

SENATE BILL NO. 461

INTRODUCED BY STORY, BRUEGGEMAN, STONINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT TO MITIGATE THE EFFECTS OF THE PERIODIC PROPERTY TAX REVALUATION CYCLE THAT BEGINS IN 2003; ~~PROVIDING FOR A HOMESTEAD EXEMPTION FOR PRIMARY DWELLINGS THAT ARE OWNER-OCCUPIED AT LEAST 7 MONTHS A YEAR; ALLOWING AN ELECTION OF A DWELLING IF THE OWNER OF A HOMESTEAD HAS OTHER DWELLINGS; PROVIDING FOR A HOMESTEAD EXEMPTION FOR PRIMARY DWELLINGS THAT ARE OWNER-OCCUPIED FOR AT LEAST 7 MONTHS A YEAR; ALLOWING AN ELECTION OF A DWELLING IF THE OWNER OF A HOMESTEAD HAS OTHER DWELLINGS; CREATING A CLASS ELEVEN FOR PROPERTY TAXATION THAT CONSISTS OF HOMESTEAD PROPERTY;~~ DECREASING THE CLASS FOUR PROPERTY TAX RATE FROM 3.46 PERCENT TO 3 3.01 PERCENT OVER A 6-YEAR PERIOD; ~~PROVIDING RATE ADJUSTMENTS TO CLASS FOUR PROPERTY TAX RATES FOR CERTAIN HOMESTEADS RESIDENCES CERTAIN HOMESTEADS WITH EXTRAORDINARY INCREASES IN MARKET VALUE; TYING THE RATE ADJUSTMENT TO INCOME BRACKETS; PROVIDING RATE ADJUSTMENTS TO CLASS FOUR PROPERTY TAX RATES FOR CERTAIN RESIDENCES WITH EXTRAORDINARY INCREASES IN MARKET VALUE;~~ ESTABLISHING A NEW CLASS FOUR ~~AND CLASS ELEVEN~~ PROPERTY TAX EXEMPTION SCHEDULE FOR HOMESTEAD PROPERTY; ~~OTHER RATES FOR RESIDENTIAL PROPERTY, RENTAL MULTIFAMILY DWELLINGS, AND COMMERCIAL AND INDUSTRIAL PROPERTY AND COMMERCIAL AND INDUSTRIAL PROPERTY THAT ADJUSTS ADJUST~~ THE EXEMPT PERCENTAGE OF VALUE OVER 6 YEARS; PROVIDING AN EXTENSION OF 2003 ADMINISTRATIVE DEADLINES RELATING TO PROPERTY TAXATION; ~~PROVIDING FOR AN INTERIM PROPERTY TAX REAPPRAISAL STUDY COMMITTEE AND A TAX REFORM STUDY COMMITTEE; PROVIDING AN APPROPRIATION; AMENDING SECTIONS ~~5-2-301, 7-13-2527,~~ 15-6-134, ~~15-6-138, 15-6-138,~~ 15-6-191, 15-6-201, ~~AND 15-7-103,~~ AND 15-7-111, ~~AND 15-8-111, 15-8-111, AND 15-16-102;~~ MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE DATES, APPLICABILITY DATE DATES, AND A TERMINATION DATE."~~

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

— ~~NEW SECTION. Section 1. Homestead.~~ (1) "Homestead", for the purposes of property taxation, means the owner-occupied dwelling used as the primary dwelling place of the owner. The primary dwelling place is the

~~single place where an individual has a fixed and permanent home and principal establishment and to which whenever the individual is absent the individual has the intention of returning. The homestead may be occupied by any members of the owner's household as their home. The homestead includes appurtenant land not exceeding 5 acres owned or under contract for deed and that is reasonably necessary for the use of the dwelling as a home:~~

~~———— (2) (a) To qualify as a homestead, the property must be the owner's primary dwelling place on January 1 of the year for which the claim is made and at least 7 months during the prior year. If the dwelling was owned by the claimant for less than 1 year, the claimant must have resided in the dwelling for a majority of the time that the claimant owned the dwelling.~~

~~———— (b) A primary dwelling that qualified as a homestead continues to qualify as a homestead if the claimant resides in a health care facility and the owner does not rent or lease the dwelling to others.~~

~~———— (3) The owner of a homestead and other residential dwellings may elect to have the homestead exemption apply to the homestead or any one of the other residential dwellings. The homestead exemption may not apply to a dwelling that the owner rents or leases to others.~~

~~———— **NEW SECTION. SECTION 1. HOMESTEAD.** (1) "HOMESTEAD", FOR THE PURPOSES OF PROPERTY TAXATION, MEANS THE OWNER-OCCUPIED DWELLING USED AS THE PRIMARY DWELLING PLACE OF THE OWNER. THE PRIMARY DWELLING PLACE IS THE SINGLE PLACE WHERE AN INDIVIDUAL HAS A FIXED AND PERMANENT HOME AND PRINCIPAL ESTABLISHMENT AND TO WHICH WHENEVER THE INDIVIDUAL IS ABSENT THE INDIVIDUAL HAS THE INTENTION OF RETURNING. THE HOMESTEAD MAY BE OCCUPIED BY ANY MEMBERS OF THE OWNER'S HOUSEHOLD AS THEIR HOME. THE HOMESTEAD INCLUDES APPURTENANT LAND NOT EXCEEDING 5 ACRES OWNED OR UNDER CONTRACT FOR DEED AND THAT IS REASONABLY NECESSARY FOR THE USE OF THE DWELLING AS A HOME.~~

~~———— (2) (A) TO QUALIFY AS A HOMESTEAD, THE PROPERTY MUST HAVE BEEN THE OWNER'S PRIMARY DWELLING PLACE ON JANUARY 1 OF THE YEAR FOR WHICH THE CLAIM IS MADE AND FOR AT LEAST 7 MONTHS DURING THE PRIOR YEAR. IF THE DWELLING WAS OWNED BY THE CLAIMANT FOR LESS THAN 1 YEAR, THE CLAIMANT MUST HAVE RESIDED IN THE DWELLING FOR A MAJORITY OF THE TIME THAT THE CLAIMANT OWNED THE DWELLING.~~

~~———— (B) A PRIMARY DWELLING THAT QUALIFIES AS A HOMESTEAD CONTINUES TO QUALIFY AS A HOMESTEAD IF THE CLAIMANT RESIDES IN A HEALTH CARE FACILITY AND THE OWNER DOES NOT RENT OR LEASE THE DWELLING TO OTHERS.~~

~~———— (3) (A) FOR THE PURPOSES OF THIS SECTION, A PERSON IS CONSIDERED AN OWNER IF THE PERSON:~~

~~———— (1) IS THE GRANTOR, OR THE PERSON'S SPOUSE IS THE GRANTOR, OF A REVOCABLE OR IRREVOCABLE TRUST OWNING THE PROPERTY AND IS NAMED AS A BENEFICIARY OF THE TRUST; OR~~

~~———— (H) IS A PARTNER OF A LIMITED PARTNERSHIP, A MEMBER OF A LIMITED LIABILITY COMPANY, OR A SHAREHOLDER OF A CORPORATION OWNING THE PROPERTY AND THE PERSON HOLDS AT LEAST A 5% OWNERSHIP IN THE LIMITED PARTNERSHIP, LIMITED LIABILITY COMPANY, OR CORPORATION.~~

~~———— (B) A PERSON CLAIMING OWNERSHIP UNDER SUBSECTION (3)(A) SHALL PROVIDE THE DEPARTMENT WITH AN AFFIDAVIT SETTING FORTH THE REASONS THE PERSON SHOULD BE CONSIDERED THE OWNER OF THE PROPERTY, AND ATTACHED TO THE AFFIDAVIT MUST BE COPIES OF THE APPROPRIATE TRUST OR BUSINESS ENTITY DOCUMENTS INDICATING THE LEGAL BASIS FOR THE PERSON'S OWNERSHIP INTEREST.~~

~~———— (4) IF A PROPERTY IS A SINGLE-FAMILY DWELLING OWNED BY A BUSINESS, AN OCCUPANT WHO IS AN EMPLOYEE OF THE BUSINESS IS CONSIDERED AN OWNER FOR THE PURPOSES OF THIS SECTION.~~

~~———— (5) (A) AN OWNER SHALL APPLY FOR CERTIFICATION OF HOMESTEAD STATUS TO THE DEPARTMENT NOT LATER THAN A DATE SET BY THE DEPARTMENT BY RULE. ON THE APPLICATION, SUPPLIED BY THE DEPARTMENT, THE OWNER SHALL CERTIFY THAT THE OWNER IS MAKING AN APPLICATION FOR A HOMESTEAD EXEMPTION UNDER THIS SECTION, THAT THE DWELLING IS THE OWNER'S HOMESTEAD AS ESTABLISHED IN SUBSECTIONS (1) AND (2), AND THAT THE OWNER HAS NOT MADE ANY OTHER APPLICATION FOR THE EXEMPTION ON ANY OTHER RESIDENTIAL PROPERTY.~~

