_ (oo) theater projectors and sound equipment; and~~
- ~~\_\_\_\_\_ (pp) light vehicles as defined in 61-1-139.~~
- ~~\_\_\_\_\_ (2) (a) For the purposes of subsection (1)(e):~~
  - ~~\_\_\_\_\_ (i) the term "institutions of purely public charity" includes any organization that meets the following requirements:~~
    - ~~\_\_\_\_\_ (A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.~~
    - ~~\_\_\_\_\_ (B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.~~
  - ~~\_\_\_\_\_ (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually with the department a copy of its federal tax return reporting any unrelated business taxable income received by~~

the charity during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income:

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

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

~~———— (ii) held for future display; or~~

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

~~———— (3) For the purposes of subsection (1)(bb):~~

~~———— (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products solely for export from the state, either directly by the dairy or after the milk or milk product has been further processed by an industrial milk processor. After export, any unprocessed milk must be further processed into other dairy products.~~

~~———— (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into milk products for export from the state.~~

~~———— (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:~~

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

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

**Section 5.** Section 15-6-218, MCA, is amended to read:

**"15-6-218. Intangible personal property exemption.** (1) Except as provided in subsection (3), intangible personal property is exempt from taxation.

(2) (a) ~~For~~ Except as provided in subsection (2)(b), for the purposes of this section, "intangible personal property" means personal property that is not tangible personal property and that:

~~(a)~~(i) has no intrinsic value but is the representative or evidence of value, including but not limited to

certificates of stock, bonds, promissary notes, licenses, copyrights, patents, trademarks, contracts, ~~software~~; and franchises; or

~~(b)(ii)~~ lacks physical existence, including but not limited to goodwill.

(b) Intangible personal property does not include computer software.

~~(3) The exemption for intangible personal property that is centrally assessed, other than property under 15-23-101(4) and (5), must be phased in over 3 years beginning in tax year 2000. Ten percent of the intangible personal property is exempt for tax year 2000, and two-thirds of the intangible personal property is exempt for tax year 2001. Centrally assessed intangible personal property is fully exempt from taxation in tax year 2002 and thereafter.~~

~~(4) The department shall adopt administrative rules prior to valuation determinations for tax year 2000 that specify the valuation methodology for centrally assessed intangible personal property. To the extent that the unit value includes intangible personal property, that value must be removed from the unit value according to the provisions in subsection (3).~~

~~(5) The department shall report intangible personal property annually to the revenue and transportation interim committee of the Montana legislature and to the Montana legislature meeting in the year 2001."~~

**Section 6.** Section 15-8-301, MCA, is amended to read:

**"15-8-301. Statement -- what to contain.** (1) The department may require from a person a statement under oath setting forth specifically all the real and personal property owned by, in possession of, or under the control of the person at midnight on January 1. The statement must be in writing, showing separately:

(a) all property belonging to, claimed by, or in the possession or under the control or management of the person;

(b) all property belonging to, claimed by, or in the possession or under the control or management of any firm of which the person is a member;

(c) all property belonging to, claimed by, or in the possession or under the control or management of any corporation of which the person is president, secretary, cashier, or managing agent;

(d) the county in which the property is situated or in which the property is liable to taxation and, if liable to taxation in the county in which the statement is made, also the city, town, school district, road district, or other revenue districts in which the property is situated;

(e) an exact description of all lands, improvements, and personal property;

(f) all depots, shops, stations, buildings, and other structures erected on the space covered by the

right-of-way and all other property owned by any person owning or operating any railroad within the county.

(2) (a) The department shall notify the taxpayer in the statement for reporting personal property owned by a business or used in a business that the statement is for reporting business equipment and other business personal property described in Title 15, chapter 6, part 1. ~~A Except as provided in subsection (2)(b), a taxpayer owning exempt business equipment is subject to limited reporting requirements;~~ ~~however~~ However, all new businesses shall report their class eight property so that the department can determine the market value of the property. The department shall by rule develop reporting requirements for business equipment to limit the annual reporting of exempt business equipment to the extent feasible.

(b) For the purposes of apportioning the value of exempt property under [section 1], a person or business entity that owns class eight property in more than one school district shall report all class eight business equipment to the department.

(3) Whenever one member of a firm or one of the proper officers of a corporation has made a statement showing the property of the firm or corporation, another member of the firm or another officer is not required to include the property in that person's statement but the statement must show the name of the person or officer who made the statement in which the property is included.

(4) The fact that a statement is not required or that a person has not made a statement, under oath or otherwise, does not relieve the person's property from taxation."

**Section 7.** Section 15-10-420, MCA, is amended to read:

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

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

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of

inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

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

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

- (a) annexation of real property and improvements into a taxing unit;
- (b) construction, expansion, or remodeling of improvements;
- (c) transfer of property into a taxing unit;
- (d) subdivision of real property; ~~and~~
- (e) transfer of property from tax-exempt to taxable status; and

(f) for tax year 2003, the increase in taxable value attributable to the change in the property tax rate of class eight property in 15-6-138.

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

- (i) a change in the boundary of a tax increment financing district;
- (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or
- (iii) the termination of a tax increment financing district.

(b) For the purpose of subsection (3)(d), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property or as nonagricultural land as described in 15-6-133(1)(c).

~~(c) For the purposes of this section, newly taxable property does not include an increase in appraised value of land that was previously valued at 75% of the value of improvements on the land, as provided in 15-7-111(4) and (5), as those subsections applied on December 31, 2001.~~

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

- (a) school district levies established in Title 20; or
- (b) the portion of a governmental entity's property tax levy for premium contributions for group benefits excluded under 2-9-212 or 2-18-703.

(6) For purposes of subsection (1)(a), the amount of property taxes imposed do actually assessed does not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

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

increase the number of mills to account for a decrease in reimbursements, except for a reduction in the local government entitlement share payment or the tax increment finance district block grant as determined in [section 9].

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in whole mills. If the mill levy calculation does not result in a whole number of mills, then the calculation must be rounded up to the nearest whole mill.

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

(i) a judgment levy under 2-9-316 or 7-7-2202;

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

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

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

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

**Section 8.** Section 15-32-405, MCA, is amended to read:

**"15-32-405. Exclusion from other tax incentives.** If a credit is claimed for an investment pursuant to this part, no other state energy or investment tax credit, including but not limited to the tax credits allowed by 15-30-162 and 15-31-123 through 15-31-125, may be claimed for the investment. ~~Property~~ The property tax reduction allowed by 15-6-201(~~3~~)(4) may not be applied to a facility for which a credit is claimed pursuant to this part."

NEW SECTION. **Section 9. Adjustment to entitlement share payments.** (1) (a) For the purpose of adjusting entitlement share payments and tax increment financing district block grants under 15-1-121, the department of revenue shall determine the amount of property tax revenue gained or lost by each local government referred to in 15-1-121(4) and by each tax increment financing district referred to in 15-1-121(6)(b) and (6)(c) as the result of the increase in the property tax rate applied to class eight property in 15-6-138 and the class eight property tax exemption provided for in 15-6-201(1)(ff). The determination must be made by July 15,

2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for the determination of changes of property tax revenue.

(b) The department shall determine the amount of revenue due each local government and tax increment financing district for fiscal year 2003 from the property tax imposed on business equipment in 15-6-138.

(2) The department shall then calculate for each local government and tax increment financing district for fiscal year 2003, using fiscal year 2003 mill levies, the amount of revenue that would have been due from the property tax imposed on business equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year 2003.

(3) (a) In fiscal year 2004, the entitlement share payment for each local government and each tax increment financing district that gained property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the calculation in subsections (2) and (1)(b).

(b) In fiscal year 2004, the entitlement share payment for each local government and each tax increment financing district that lost property tax revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in subsections (1)(b) and (2).

**NEW SECTION. Section 10. Adjustment to school district block grants.** (1) (a) For the purpose of adjusting the school district block grants under section 244, Chapter 574, Laws of 2001, as amended by section 25, Chapter 13, Special Laws of August 2002, the department of revenue shall determine the amount of property tax revenue gained or lost by each school district as the result of the increase in the property tax rate applied to class eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff). The determination must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for the determination of changes of property tax revenue.

(b) The department shall determine the amount of revenue due each school district for fiscal year 2003 from the property tax imposed on business equipment in 15-6-138.

(2) The department shall then calculate for each school district for fiscal year 2003, using fiscal year 2003 mill levies, the amount of revenue that would have been due from the property tax imposed on business equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year



2003.

(3) (a) In fiscal year 2004, the school district block grant for each school district that gained property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the calculation in subsections (2) and (1)(b).