~~———— (B) A HOMESTEAD EXEMPTION REMAINS IN EFFECT AS LONG AS THE HOMESTEAD PROPERTY MEETS THE REQUIREMENTS OF SUBSECTIONS (1) AND (2).~~

~~———— (C) A HOMESTEAD EXEMPTION EXPIRES WHEN OWNERSHIP OF THE PROPERTY CHANGES AND THE PROPERTY REVERTS TO CLASS FOUR PROPERTY.~~

~~———— (6) THE OWNER OF A HOMESTEAD AND OTHER RESIDENTIAL DWELLINGS MAY ELECT TO HAVE THE HOMESTEAD EXEMPTION APPLY TO THE OWNER'S PRIMARY DWELLING PLACE OR ANY ONE OF THE OWNER'S OTHER RESIDENTIAL DWELLINGS. THE HOMESTEAD EXEMPTION MAY NOT APPLY TO A DWELLING THAT THE OWNER RENTS OR LEASES TO OTHERS.~~

~~———— NEW SECTION. **Section 2. Extended property tax assistance -- phase in.** (1) For the purpose of mitigating extraordinary market value increases during the revaluation cycle that ended December 31, 2002, the rate of taxation of class four ELEVEN HOMESTEAD homestead residential property DWELLINGS AND APPURTENANT LAND NOT TO EXCEED 5 ACRES PROPERTY otherwise set in 15-6-134(2)(a) is adjusted in this section for properties with extraordinary increases in market value occupied by households WITH OWNERS OCCUPIED BY HOUSEHOLDS that meet income requirements.~~

~~———— (2) An annual application is required to receive a rate adjustment under this section. A rate adjustment may be granted only for the current tax year and may not be granted for a previous year.~~

- ~~———— (3) A rate adjustment may not be granted for:~~
- ~~———— (a) any property that was sold or for which the ownership was changed after December 31, 2002, unless the change in ownership is between husband and wife or parent and child with only nominal actual consideration or the change is pursuant to a divorce decree;~~
- ~~———— (b) the value of new construction, including remodeling, on the property occurring after December 31, 2002, that is greater than 25% of the market value of the improvements; or~~
- ~~———— (c) a land use change that increases the market value of the land by more than 25%.~~
- ~~———— (4) For the purposes of determining the adjustment in the class four ELEVEN property tax rate in this section, the following provisions apply:~~
- ~~———— (a) The change in taxable value before reappraisal is the 2002 tax year value adjusted for any new construction or destruction that occurred in the prior year. The taxable value before reappraisal for the 2003 tax year and subsequent years is the same as the 2002 tax year value if no new construction, destruction, land splits, land use changes, land reclassifications, land productivity changes, improvement grade changes, or other changes are made to the property during 2002 or subsequent tax years.~~
- ~~———— (b) The percentage increase in taxable value is measured as the percentage change in taxable value before reappraisal to the taxable value after reappraisal. The taxable value before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346. The taxable value after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.52 0.60 times 0.0300.~~
- ~~———— (c) The dollar increase in tax liability is measured as the change in tax liability before reappraisal to the tax liability after reappraisal. The tax liability before reappraisal is calculated by multiplying the value before reappraisal in 2003 times 0.69 times 0.0346 times the tax year 2002 mill levy applied to the property. The taxable value TAX LIABILITY after reappraisal is calculated by multiplying the 2003 market value after reappraisal times 0.52 0.60 times 0.0300 times the tax year 2002 mill levy applied to the property. The tax year 2002 mill levy is the total of all mills applied to the property for fiscal year 2003.~~
- ~~———— (d) Total household income is income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home. Net business income is gross income less ordinary expenses. A household is an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. FOR SINGLE-FAMILY RENTAL DWELLINGS, THE TOTAL HOUSEHOLD INCOME IS THE OWNER'S INCOME.~~
- ~~———— (e) The phase-in value is the valuation change made pursuant to 15-7-111(3) since the last reappraisal.~~
- ~~———— (5) (a) If total household income is \$25,000 or less, the percentage increase in taxable value is greater~~

than 25% 24%, and the dollar increase in taxable liability is \$250 or greater, then the property qualifies for an adjusted tax rate as follows:

——— (i) For tax year 2003, the tax rate is 0.03706 0.03625 times the value before reappraisal divided by the 2003 phase-in value.

——— (ii) For tax year 2004, the tax rate is 0.04041 0.03871 times the value before reappraisal divided by the 2004 phase-in value.

——— (iii) For tax year 2005, the tax rate is 0.04398 0.04120 times the value before reappraisal divided by the 2005 phase-in value.

——— (iv) For tax year 2006, the tax rate is 0.04783 0.04375 times the value before reappraisal divided by the 2006 phase-in value.

——— (v) For tax year 2007, the tax rate is 0.05218 0.04651 times the value before reappraisal divided by the 2007 phase-in value.

——— (vi) For tax year 2008 and after, the tax rate is 0.05693 0.04934 times the value before reappraisal divided by the 2008 phase-in value.

——— (b) If total household income is greater than \$25,000 but less than or equal to \$50,000, the percentage increase in taxable value is greater than 30%, and the dollar increase in taxable liability is \$250 or greater, then the property qualifies for an adjusted tax rate as follows:

——— (i) For tax year 2003, the tax rate is 0.03741 0.03660 times the value before reappraisal divided by the 2003 phase-in value.

——— (ii) For tax year 2004, the tax rate is 0.04116 0.03943 times the value before reappraisal divided by the 2004 phase-in value.

——— (iii) For tax year 2005, the tax rate is 0.04516 0.04230 times the value before reappraisal divided by the 2005 phase-in value.

——— (iv) For tax year 2006, the tax rate is 0.04948 0.04526 times the value before reappraisal divided by the 2006 phase-in value.

——— (v) For tax year 2007, the tax rate is 0.05436 0.04845 times the value before reappraisal divided by the 2007 phase-in value.

——— (vi) For tax year 2008 and after, the tax rate is 0.05969 0.05173 times the value before reappraisal divided by the 2008 phase-in value.

——— (c) If total household income is greater than \$50,000 but less than or equal to \$75,000, the percentage increase in taxable value is greater than 36%, and the dollar increase in taxable liability is \$250 or greater, then

the property qualifies for an adjusted tax rate as follows:

———(i) For tax year 2003, the tax rate is 0.03777 0.03694 times the value before reappraisal divided by the 2003 phase-in value:

———(ii) For tax year 2004, the tax rate is 0.04191 0.04015 times the value before reappraisal divided by the 2004 phase-in value:

———(iii) For tax year 2005, the tax rate is 0.04633 0.04341 times the value before reappraisal divided by the 2005 phase-in value:

———(iv) For tax year 2006, the tax rate is 0.05113 0.04677 times the value before reappraisal divided by the 2006 phase-in value:

———(v) For tax year 2007, the tax rate is 0.05653 0.05038 times the value before reappraisal divided by the 2007 phase-in value:

———(vi) For tax year 2008 and after, the tax rate is 0.06244 0.05411 times the value before reappraisal divided by the 2008 phase-in value:

———(d) The adjusted tax rate computed under this subsection (5) must be rounded to the nearest one-hundredth of 1%.

———NEW SECTION. Section 3. Percentage of class four property exempt from taxation -- schedule.

The following percentages of the market value of the following described property are exempt from taxation:

———(1) for residential property described in 15-6-134(1)(e) and (1)(f) that qualifies as homestead property under [section 1]:

———(a) 33% for tax year 2003;

———(b) 36.2% for tax year 2004;

———(c) 39.2% for tax year 2005;

———(d) 42.1% for tax year 2006;

———(e) 45.1% for tax year 2007; and

———(f) 48% for tax years after 2007;

———(2) for residential property described in 15-6-134(1)(e) and (1)(f) that does not qualify as homestead property:

———(a) 25.8% for tax year 2003;

———(b) 20.6% for tax year 2004;

———(c) 14.4% for tax year 2005;

- ~~———— (d) 10.2% for tax year 2006;~~
- ~~———— (e) 5% for tax year 2007; and~~
- ~~———— (f) 0% for tax years after 2007;~~
- ~~———— (3) for rental multifamily dwelling units of two or more units described in 15-6-134(1)(f)(ii):~~
- ~~———— (a) 28.9% for tax year 2003;~~
- ~~———— (b) 26.8% for tax year 2004;~~
- ~~———— (c) 24.7% for tax year 2005;~~
- ~~———— (d) 22.6% for tax year 2006;~~
- ~~———— (e) 20.5% for tax year 2007; and~~
- ~~———— (f) 18.5% for tax years after 2007;~~
- ~~———— (4) for commercial and industrial property described in 15-6-134 that is not provided for in subsections (1) through (3):~~
- ~~———— (a) 13.5% for tax year 2003;~~
- ~~———— (b) 14.5% for tax year 2004;~~
- ~~———— (c) 15.5% for tax year 2005;~~
- ~~———— (d) 16.5% for tax year 2006;~~
- ~~———— (e) 17.5% for tax year 2007; and~~
- ~~———— (f) 18.5% for tax years after 2007.~~

~~———— **NEW SECTION. SECTION 3. PERCENTAGE OF CLASS FOUR AND CLASS ELEVEN PROPERTY EXEMPT FROM TAXATION -- SCHEDULE. THE FOLLOWING PERCENTAGE OF THE MARKET VALUE OF THE FOLLOWING DESCRIBED PROPERTY IS EXEMPT FROM TAXATION:**~~

- ~~———— (1) FOR CLASS ELEVEN RESIDENTIAL PROPERTY DESCRIBED IN [SECTION 8] THAT QUALIFIES AS HOMESTEAD PROPERTY UNDER [SECTION 1]:~~
- ~~———— (A) 31.5% FOR TAX YEAR 2003;~~
- ~~———— (B) 33.4% FOR TAX YEAR 2004;~~
- ~~———— (C) 35.2% FOR TAX YEAR 2005;~~
- ~~———— (D) 36.7% FOR TAX YEAR 2006;~~
- ~~———— (E) 38.4% FOR TAX YEAR 2007; AND~~
- ~~———— (F) 40% FOR TAX YEARS AFTER 2007;~~
- ~~———— (2) FOR CLASS FOUR RENTAL MULTIFAMILY DWELLING UNITS OF TWO OR MORE UNITS DESCRIBED IN~~

15-6-134(1)(F)(III):

- ~~_____ (A) 28.9% FOR TAX YEAR 2003;~~
- ~~_____ (B) 26.8% FOR TAX YEAR 2004;~~
- ~~_____ (C) 24.7% FOR TAX YEAR 2005;~~
- ~~_____ (D) 22.6% FOR TAX YEAR 2006;~~
- ~~_____ (E) 20.5% FOR TAX YEAR 2007; AND~~
- ~~_____ (F) 18.5% FOR TAX YEARS AFTER 2007;~~
- ~~_____ (3) FOR CLASS FOUR COMMERCIAL AND INDUSTRIAL PROPERTY DESCRIBED IN 15-6-134 THAT IS NOT PROVIDED~~

FOR IN SUBSECTION (1) OR (2):

- ~~_____ (A) 13.5% FOR TAX YEAR 2003;~~
- ~~_____ (B) 14.5% FOR TAX YEAR 2004;~~
- ~~_____ (C) 15.5% FOR TAX YEAR 2005;~~
- ~~_____ (D) 16.5% FOR TAX YEAR 2006;~~
- ~~_____ (E) 17.5% FOR TAX YEAR 2007; AND~~
- ~~_____ (F) 18.5% FOR TAX YEARS AFTER 2007.~~

~~_____ **SECTION 4.** SECTION 5-2-301, MCA, IS AMENDED TO READ:~~

~~_____ **"5-2-301. Compensation and expenses for members while in session.** (1) Legislators are entitled to a salary commensurate to that of the daily rate of an entry grade 10 classified state employee in effect when the regular session of the legislature in which they serve is convened under 5-2-103 for those days during which the legislature is in session. The president of the senate and the speaker of the house must receive an additional \$5 a day in salary for those days during which the legislature is in session.~~

- ~~_____ (2) Legislators may serve for no salary.~~
- ~~_____ (3) Subject to subsection (4), legislators are entitled to a daily allowance, 7 days a week, during a legislative session, as reimbursement for expenses incurred in attending a session. Expense payments must stop when the legislature recesses for more than 3 days and resume when the legislature reconvenes.~~
- ~~_____ (4) After November 15, and prior to December 15 of each even-numbered year, the department of administration shall conduct a survey of the allowance for daily expenses of legislators for the states of North Dakota, South Dakota, Wyoming, and Idaho. The department shall include the average daily expense allowance for Montana legislators in determining the average daily rate for legislators. The department shall include only states with specific daily allowances in the calculation of the average. If the average daily rate is greater than the~~

~~daily rate for legislators in Montana, legislators are entitled to a new daily rate for those days during which the legislature is in session. The new daily rate is the daily rate for the prior legislative session, increased by the percentage rate increase as determined by the survey, a cost of living increase to reflect inflation that is calculated pursuant to 15-6-134 [section 8], or 5%, whichever is less. The expense allowance is effective when the next regular session of the legislature in which the legislators serve is convened under 5-2-103.~~

~~——— (5) Legislators are entitled to a mileage allowance as provided in 2-18-503 for each mile of travel to the place of the holding of the session and to return to their place of residence at the conclusion of the session.~~

~~——— (6) In addition to the mileage allowance provided for in subsection (5), legislators, upon submittal of an appropriate claim for mileage reimbursement to the legislative services division, are entitled to:~~

~~——— (a) three additional round trips to their place of residence during each regular session; and~~

~~——— (b) additional round trips as authorized by the legislature during special session.~~

~~——— (7) Legislators are not entitled to any additional mileage allowance under subsection (5) for a special session if it is convened within 7 days of a regular session."~~

~~——— **SECTION 5. SECTION 7-13-2527, MCA, IS AMENDED TO READ:**~~

~~——— **"7-13-2527. List of property owners.** (1) A copy of the order creating the district must be delivered to the department of revenue.~~

~~——— (2) The department shall, on or before August 1 of each year, prepare and certify a list of all persons owning class four and class eleven property within the district and deliver a copy of the list to the board of trustees of the district."~~

NEW SECTION. SECTION 1. EXTENDED PROPERTY TAX ASSISTANCE -- PHASE IN. (1) FOR THE PURPOSE OF MITIGATING EXTRAORDINARY MARKET VALUE INCREASES DURING THE REVALUATION CYCLE THAT ENDED DECEMBER 31, 2002, THE RATE OF TAXATION OF CLASS FOUR RESIDENTIAL DWELLINGS AND APPURTENANT LAND NOT TO EXCEED 5 ACRES OTHERWISE SET IN 15-6-134(2)(A) IS ADJUSTED IN THIS SECTION FOR PROPERTIES WITH EXTRAORDINARY INCREASES IN MARKET VALUE WITH OWNERS THAT MEET INCOME REQUIREMENTS.

(2) AN ANNUAL APPLICATION ON A FORM PROVIDED BY THE DEPARTMENT IS REQUIRED TO RECEIVE A TAX RATE ADJUSTMENT UNDER THIS SECTION. THE APPLICATION MUST BE SIGNED UNDER OATH. A TAX RATE ADJUSTMENT MAY BE GRANTED ONLY FOR THE CURRENT TAX YEAR AND MAY NOT BE GRANTED FOR A PREVIOUS YEAR.

(3) A RATE ADJUSTMENT MAY NOT BE GRANTED FOR:

(A) ANY PROPERTY THAT WAS SOLD OR FOR WHICH THE OWNERSHIP WAS CHANGED AFTER DECEMBER 31, 2002,

UNLESS THE CHANGE IN OWNERSHIP IS BETWEEN HUSBAND AND WIFE OR PARENT AND CHILD WITH ONLY NOMINAL ACTUAL CONSIDERATION OR THE CHANGE IS PURSUANT TO A DIVORCE DECREE;

(B) THE VALUE OF NEW CONSTRUCTION, INCLUDING REMODELING, ON THE PROPERTY OCCURRING AFTER DECEMBER 31, 2002, THAT IS GREATER THAN 25% OF THE MARKET VALUE OF THE IMPROVEMENTS; OR

(C) A LAND USE CHANGE OCCURRING AFTER DECEMBER 31, 2002, THAT INCREASES THE MARKET VALUE OF THE LAND BY MORE THAN 25%.

(4) FOR THE PURPOSES OF DETERMINING THE ADJUSTMENT IN THE CLASS FOUR PROPERTY TAX RATE IN THIS SECTION, THE FOLLOWING PROVISIONS APPLY:

(A) THE CHANGE IN TAXABLE VALUE BEFORE REAPPRAISAL IS THE 2002 TAX YEAR VALUE ADJUSTED FOR ANY NEW CONSTRUCTION OR DESTRUCTION THAT OCCURRED IN THE 2002 TAX YEAR. THE TAXABLE VALUE BEFORE REAPPRAISAL FOR THE 2003 TAX YEAR AND SUBSEQUENT YEARS IS THE SAME AS THE 2002 TAX YEAR VALUE IF NO NEW CONSTRUCTION, DESTRUCTION, LAND SPLITS, LAND USE CHANGES, LAND RECLASSIFICATIONS, LAND PRODUCTIVITY CHANGES, IMPROVEMENT GRADE CHANGES, OR OTHER CHANGES ARE MADE TO THE PROPERTY DURING 2002 OR SUBSEQUENT TAX YEARS.