(b) In fiscal year 2004, the school district block grant of each school district that lost property tax revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in subsections (1)(b) and (2).

**NEW SECTION. Section 11. Adjustment to countywide school retirement block grants.** (1) (a) For the purpose of adjusting the countywide school retirement block grants under section 245, Chapter 574, Laws of 2001, as amended by section 26, Chapter 13, Special Laws of August 2002, the department of revenue shall determine the amount of property tax revenue gained or lost by each county that imposed a countywide school retirement property tax levy under 20-9-501 as the result of the increase in the property tax rate applied to class eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff). The determination must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for the determination of changes of property tax revenue.

(b) The department shall determine the amount of revenue due each county for fiscal year 2003 from property taxes on business equipment in 15-8-138 from the mill levy imposed by 20-9-501.

(2) The department shall then calculate for each countywide school retirement levy imposed in fiscal year 2003 the amount of revenue that would have been due from the property tax on business equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year 2003.

(3) (a) In fiscal year 2004, the countywide school retirement block grant for each county that gained property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the calculation in subsections (2) and (1)(b).

(b) In fiscal year 2004, the countywide school retirement block grant for each county that lost property tax revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in subsections (1)(b) and (2).

**NEW SECTION. Section 12. Adjustment to countywide school transportation block grants.** (1)

(a) For the purpose of adjusting the countywide school transportation block grants under section 246, Chapter 574, Laws of 2001, as amended by section 27, Chapter 13, Special Laws of August 2002, the department of revenue shall determine the amount of property tax revenue gained or lost by each county that imposed a countywide school transportation property tax levy under 20-10-146 as the result of the increase in the property tax rate applied to class eight property in 15-6-138 and the property tax exemption provided for in 15-6-201(1)(ff). The determination must be made by July 15, 2003, for fiscal year 2004. The department shall use fiscal year 2003 as the base for the determination of changes of property tax revenue.

(b) The department shall determine the amount of revenue due each county for fiscal year 2003 from property taxes on business equipment in 15-8-138 from the mill levy imposed by 20-10-146.

(2) The department shall then calculate for each countywide school transportation levy imposed in fiscal year 2003 the amount of revenue that would have been due from the property tax on business equipment in 15-6-138 if 15-6-138(4)(a) and (4)(b) had been in effect for fiscal year 2003. In making the calculation, the department shall take into account the property tax exemption in 15-6-201(1)(ff) and the apportionment of the exemption in [section 1] if 15-6-201(1)(ff) and [section 1] had been in effect for fiscal year 2003.

(3) (a) In fiscal year 2004, the countywide school transportation block grant for each county that gained property tax revenue in fiscal year 2003 must be reduced by the amount of the difference between the calculation in subsections (2) and (1)(b).

(b) In fiscal year 2004, the countywide school transportation block grant for each county that lost property tax revenue in fiscal year 2003 must be increased by the amount of the difference between the calculation in subsections (1)(b) and (2).

**Section 13.** Section 27, Chapter 285, Laws of 1999, is amended to read:

**"Section 27. Repealer.** ~~(1)~~ Sections 15-6-136, 15-24-901, 15-24-920, 15-24-926, 15-24-927, and 15-24-931, MCA, are repealed.

~~(2) Section 15-6-138, MCA, is repealed."~~

**Section 14.** Section 31, Chapter 285, Laws of 1999, is amended to read:

**"Section 31. Effective dates.** (1) [Sections 1, 11, 12, 15, 22, 26, 28 through 30, and 32 and this section] are effective on passage and approval.

(2) [Sections 3 through 9 and 23] are effective July 1, 2000.

(3) [Sections 2, 10, 13, 14, 16 through 21, 24, 25, and 27~~(4)~~] are effective January 1, 2003.

~~(4) [Sections 13(1)(aa) through (1)(ll) and 27(2)] are effective if the tax rate in [section 12], amending 15-6-138, reaches zero."~~

**Section 15.** Section 25, Chapter 13, Laws of August 2002, is amended to read:

**"Section 25.** Section 244, Chapter 574, Laws of 2001, is amended to read:

**"Section 244. School district block grants.** (1) (a) The office of public instruction shall provide a block grant to each school district based on the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and, subject to subsection (4), property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999.

(b) Block grants must be calculated using the electronic reporting system that is used by the office of public instruction and school districts. The electronic reporting system must be used to allocate a portion of the block grant amount into each district's fiscal year 2002 budget as an anticipated revenue source by fund.