(B) THE PERCENTAGE INCREASE IN TAXABLE VALUE IS MEASURED AS THE PERCENTAGE CHANGE IN TAXABLE VALUE BEFORE REAPPRAISAL TO THE TAXABLE VALUE AFTER REAPPRAISAL. THE TAXABLE VALUE BEFORE REAPPRAISAL IS CALCULATED BY MULTIPLYING THE VALUE BEFORE REAPPRAISAL IN 2003 TIMES 0.69 TIMES 0.0346. THE TAXABLE VALUE AFTER REAPPRAISAL IS CALCULATED BY MULTIPLYING THE 2003 MARKET VALUE AFTER REAPPRAISAL TIMES 0.66 TIMES 0.0301.

(C) THE DOLLAR INCREASE IN TAX LIABILITY IS MEASURED AS THE CHANGE IN TAX LIABILITY BEFORE REAPPRAISAL TO THE TAX LIABILITY AFTER REAPPRAISAL. THE TAX LIABILITY BEFORE REAPPRAISAL IS CALCULATED BY MULTIPLYING THE VALUE BEFORE REAPPRAISAL IN 2003 TIMES 0.69 TIMES 0.0346 TIMES THE TAX YEAR 2002 MILL LEVY APPLIED TO THE PROPERTY. THE TAX LIABILITY AFTER REAPPRAISAL IS CALCULATED BY MULTIPLYING THE 2003 MARKET VALUE AFTER REAPPRAISAL TIMES 0.66 TIMES 0.0301 TIMES THE TAX YEAR 2002 MILL LEVY APPLIED TO THE PROPERTY. THE TAX YEAR 2002 MILL LEVY IS THE TOTAL OF ALL MILLS APPLIED TO THE PROPERTY FOR FISCAL YEAR 2003.

(D) TOTAL HOUSEHOLD INCOME IS THE SUM OF THE INCOME OF ALL MEMBERS OF THE HOUSEHOLD AND ALL OTHER PERSONS WHO ARE OWNERS OF THE PROPERTY. INCOME, AS USED IN THIS SECTION, INCLUDES INCOME FROM ALL SOURCES, INCLUDING NET BUSINESS INCOME AND OTHERWISE TAX-EXEMPT INCOME OF ALL TYPES BUT NOT INCLUDING SOCIAL SECURITY INCOME PAID DIRECTLY TO A NURSING HOME. NET BUSINESS INCOME IS GROSS INCOME LESS ORDINARY EXPENSES BUT BEFORE DEDUCTING DEPRECIATION OR DEPLETION ALLOWANCE, OR BOTH. FOR AN ENTITY, AS DEFINED IN SUBSECTION (8), INCOME ALSO INCLUDES THE INCOME OF ANY NATURAL PERSON OR ENTITY THAT IS A TRUSTEE OF OR

CONTROLS 25% OR MORE OF THE ENTITY. A HOUSEHOLD IS AN ASSOCIATION OF PERSONS WHO LIVE IN THE SAME DWELLING, SHARING ITS FURNISHINGS, FACILITIES, ACCOMMODATIONS, AND EXPENSES. FOR SINGLE-FAMILY RENTAL DWELLINGS, TOTAL HOUSEHOLD INCOME DOES NOT INCLUDE THE INCOME OF THE TENANT.

(E) THE PHASE-IN VALUE IS THE VALUATION CHANGE MADE PURSUANT TO 15-7-111(3) SINCE THE LAST REAPPRAISAL.

(5) (A) IF TOTAL HOUSEHOLD INCOME IS \$25,000 OR LESS, THE PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 24%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE AS FOLLOWS:

(I) FOR TAX YEAR 2003, THE TAX RATE IS 0.03598 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2003 PHASE-IN VALUE.

(II) FOR TAX YEAR 2004, THE TAX RATE IS 0.03759 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2004 PHASE-IN VALUE.

(III) FOR TAX YEAR 2005, THE TAX RATE IS 0.03932 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2005 PHASE-IN VALUE.

(IV) FOR TAX YEAR 2006, THE TAX RATE IS 0.04109 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2006 PHASE-IN VALUE.

(V) FOR TAX YEAR 2007, THE TAX RATE IS 0.04289 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2007 PHASE-IN VALUE.

(VI) FOR TAX YEAR 2008 AND AFTER, THE TAX RATE IS 0.04485 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2008 PHASE-IN VALUE.

(B) IF TOTAL HOUSEHOLD INCOME IS GREATER THAN \$25,000 BUT LESS THAN OR EQUAL TO \$50,000, THE PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 30%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE AS FOLLOWS:

(I) FOR TAX YEAR 2003, THE TAX RATE IS 0.03633 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2003 PHASE-IN VALUE.

(II) FOR TAX YEAR 2004, THE TAX RATE IS 0.03828 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2004 PHASE-IN VALUE.

(III) FOR TAX YEAR 2005, THE TAX RATE IS 0.04038 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2005 PHASE-IN VALUE.

(IV) FOR TAX YEAR 2006, THE TAX RATE IS 0.04251 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2006 PHASE-IN VALUE.

(V) FOR TAX YEAR 2007, THE TAX RATE IS 0.04467 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2007 PHASE-IN VALUE.

(VI) FOR TAX YEAR 2008 AND AFTER, THE TAX RATE IS 0.04702 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2008 PHASE-IN VALUE.

(C) IF TOTAL HOUSEHOLD INCOME IS GREATER THAN \$50,000 BUT LESS THAN OR EQUAL TO \$75,000, THE PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 36%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE AS FOLLOWS:

(I) FOR TAX YEAR 2003, THE TAX RATE IS 0.03668 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2003 PHASE-IN VALUE.

(II) FOR TAX YEAR 2004, THE TAX RATE IS 0.03898 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2004 PHASE-IN VALUE.

(III) FOR TAX YEAR 2005, THE TAX RATE IS 0.04143 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2005 PHASE-IN VALUE.

(IV) FOR TAX YEAR 2006, THE TAX RATE IS 0.04392 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2006 PHASE-IN VALUE.

(V) FOR TAX YEAR 2007, THE TAX RATE IS 0.04646 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2007 PHASE-IN VALUE.

(VI) FOR TAX YEAR 2008 AND AFTER, THE TAX RATE IS 0.04919 TIMES THE VALUE BEFORE REAPPRAISAL DIVIDED BY THE 2008 PHASE-IN VALUE.

(D) THE ADJUSTED TAX RATE COMPUTED UNDER THIS SUBSECTION (5) MUST BE ROUNDED TO THE NEAREST 1/100 OF 1%.

(6) A PERSON WHO APPLIES FOR A TAX RATE ADJUSTMENT UNDER THIS SECTION SHALL PROVIDE THE DEPARTMENT WITH DOCUMENTATION OF TOTAL HOUSEHOLD INCOME AND OTHER INFORMATION THAT THE DEPARTMENT CONSIDERS NECESSARY TO DETERMINE THE PERSON'S ELIGIBILITY FOR THE TAX RATE ADJUSTMENT. DOCUMENTS PROVIDED TO THE DEPARTMENT TO DETERMINE ELIGIBILITY FOR A TAX RATE ADJUSTMENT ARE SUBJECT TO THE CONFIDENTIALITY PROVISIONS IN 15-30-303.

(7) A PERSON WHO APPLIES FOR A TAX RATE ADJUSTMENT AND SUBMITS A FALSE OR FRAUDULENT APPLICATION FOR A TAX RATE ADJUSTMENT IS GUILTY OF FALSE SWEARING UNDER 45-7-202.

(8) FOR THE PURPOSES OF THIS SECTION, "ENTITY" MEANS:

(A) A CORPORATION, FIDUCIARY, OR PASS-THROUGH ENTITY, AS THOSE TERMS ARE DEFINED IN 15-30-101; AND

(B) AN ASSOCIATION, JOINT-STOCK COMPANY, SYNDICATE, TRUST OR ESTATE, OR ANY OTHER NONNATURAL

PERSON.

NEW SECTION. SECTION 2. EXTENDED PROPERTY TAX ASSISTANCE -- PHASE IN. (1) FOR THE PURPOSE OF MITIGATING EXTRAORDINARY MARKET VALUE INCREASES DURING REVALUATION CYCLES THAT BEGIN AFTER DECEMBER 31, 2008, THE RATE OF TAXATION OF CLASS FOUR RESIDENTIAL DWELLINGS AND APPURTENANT LAND NOT TO EXCEED 5 ACRES OTHERWISE SET IN 15-6-134(2)(A) IS ADJUSTED IN THIS SECTION FOR PROPERTIES WITH EXTRAORDINARY INCREASES IN MARKET VALUE WITH OWNERS THAT MEET INCOME REQUIREMENTS.

(2) AN ANNUAL APPLICATION ON A FORM PROVIDED BY THE DEPARTMENT IS REQUIRED TO RECEIVE A TAX RATE ADJUSTMENT UNDER THIS SECTION. THE APPLICATION MUST BE SIGNED UNDER OATH. A TAX RATE ADJUSTMENT MAY BE GRANTED ONLY FOR THE CURRENT TAX YEAR AND MAY NOT BE GRANTED FOR A PREVIOUS YEAR.

(3) A RATE ADJUSTMENT MAY NOT BE GRANTED FOR:

(A) ANY PROPERTY THAT WAS SOLD OR FOR WHICH THE OWNERSHIP WAS CHANGED AFTER DECEMBER 31 OF THE LAST YEAR OF THE PREVIOUS REVALUATION CYCLE, UNLESS THE CHANGE IN OWNERSHIP IS BETWEEN HUSBAND AND WIFE OR PARENT AND CHILD WITH ONLY NOMINAL ACTUAL CONSIDERATION OR THE CHANGE IS PURSUANT TO A DIVORCE DECREE;

(B) THE VALUE OF NEW CONSTRUCTION, INCLUDING REMODELING, ON THE PROPERTY OCCURRING AFTER DECEMBER 31 OF THE LAST YEAR OF THE PREVIOUS REVALUATION CYCLE THAT IS GREATER THAN 25% OF THE MARKET VALUE OF THE IMPROVEMENTS; OR

(C) A LAND USE CHANGE OCCURRING AFTER DECEMBER 31 OF THE LAST YEAR OF THE PREVIOUS REVALUATION CYCLE THAT INCREASES THE MARKET VALUE OF THE LAND BY MORE THAN 25%.

(4) FOR THE PURPOSES OF DETERMINING THE ADJUSTMENT IN THE CLASS FOUR PROPERTY TAX RATE IN THIS SECTION, THE FOLLOWING PROVISIONS APPLY FOR REVALUATION CYCLES BEGINNING AFTER DECEMBER 31, 2008:

(A) (i) THE PERCENTAGE INCREASE IN TAXABLE VALUE IS MEASURED AS THE PERCENTAGE CHANGE IN TAXABLE VALUE BEFORE REAPPRAISAL TO THE TAXABLE VALUE AFTER REAPPRAISAL. THE TAXABLE VALUE BEFORE REAPPRAISAL IS CALCULATED BY MULTIPLYING THE VALUE BEFORE REAPPRAISAL TIMES THE RESULT OF 1.00 MINUS THE HOMESTEAD EXEMPTION BEFORE REAPPRAISAL TIMES THE TAX RATE BEFORE REAPPRAISAL. THE TAXABLE VALUE AFTER REAPPRAISAL IS CALCULATED BY MULTIPLYING THE MARKET VALUE AFTER REAPPRAISAL TIMES THE RESULT OF 1.00 MINUS THE HOMESTEAD EXEMPTION AFTER REAPPRAISAL TIMES THE TAX RATE AFTER REAPPRAISAL.

(ii) THE TAX RATE BEFORE REAPPRAISAL IS THE TAX RATE THAT WAS IN EFFECT DURING THE LAST YEAR OF THE PREVIOUS REAPPRAISAL CYCLE.

(iii) THE TAX RATE AFTER REAPPRAISAL IS THE TAX RATE THAT WILL BE IN EFFECT DURING THE LAST YEAR OF THE

CURRENT REAPPRAISAL CYCLE.

(IV) THE HOMESTEAD EXEMPTION BEFORE REAPPRAISAL IS THE HOMESTEAD EXEMPTION THAT WAS IN EFFECT DURING THE LAST YEAR OF THE PREVIOUS REAPPRAISAL CYCLE.

(V) THE HOMESTEAD EXEMPTION AFTER REAPPRAISAL IS THE HOMESTEAD EXEMPTION THAT WILL BE IN EFFECT DURING THE LAST YEAR OF THE CURRENT REAPPRAISAL CYCLE.

(B) THE DOLLAR INCREASE IN TAX LIABILITY IS MEASURED AS THE PERCENTAGE CHANGE IN TAX LIABILITY BEFORE REAPPRAISAL TO THE TAX LIABILITY AFTER REAPPRAISAL. THE TAX LIABILITY BEFORE REAPPRAISAL IS CALCULATED BY MULTIPLYING THE VALUE BEFORE REAPPRAISAL TIMES THE RESULT OF 1.00 MINUS THE HOMESTEAD EXEMPTION BEFORE REAPPRAISAL TIMES THE TAX RATE BEFORE REAPPRAISAL TIMES THE MILL LEVY APPLIED TO THE PROPERTY BEFORE REAPPRAISAL. THE TAX LIABILITY AFTER REAPPRAISAL IS CALCULATED BY MULTIPLYING THE MARKET VALUE AFTER REAPPRAISAL TIMES THE RESULT OF 1.00 MINUS THE HOMESTEAD EXEMPTION AFTER REAPPRAISAL TIMES THE TAX RATE AFTER REAPPRAISAL TIMES THE MILL LEVY APPLIED TO THE PROPERTY BEFORE REAPPRAISAL. THE MILL LEVY APPLIED TO PROPERTY BEFORE REAPPRAISAL IS THE TOTAL OF ALL MILLS APPLIED TO THE PROPERTY IN THE LAST YEAR OF THE PREVIOUS REAPPRAISAL CYCLE.

(C) TOTAL HOUSEHOLD INCOME IS THE SUM OF THE INCOME OF ALL MEMBERS OF THE HOUSEHOLD AND ALL OTHER PERSONS WHO ARE OWNERS OF THE PROPERTY. INCOME, AS USED IN THIS SECTION, INCLUDES INCOME FROM ALL SOURCES, INCLUDING NET BUSINESS INCOME AND OTHERWISE TAX-EXEMPT INCOME OF ALL TYPES BUT NOT INCLUDING SOCIAL SECURITY INCOME PAID DIRECTLY TO A NURSING HOME. NET BUSINESS INCOME IS GROSS INCOME LESS ORDINARY EXPENSES BUT BEFORE DEDUCTING DEPRECIATION OR DEPLETION ALLOWANCE, OR BOTH. FOR AN ENTITY, AS DEFINED IN SUBSECTION (8), INCOME ALSO INCLUDES THE INCOME OF ANY NATURAL PERSON OR ENTITY THAT IS A TRUSTEE OF OR CONTROLS 25% OR MORE OF THE ENTITY. A HOUSEHOLD IS AN ASSOCIATION OF PERSONS WHO LIVE IN THE SAME DWELLING, SHARING ITS FURNISHINGS, FACILITIES, ACCOMMODATIONS, AND EXPENSES. FOR SINGLE-FAMILY RENTAL DWELLINGS, TOTAL HOUSEHOLD INCOME DOES NOT INCLUDE THE INCOME OF THE TENANT.

(D) THE PHASE-IN VALUE IS THE VALUATION CHANGE MADE PURSUANT TO 15-7-111(3) SINCE THE LAST REAPPRAISAL.

(5) (A) IF TOTAL HOUSEHOLD INCOME IS \$25,000 OR LESS, THE PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 24%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE. THE ADJUSTED TAX RATE MUST BE CALCULATED SUCH THAT THE TOTAL INCREASE IN TAXABLE VALUE OVER THE REAPPRAISAL CYCLE IS 24% AND SUCH THAT THE CHANGE IN TAXABLE VALUE IS PHASED IN OVER THE REAPPRAISAL CYCLE IN EQUAL INCREMENTS.

(B) IF TOTAL HOUSEHOLD INCOME IS GREATER THAN \$25,000 BUT LESS THAN OR EQUAL TO \$50,000, THE

PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 30%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE. THE ADJUSTED TAX RATE MUST BE CALCULATED SUCH THAT THE TOTAL INCREASE IN TAXABLE VALUE OVER THE REAPPRAISAL CYCLE IS 30% AND SUCH THAT THE CHANGE IN TAXABLE VALUE IS PHASED IN OVER THE REAPPRAISAL CYCLE IN EQUAL INCREMENTS.