(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.

(2) If the ~~biennial~~ fiscal year 2003 appropriation provided in [section 248(1)] is insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.

(3) Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed. ~~If the appropriation for block grants is greater than or less than the amount received by schools from the sources enumerated in subsection (1), the office of public instruction shall prorate the amount appropriated based upon the fiscal year 2001 revenue.~~

(4) ~~(a) The~~ Subject to subsection (4)(b), the average amount of the block grants in fiscal years 2002 and 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(b) Before applying the growth rate in subsection (4)(a), the fiscal year 2003 school district block grant must be adjusted as provided in [section 10] to determine the average of the block grants in fiscal years 2002 and 2003."

**Section 16.** Section 26, Chapter 13, Laws of August 2002, is amended to read:

**"Section 26.** Section 245, Chapter 574, Laws of 2001, is amended to read:

**"Section 245. Countywide school retirement block grants.** (1) The office of public instruction shall distribute one-half of the amount appropriated for countywide school retirement in November and the remainder in May. The total amount for each county is as follows:

	FY 2002	FY2002	FY2003	FY2003
	Elementary	High School	Elementary	High School
	Payment	Payment	Payment	Payment
Beaverhead	\$86,692	\$50,789	<del>\$87,351</del> <u>\$55,503</u>	<del>\$51,175</del> <u>\$41,981</u>
Big Horn	62,668	36,963	<del>63,144</del> <u>95,018</u>	<del>37,244</del> <u>33,837</u>
Blaine	61,160	10,193	<del>61,624</del> <u>46,318</u>	<del>40,271</del> <u>81,109</u>
Broadwater	0	92,686	0	<del>93,390</del> <u>34,949</u>
Carbon	43,451	82,110	<del>43,782</del> <u>72,602</u>	<del>82,734</del> <u>58,957</u>
Carter	9,751	5,453	<del>9,825</del> <u>8,478</u>	<del>5,495</del> <u>6,155</u>
Cascade	349,056	192,848	<del>351,709</del> <u>282,266</u>	<del>194,314</del> <u>142,282</u>
Chouteau	75,384	41,034	<del>75,957</del> <u>58,455</u>	<del>41,346</del> <u>29,474</u>
Custer	78,925	36,930	<del>79,525</del> <u>57,608</u>	<del>37,211</del> <u>32,128</u>
Daniels	0	37,994	0	<del>38,283</del> <u>36,083</u>
Dawson	85,568	38,722	<del>86,219</del> <u>64,693</u>	<del>39,016</del> <u>24,827</u>
Deer Lodge	39,980	17,059	<del>40,284</del>	<del>17,189</del>

			<u>34,455</u>	<u>16,807</u>
Fallon	0	0	0	0
				<u>30,444</u>
Fergus	119,028	78,809	419,932	79,408
			<u>90,464</u>	<u>55,527</u>
Flathead	558,861	296,410	563,108	298,662
			<u>530,274</u>	<u>268,731</u>
Gallatin	383,035	181,743	385,946	483,125
			<u>537,244</u>	<u>107,717</u>
Garfield	12,337	10,170	42,431	40,247
			<u>12,100</u>	<u>4,620</u>
Glacier	79,924	34,016	80,532	34,275
			<u>106,815</u>	<u>10,494</u>
Golden Valley	0	16,716	0	46,843
				<u>14,492</u>
Granite	14,074	48,026	44,180	48,391
			<u>12,523</u>	<u>30,727</u>
Hill	142,867	82,538	443,953	83,165
			<u>59,593</u>	<u>35,211</u>
Jefferson	116,679	59,523	417,565	59,976
			<u>143,901</u>	<u>59,690</u>
Judith Basin	6,149	21,359	6,196	21,521
			<u>4,744</u>	<u>30,198</u>
Lake	173,584	139,990	474,903	441,054
			<u>156,485</u>	<u>103,365</u>
Lewis & Clark	344,112	211,726	346,728	243,335
			<u>370,958</u>	<u>173,847</u>
Liberty	20,144	16,786	20,297	46,914
			<u>3,067</u>	<u>31,953</u>
Lincoln	73,001	98,835	73,556	99,586
			<u>61,499</u>	<u>87,710</u>