(C) IF TOTAL HOUSEHOLD INCOME IS GREATER THAN \$50,000 BUT LESS THAN OR EQUAL TO \$75,000, THE PERCENTAGE INCREASE IN TAXABLE VALUE IS GREATER THAN 30%, AND THE DOLLAR INCREASE IN TAXABLE LIABILITY IS \$250 OR GREATER, THEN THE PROPERTY QUALIFIES FOR AN ADJUSTED TAX RATE. THE ADJUSTED TAX RATE WILL BE CALCULATED SUCH THAT THE TOTAL INCREASE IN TAXABLE VALUE OVER THE REAPPRAISAL CYCLE IS 36% AND SUCH THAT THE CHANGE IN TAXABLE VALUE IS PHASED IN OVER THE REAPPRAISAL CYCLE IN EQUAL INCREMENTS.

(D) THE ADJUSTED TAX RATE COMPUTED UNDER THIS SUBSECTION (5) MUST BE ROUNDED TO THE NEAREST 1/100 OF 1%.

(6) A PERSON WHO APPLIES FOR A TAX RATE ADJUSTMENT UNDER THIS SECTION SHALL PROVIDE THE DEPARTMENT WITH DOCUMENTATION OF TOTAL HOUSEHOLD INCOME AND OTHER INFORMATION THAT THE DEPARTMENT CONSIDERS NECESSARY TO DETERMINE THE PERSON'S ELIGIBILITY FOR THE TAX RATE ADJUSTMENT. DOCUMENTS PROVIDED TO THE DEPARTMENT TO DETERMINE ELIGIBILITY FOR A TAX RATE ADJUSTMENT ARE SUBJECT TO THE CONFIDENTIALITY PROVISIONS IN 15-30-303.

(7) A PERSON WHO APPLIES FOR A TAX RATE ADJUSTMENT AND SUBMITS A FALSE OR FRAUDULENT APPLICATION FOR A TAX RATE ADJUSTMENT IS GUILTY OF FALSE SWEARING UNDER 45-7-202.

(8) FOR THE PURPOSES OF THIS SECTION, "ENTITY" MEANS:

(A) A CORPORATION, FIDUCIARY, OR PASS-THROUGH ENTITY, AS THOSE TERMS ARE DEFINED IN 15-30-101; AND

(B) AN ASSOCIATION, JOINT-STOCK COMPANY, SYNDICATE, TRUST OR ESTATE, OR ANY OTHER NONNATURAL PERSON.

Section 3. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) subject to 15-6-201(1)(z) ~~and (1)(aa) AND (1)(AA) AND (1)(AA)~~ and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-201(1)(z) ~~and (1)(aa) AND (1)(AA) AND (1)(AA)~~ and subsections (1)(f) and (1)(g) of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first \$100,000 or less of the taxable market value of any improvement on real property, including

trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$15,000 for a single person or \$20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (1)(c), net business income is gross income less ordinary operating expenses ~~but before deducting depreciation or depletion allowance, or both~~ BUT BEFORE DEDUCTING DEPRECIATION OR DEPLETION ALLOWANCE, OR BOTH.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least nine holes and not less than 700 lineal yards;

(e) subject to 15-6-201(1)(z), all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes that are not homestead residences;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; and

(g) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

(a) (i) Except as provided in ~~section 3~~, ~~SECTION 3~~, ~~SECTION 4~~, 15-24-1402, 15-24-1501, and 15-24-1502, ~~and subsection (2)(a)(ii) of this section~~, property described in subsections (1)(a), (1)(b), (1)(e), (1)(f), and (1)(g) of this section is taxed at:

(i) ~~3.794%~~ ~~3.38%~~ ~~3.40%~~ ~~3.38%~~ 3.40% of its taxable market value in tax year ~~1999~~ 2003;

(ii) 3.3% of its taxable market value in tax year 2004;

(iii) 3.22% of its taxable market value in tax year 2005;

(iv) 3.14% of its taxable market value in tax year 2006;

(v) 3.07% of its taxable market value in tax year 2007; and

(vi) ~~3%~~ ~~3.01%~~ ~~3%~~ 3.01% of its taxable market value in tax years after 2007.

~~(ii) The taxable percentage rate in subsection (2)(a)(i) must be adjusted downward by subtracting 0.0835 percentage points each year until the tax rate is equal to or less than 3.46%.~~

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) is taxed at the rate provided in subsection (2)(a)(ii) of its taxable market value multiplied by a percentage figure based on income and determined from the following table:

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

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

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

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

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

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a)(i).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

~~Section 5. 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)(aa);~~

~~(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 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) 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.~~

~~———— (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 7. 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)(1)(aa);~~

~~—— (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) 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.~~

~~— (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 $(W/CPI) - 1$, 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.)"

~~NEW SECTION. SECTION 8. CLASS ELEVEN PROPERTY--DESCRIPTION--TAXABLE PERCENTAGE. (1) CLASS ELEVEN PROPERTY INCLUDES:~~

~~(A) RESIDENTIAL PROPERTY AND LAND QUALIFYING AS A HOMESTEAD UNDER [SECTION 1];~~

~~(B) THE FIRST \$100,000 OR LESS OF THE TAXABLE MARKET VALUE OF ANY HOMESTEAD IMPROVEMENT ON REAL PROPERTY, INCLUDING TRAILERS, MANUFACTURED HOMES, OR MOBILE HOMES, AND APPURTENANT LAND NOT EXCEEDING 5 ACRES OWNED OR UNDER CONTRACT FOR DEED AND ACTUALLY OCCUPIED FOR AT LEAST 7 MONTHS A YEAR AS THE PRIMARY DWELLING PLACE OF ANY PERSON WHOSE TOTAL INCOME FROM ALL SOURCES, INCLUDING NET BUSINESS INCOME AND OTHERWISE TAX-EXEMPT INCOME OF ALL TYPES BUT NOT INCLUDING SOCIAL SECURITY INCOME PAID DIRECTLY TO A NURSING HOME, IS NOT MORE THAN \$15,000 FOR A SINGLE PERSON OR \$20,000 FOR A MARRIED COUPLE OR A HEAD OF HOUSEHOLD, AS ADJUSTED ACCORDING TO SUBSECTION (2)(B). FOR THE PURPOSES OF THIS SUBSECTION (1)(B), NET BUSINESS INCOME IS GROSS INCOME LESS ORDINARY OPERATING EXPENSES.~~

~~(2) (A) EXCEPT AS PROVIDED IN SUBSECTION (2)(B), CLASS ELEVEN PROPERTY IS TAXED AT THE TAXABLE PERCENTAGE RATE APPLICABLE TO CLASS FOUR PROPERTY AS PROVIDED IN 15-6-134(2)(A).~~

~~(B) (i) PROPERTY QUALIFYING UNDER THE PROPERTY TAX ASSISTANCE PROGRAM IN SUBSECTION (1)(B) IS TAXED AT THE RATE PROVIDED IN SUBSECTION (2)(A) OF ITS TAXABLE MARKET VALUE MULTIPLIED BY A PERCENTAGE FIGURE BASED ON INCOME AND DETERMINED FROM THE FOLLOWING TABLE:~~

INCOME	INCOME	PERCENTAGE
SINGLE PERSON	MARRIED COUPLE	MULTIPLIER
HEAD OF HOUSEHOLD		
\$0 - \$6,000	\$0 - \$8,000	20%
6,001 - 9,200	8,001 - 14,000	50%
9,201 - 15,000	14,001 - 20,000	70%

~~(ii) THE INCOME LEVELS CONTAINED IN THE TABLE IN SUBSECTION (2)(B)(i) MUST BE ADJUSTED FOR INFLATION ANNUALLY BY THE DEPARTMENT. THE ADJUSTMENT TO THE INCOME LEVELS IS DETERMINED BY:~~

~~(A) MULTIPLYING THE APPROPRIATE DOLLAR AMOUNT FROM THE TABLE IN SUBSECTION (2)(B)(i) BY THE RATIO OF THE PCE FOR THE SECOND QUARTER OF THE YEAR PRIOR TO THE YEAR OF APPLICATION TO THE PCE FOR THE SECOND QUARTER OF 1995; AND~~

~~(B) ROUNDING THE PRODUCT THUS OBTAINED TO THE NEAREST WHOLE DOLLAR AMOUNT.~~

~~(iii) "PCE" MEANS THE IMPLICIT PRICE DEFLATOR FOR PERSONAL CONSUMPTION EXPENDITURES AS PUBLISHED QUARTERLY IN THE SURVEY OF CURRENT BUSINESS BY THE BUREAU OF ECONOMIC ANALYSIS OF THE U.S. DEPARTMENT OF COMMERCE.~~

~~SECTION 9. SECTION 15-6-191, MCA, IS AMENDED TO READ:~~

~~"15-6-191. Application for certain class four eleven classifications. (1) A person applying for classification of property under the property tax assistance program described in 15-6-134(1)(c) [section 8(1)(b)] shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:~~

~~(a) the person's income;~~

~~(b) the fact that the person maintains the land and improvements as the person's primary residential dwelling, when applicable; and~~

~~(c) other information that is relevant to the applicant's eligibility.~~

~~(2) This application must be made before March 15 of the year after the applicant becomes eligible. The application remains in effect in subsequent years unless there is a change in the applicant's eligibility. The taxpayer shall inform the department of any change in eligibility. The department may inquire by mail whether any change in eligibility has taken place and may require a new statement of eligibility at any time that it considers necessary.~~

~~(3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the application and statement to the department. This signed statement must be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing."~~

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 ~~FOLLOWING FOLLOWING~~ percentage of the market value of residential ~~class four RESIDENTIAL CLASS FOUR RESIDENTIAL~~ property as described in 15-6-134(1)(e) and (1)(f) ~~as provided in [section 3]; 15-6-134(1)(E) AND (1)(F)(1)(E) AND (1)(F); AND CLASS ELEVEN PROPERTY DESCRIBED IN [SECTION 8] AS PROVIDED IN [SECTION 3];:~~

~~—— (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;~~

~~—— (i) 31% FOR TAX YEAR 2003;~~

~~—— (ii) 31.4% FOR TAX YEAR 2004;~~

~~—— (iii) 32% FOR TAX YEAR 2005;~~

~~—— (iv) 32.6% FOR TAX YEAR 2006;~~

~~—— (v) 33.2% FOR TAX YEAR 2007;~~

~~—— (vi) 34% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;~~

~~—— (AA) THE FOLLOWING PERCENTAGE OF THE MARKET VALUE OF COMMERCIAL PROPERTY AS DESCRIBED IN 15-6-134(1)(G):~~

~~—— (i) 13% FOR TAX YEAR 2003;~~

~~—— (ii) 13.3% FOR TAX YEAR 2004;~~

~~—— (iii) 13.8% FOR TAX YEAR 2005;~~

~~—— (iv) 14.2% FOR TAX YEAR 2006;~~

~~—— (v) 14.6% FOR TAX YEAR 2007;~~

~~(vi) 15% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;~~

(i) 31% FOR TAX YEAR 2003;

(ii) 31.4% FOR TAX YEAR 2004;

(iii) 32% FOR TAX YEAR 2005;

(iv) 32.6% FOR TAX YEAR 2006;

(v) 33.2% FOR TAX YEAR 2007;

(vi) 34% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;

(AA) THE FOLLOWING PERCENTAGE OF THE MARKET VALUE OF COMMERCIAL PROPERTY AS DESCRIBED IN

15-6-134(1)(G):

(i) 13% FOR TAX YEAR 2003;

(ii) 13.3% FOR TAX YEAR 2004;

(iii) 13.8% FOR TAX YEAR 2005;

(iv) 14.2% FOR TAX YEAR 2006;

(v) 14.6% FOR TAX YEAR 2007;

(vi) 15% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;

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

~~(cc)(bb)(CC)(BB)(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)(cc)(DD)(CC)(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)(dd)(EE)(DD)(EE)~~ 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)~~ ~~(1)(aa)~~ ~~(1)(BB)~~ ~~(1)(AA)~~ ~~(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.

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 ~~FOLLOWING FOLLOWING~~ percentage of the market value of ~~residential class four RESIDENTIAL CLASS FOUR RESIDENTIAL~~ property as described in ~~15-6-134(1)(e) and (1)(f) as provided in [section 3]; 15-6-134(1)(E) AND (1)(F)(1)(E) AND (1)(F): AND CLASS ELEVEN PROPERTY DESCRIBED IN [SECTION 8] AS PROVIDED IN [SECTION 3];:~~
 - ~~———— (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;~~
 - ~~———— (i) 31% FOR TAX YEAR 2003;~~
 - ~~———— (ii) 31.4% FOR TAX YEAR 2004;~~

~~(iii) 32% FOR TAX YEAR 2005;~~

~~(iv) 32.6% FOR TAX YEAR 2006;~~

~~(v) 33.2% FOR TAX YEAR 2007;~~

~~(vi) 34% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;~~

~~(AA) THE FOLLOWING PERCENTAGE OF THE MARKET VALUE OF COMMERCIAL PROPERTY AS DESCRIBED IN 15-6-134(1)(G):~~

~~(i) 13% FOR TAX YEAR 2003;~~

~~(ii) 13.3% FOR TAX YEAR 2004;~~

~~(iii) 13.8% FOR TAX YEAR 2005;~~

~~(iv) 14.2% FOR TAX YEAR 2006;~~

~~(v) 14.6% FOR TAX YEAR 2007;~~

~~(vi) 15% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS:~~

~~(i) 31% FOR TAX YEAR 2003;~~

~~(ii) 31.4% FOR TAX YEAR 2004;~~

~~(iii) 32% FOR TAX YEAR 2005;~~

~~(iv) 32.6% FOR TAX YEAR 2006;~~

~~(v) 33.2% FOR TAX YEAR 2007;~~

~~(vi) 34% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;~~

~~(AA) THE FOLLOWING PERCENTAGE OF THE MARKET VALUE OF COMMERCIAL PROPERTY AS DESCRIBED IN 15-6-134(1)(G):~~

~~(i) 13% FOR TAX YEAR 2003;~~

~~(ii) 13.3% FOR TAX YEAR 2004;~~

~~(iii) 13.8% FOR TAX YEAR 2005;~~

~~(iv) 14.2% FOR TAX YEAR 2006;~~

~~(v) 14.6% FOR TAX YEAR 2007;~~

~~(vi) 15% FOR TAX YEAR 2008 AND SUCCEEDING TAX YEARS;~~

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

~~(cc)(bb)(CC)(BB)(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)(cc)(DD)(CC)(DD)~~ all agricultural implements and equipment;

~~(ee)(dd)(EE)(DD)(EE)~~ all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;

~~(ff)(ee)(FF)(EE)(FF)~~ all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

~~(gg)(ff)(GG)(FF)(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)(gg)(HH)(GG)(HH)~~ special mobile equipment as defined in 61-1-104;

~~(ii)(hh)(II)(HH)(II)~~ furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;

~~(jj)(ii)(JJ)(II)(JJ)~~ x-ray and medical and dental equipment;

~~(kk)(jj)(KK)(JJ)(KK)~~ citizens' band radios and mobile telephones;

~~(ll)(kk)(LL)(KK)(LL)~~ radio and television broadcasting and transmitting equipment;

~~(mm)(ll)(MM)(LL)(MM)~~ cable television systems;

~~(nn)(mm)(NN)(MM)(NN)~~ coal and ore haulers;

~~(oo)(nn)(OO)(NN)(OO)~~ theater projectors and sound equipment; and

~~(pp)(oo)(PP)(OO)(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)~~ ~~(1)(aa)~~ ~~(1)(bb)~~ ~~(1)(AA)~~ ~~(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 11. SECTION 15-7-103, MCA, IS AMENDED TO READ:~~

~~"15-7-103. Classification and appraisal -- general and uniform methods. (1) It is the duty of the department of revenue to implement the provisions of 15-7-101 through 15-7-103 by providing:~~

- ~~—— (a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of lands for taxation purposes;~~
- ~~—— (b) for a general and uniform method of appraising city and town lots;~~
- ~~—— (c) for a general and uniform method of appraising rural and urban improvements;~~
- ~~—— (d) for a general and uniform method of appraising timberlands.~~
- ~~—— (2) All lands must be classified according to their use or uses and graded within each class according to soil and productive capacity. In the classification work, use must be made of soil surveys and maps and all other pertinent available information.~~
- ~~—— (3) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by metes and bounds, whichever yields a true description of the land.~~
- ~~—— (4) All agricultural lands must be classified and appraised as agricultural lands without regard to the best and highest value use of adjacent or neighboring lands.~~
- ~~—— (5) In any periodic revaluation of taxable property completed under the provisions of 15-7-111, all property classified in 15-6-134 and [section 8] must be appraised on the taxable portion of its market value in the same year. The department shall publish a rule specifying the year used in the appraisal.~~
- ~~—— (6) All sewage disposal systems and domestic use water supply systems of all dwellings may not be appraised, assessed, and taxed separately from the land, house, or other improvements in which they are located. In no event may the sewage disposal or domestic water supply systems be included twice by including them in the valuation and assessing them separately."~~

Section 5. Section 15-7-111, MCA, is amended to read:

"15-7-111. Periodic revaluation of certain taxable property. (1) The department shall administer and supervise a program for the revaluation of all taxable property within classes three, four, and ten. All other property must be revalued annually. ~~The revaluation of class three, four, and ten property is complete on December 31, 1996. The amount of the change in valuation from the 1996 base year for each property in classes three, four, and ten must be phased in each year at the rate of 25% of the change in valuation from December 31, 1998, to the appropriate percentage of taxable market value for each class.~~

(2) The department shall value and phase in the value of newly constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of

new, remodeled, or reclassified property within the same class.