Madison	0	103,163	0	403,947
			<u>4,891</u>	<u>19,788</u>
McCone	23,214	15,824	23,390	45,945
			<u>21,778</u>	<u>14,004</u>
Meagher	13,654	10,678	43,758	40,759
			<u>9,250</u>	<u>9,492</u>
Mineral	0	32,206	0	32,454
				<u>33,292</u>
Missoula	487,129	362,756	490,832	365,513
			<u>587,637</u>	<u>357,669</u>
Musselshell	30,675	21,577	30,908	21,744
			<u>48,959</u>	<u>41,250</u>
Park	154,192	81,696	455,364	82,317
			<u>135,256</u>	<u>78,135</u>
Petroleum	0	16,897	0	47,026
				<u>9,510</u>
Phillips	10,502	95,084	40,582	95,806
			<u>103,747</u>	<u>54,728</u>
Pondera	79,805	60,307	80,414	60,765
			<u>18,821</u>	<u>47,629</u>
Powder River	18,815	15,011	48,958	45,125
			<u>0</u>	<u>0</u>
Powell	69,695	22,666	70,225	22,838
			<u>71,420</u>	<u>30,458</u>
Prairie	0	26,791	0	26,995
				<u>21,945</u>
Ravalli	85,333	169,769	85,984	471,059
			<u>2,062</u>	<u>40,316</u>
Richland	83,671	30,302	84,307	30,533
			<u>15,500</u>	<u>26,650</u>
Roosevelt	71,090	60,329	74,630	60,787

			<u>96,278</u>	<u>61,038</u>
Rosebud	359,662	286,411	<del>362,395</del>	<del>288,588</del>
			<u>475,055</u>	<u>126,246</u>
Sanders	203,863	127,694	<del>205,413</del>	<del>128,665</del>
			<u>197,286</u>	<u>14,442</u>
Sheridan	0	46,231	0	<del>46,583</del>
				<u>47,628</u>
Silver Bow	249,821	141,541	<del>251,719</del>	<del>142,617</del>
			<u>193,304</u>	<u>119,358</u>
Stillwater	91,487	75,926	<del>92,182</del>	<del>76,503</del>
			<u>91,185</u>	<u>51,769</u>
Sweet Grass	36,996	36,327	<del>37,277</del>	<del>36,603</del>
			<u>24,214</u>	<u>12,316</u>
Teton	57,760	41,547	<del>58,199</del>	<del>41,863</del>
			<u>45,217</u>	<u>40,769</u>
Toole	43,323	51,399	<del>43,652</del>	<del>51,790</del>
			<u>36,109</u>	<u>73,362</u>
Treasure	0	18,947	0	<del>49,094</del>
				<u>16,243</u>
Valley	15,824	90,532	<del>15,944</del>	<del>91,220</del>
			<u>10,558</u>	<u>143,204</u>
Wheatland	20,946	12,103	<del>21,105</del>	<del>12,195</del>
			<u>15,031</u>	<u>12,109</u>
Wibaux	0	14,585	0	<del>14,696</del>
				<u>25,103</u>
Yellowstone	1,125,488	643,136	<del>1,134,042</del>	<del>648,024</del>
			<u>1,070,887</u>	<u>612,203</u>
Total	6,269,374	4,650,865	<del>6,317,022</del>	<del>4,686,212</del>
			<u>6,139,506</u>	<u>3,723,973</u>

(2) (a) ~~The~~ Subject to subsection (2)(b), the average amount of the block grants in fiscal years 2002 and 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(b) Before applying the growth rate in subsection (2)(a), the fiscal year 2003 elementary payment and high school payment for countywide school retirement referred to in subsection (1) must be adjusted as provided in [section 11] to determine the average of the block grants in fiscal years 2002 and 2003."

**Section 17.** Section 27, Chapter 13, Laws of 2002, is amended to read:

**"Section 27.** Section 246, Chapter 574, Laws of 2001, is amended to read:

**"Section 246. Countywide school transportation block grants.** (1) The office of public instruction shall distribute one-half of the amount appropriated for countywide school transportation in November and the remainder in May. The total amount for each county is as follows:

	FY 2002	FY 2003
	Payment	Payment
Beaverhead	\$29,924	<del>\$30,151</del> <u>\$26,197</u>
Big Horn	43,635	<del>43,966</del> <u>52,920</u>
Blaine	3,727	<del>3,756</del> <u>13,384</u>
Broadwater	14,935	<del>15,048</del> <u>21,769</u>
Carbon	23,493	<del>23,674</del> <u>23,040</u>
Carter	8,675	<del>8,744</del> <u>6,457</u>
Cascade	84,382	<del>85,024</del> <u>5,760</u>
Chouteau	33,063	<del>33,314</del> <u>26,028</u>
Custer	7,069	<del>7,123</del> <u>6,272</u>
Daniels	16,771	<del>16,899</del> <u>12,993</u>
Dawson	21,356	<del>21,518</del> <u>14,001</u>
Deer Lodge	14,392	<del>14,502</del> <u>14,482</u>
Fallon	20,447	<del>20,603</del> <u>25,422</u>
Fergus	58,765	<del>59,211</del> <u>30,799</u>
Flathead	89,846	<del>90,529</del> <u>77,223</u>
Gallatin	81,262	<del>81,879</del> <u>90,930</u>
Garfield	17,284	<del>17,415</del> <u>7,135</u>
Glacier	37,740	<del>38,027</del> <u>34,300</u>
Golden Valley	3,547	<del>3,574</del> <u>3,591</u>
Granite	8,153	<del>8,215</del> <u>6,726</u>



Hill	46,409	<del>46,762</del> <u>17,070</u>
Jefferson	36,329	<del>36,605</del> <u>34,792</u>
Judith Basin	16,878	<del>17,007</del> <u>20,322</u>
Lake	69,756	<del>70,286</del> <u>52,163</u>
Lewis & Clark	58,287	<del>58,730</del> <u>69,557</u>
Liberty	15,874	<del>15,995</del> <u>12,731</u>
Lincoln	50,388	<del>50,774</del> <u>0</u>
Madison	21,263	<del>21,424</del> <u>14,174</u>
McCone	12,498	<del>12,593</del> <u>11,856</u>
Meagher	4,237	<del>4,269</del> <u>6,366</u>
Mineral	7,478	<del>7,534</del> <u>9,038</u>
Missoula	93,969	<del>94,683</del> <u>94,480</u>
Musselshell	12,945	<del>13,043</del> <u>20,627</u>
Park	31,904	<del>32,147</del> <u>32,394</u>
Petroleum	9,854	<del>9,929</del> <u>6,086</u>
Phillips	31,080	<del>31,316</del> <u>43,852</u>
Pondera	22,599	<del>22,774</del> <u>18,308</u>
Powder River	21,304	<del>21,465</del> <u>0</u>
Powell	16,622	<del>16,748</del> <u>14,581</u>
Prairie	8,544	<del>8,609</del> <u>4,809</u>
Ravalli	60,579	<del>61,040</del> <u>24,889</u>
Richland	32,995	<del>33,246</del> <u>30,868</u>
Roosevelt	25,740	<del>25,935</del> <u>40,216</u>
Rosebud	97,820	<del>98,564</del> <u>89,433</u>
Sanders	71,581	<del>72,125</del> <u>173,489</u>
Sheridan	12,946	<del>13,045</del> <u>17,460</u>
Silver Bow	21,872	<del>22,038</del> <u>18,381</u>
Stillwater	27,358	<del>27,566</del> <u>15,344</u>
Sweet Grass	14,996	<del>15,110</del> <u>6,340</u>
Teton	28,202	<del>28,416</del> <u>20,759</u>
Toole	17,208	<del>17,339</del> <u>15,592</u>

Treasure	5,446	<del>5,487</del> <u>5,073</u>
Valley	26,677	<del>26,880</del> <u>36,436</u>
Wheatland	9,142	<del>9,212</del> <u>6,386</u>
Wibaux	6,198	<del>6,246</del> <u>8,816</u>
Yellowstone	149,314	<del>150,448</del> <u>145,322</u>
Total	1,814,759	<del>1,828,554</del> <u>1,637,437</u>

(2) (a) ~~The~~ Subject to subsection (2)(b), the average amount of the block grants in fiscal years 2002 and 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(b) Before applying the growth rate in subsection (2)(a), the fiscal year 2003 payment for countywide school transportation referred to in subsection (1) must be adjusted as provided in [section 12] to determine the average of the block grants in fiscal years 2002 and 2003.""

NEW SECTION. Section 18. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

NEW SECTION. Section 19. Saving clause. [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. Section 20. Effective date. [This act] is effective on passage and approval.

NEW SECTION. Section 21. Retroactive applicability. [This act] applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 2002.

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