(3) ~~Beginning January 1, 2001, the~~ The department of revenue shall administer and supervise a program for the revaluation of all taxable property within classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued by January 1, ~~2003~~ 2008, EFFECTIVE FOR JANUARY 1, 2009, and each succeeding 6 years. The resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of change for each year is not established, then the percentage of phase in for each year is 16.66%. ~~The department shall furnish a copy of the plan and all amendments to the plan to the board of county commissioners of each county."~~

~~Section 8.~~ Section 15-8-111, MCA, is amended to read:

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

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

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

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

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

~~(3) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:~~

~~(a) the wholesale value for agricultural implements and machinery is the average wholesale value category as shown in Guides 2000, Northwest Region Official Guide, published by the North American equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is unavailable, the~~

department shall use a comparable publication or wholesale value category.

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

~~———— (c) as otherwise authorized in Titles 15 and 61.~~

~~———— (4) For purposes of taxation, assessed value is the same as appraised value.~~

~~———— (5) The taxable value for all property is the percentage of market or assessed value established for each class of property:~~

~~———— (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as follows:~~

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

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

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

~~———— (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) and (1)(aa).~~

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

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

~~———— (7) Land and the improvements on the land are separately assessed when any of the following conditions occur:~~

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

~~———— (b) the taxpayer makes a written request; or~~

~~———— (c) the land is outside an incorporated city or town."~~

~~———— **SECTION 13.** SECTION 15-8-111, MCA, IS AMENDED TO READ:~~

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

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

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

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

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

~~———— (3) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:~~

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

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

~~———— (c) as otherwise authorized in Titles 15 and 61.~~

~~———— (4) For purposes of taxation, assessed value is the same as appraised value.~~

~~———— (5) The taxable value for all property is the percentage of market or assessed value established for each class of property:~~

~~———— (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as follows:~~

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

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

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

~~———— (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) and (1)(aa).~~

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

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

~~———— (7) Land and the improvements on the land are separately assessed when any of the following conditions occur:~~

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

~~———— (b) the taxpayer makes a written request; or~~

~~———— (c) the land is outside an incorporated city or town."~~

~~———— **SECTION 14. SECTION 15-16-102, MCA, IS AMENDED TO READ:**~~

~~———— **"15-16-102. Time for payment -- penalty for delinquency.** Unless suspended or canceled under the provisions of Title 15, chapter 24, part 17, all taxes levied and assessed in the state of Montana, except assessments made for special improvements in cities and towns payable under 15-16-103, are payable as follows:~~

~~———— (1) One-half of the taxes are payable on or before 5 p.m. on November 30 of each year or within 30 days after the tax notice is postmarked, whichever is later, and one-half are payable on or before 5 p.m. on May 31 of each year.~~

~~———— (2) Unless one-half of the taxes are paid on or before 5 p.m. on November 30 of each year or within 30 days after the tax notice is postmarked, whichever is later, the amount payable is delinquent and draws interest at the rate of 5/6 of 1% a month from and after the delinquency until paid and 2% must be added to the delinquent taxes as a penalty.~~

~~———— (3) All taxes due and not paid on or before 5 p.m. on May 31 of each year are delinquent and draw interest at the rate of 5/6 of 1% a month from and after the delinquency until paid, and 2% must be added to the delinquent taxes as a penalty.~~

~~———— (4) (a) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without~~

penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.

~~———— (b) If taxes on property qualifying under the low-income property tax assistance provisions of 15-6-134(1)(c) [section 8] and 15-6-191 are paid within 20 calendar days of the date on which the taxes are due, the taxes may be paid without penalty or interest. If a tax payment is made later than 20 days after the taxes were due, the penalty must be paid and interest accrues from the date on which the taxes were due.~~

~~———— (5) A taxpayer may pay current year taxes without paying delinquent taxes. The county treasurer shall accept a partial payment equal to the delinquent taxes, including penalty and interest, for one or more full taxable years, provided that taxes for both halves of the current tax year have been paid. Payment of taxes for delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of taxes for the current tax year is not a redemption of the property tax lien for any delinquent tax year.~~

~~———— (6) The penalty and interest on delinquent assessment payments for specific parcels of land may be waived by resolution of the city council. A copy of the resolution must be certified to the county treasurer.~~

~~———— (7) If the department revises an assessment that results in an additional tax of \$5 or less, an additional tax is not owed and a new tax bill does not need to be prepared."~~

NEW SECTION. Section 6. Extension of 2003 deadlines relating to property taxation. As a result of the change in the phasein of reappraisal for class three, four, and ten property enacted by the 58th legislature, it may not be possible to comply with certain statutory deadlines relating to appraisals, assessments, reimbursements, budgets, and collection of property taxes. The state appraisal and assessment process may be delayed, which in turn may cause delays for the tax appeal boards and local government taxing jurisdiction budgeting and collection processes. Therefore, for tax year 2003, all deadlines are extended as necessary and reasonable, except that the time limits allowed for filing an appeal remain the same as provided by law in order to allow for the orderly and efficient assessment and collection of taxes.

NEW SECTION. SECTION 7. INTERIM PROPERTY TAX REAPPRAISAL AND TAX REFORM STUDY COMMITTEES.
(1) (A) THERE IS AN INTERIM PROPERTY TAX REAPPRAISAL STUDY COMMITTEE CREATED TO STUDY THE EFFECTS OF CYCLICAL REAPPRAISAL AND METHODS FOR MITIGATING THE CHANGES IN TAXABLE VALUE CAUSED BY CYCLICAL REAPPRAISAL.

(2)(B) THE COMMITTEE IS COMPOSED OF FOUR SENATORS, TWO FROM EACH POLITICAL PARTY, APPOINTED BY THE COMMITTEE ON COMMITTEES, AND FOUR REPRESENTATIVES, TWO APPOINTED BY THE SPEAKER AND TWO APPOINTED BY THE MINORITY LEADER.

(2) (A) THERE IS AN INTERIM TAX REFORM STUDY COMMITTEE CREATED TO STUDY TAX REFORM THAT MAY INCLUDE REVISING THE EXISTING TAX STRUCTURE AND CONSIDERING ALTERNATIVE FORMS OF TAXATION. THE MEMBERS MUST INCLUDE:

(I) FOUR SENATORS, TWO FROM EACH POLITICAL PARTY, APPOINTED BY THE COMMITTEE ON COMMITTEES;

(II) FOUR REPRESENTATIVES, TWO APPOINTED BY THE SPEAKER AND TWO APPOINTED BY THE MINORITY LEADER;

AND

(III) THE FOLLOWING MEMBERS APPOINTED BY THE GOVERNOR:

(A) ONE REPRESENTATIVE OF SMALL BUSINESS;

(B) ONE REPRESENTATIVE OF LARGE INDUSTRY;

(C) ONE REPRESENTATIVE OF AGRICULTURE; AND

(D) ONE REPRESENTATIVE OF LABOR.

(B) THE MEMBERS OF THE COMMITTEE SHALL SELECT A PRESIDING OFFICER AND MAY APPOINT OTHER OFFICERS AS CONSIDERED NECESSARY.

(C) THE COMMITTEE SHALL ADOPT RULES OF PROCEDURE FOR CONDUCTING MEETINGS.

(D) THE PURPOSE OF THE COMMITTEE IS TO CONDUCT A COMPREHENSIVE EXAMINATION OF TAXATION IN MONTANA. THE COMMITTEE SHALL:

(I) DEVELOP AN INVENTORY OF TAXES IMPOSED AT THE STATE AND LOCAL LEVEL, INCLUDING BUT NOT LIMITED TO:

(A) THE TAXATION OF PROPERTY;

(B) THE TAXATION OF INCOME;

(C) EXCISE AND USE TAXES; AND

(D) TAXATION OF NATURAL RESOURCE PRODUCTION, INCLUDING ENERGY PRODUCTION AND TRANSMISSION;

(II) PROVIDE ANALYSES THAT EVALUATE EXISTING TAXES IN TERMS OF:

(A) THEIR ADEQUACY, EFFICIENCY, BURDEN OR INCIDENCE, FAIRNESS, ABILITY TO BE EXPORTED, AND EFFECT ON ECONOMIC BEHAVIOR, INCLUDING THEIR EFFECT ON INDIVIDUAL AND BUSINESS DECISIONS; AND

(B) COSTS OF ADMINISTRATION AND COMPLIANCE;

(III) EXAMINE TAX EXPENDITURES TO ASSESS THE ONGOING MERIT OF EACH EXPENDITURE; AND

(IV) EXAMINE ALTERNATIVE METHODS OF TAXATION FROM EXISTING SOURCES, AS WELL AS NEW SOURCES OF REVENUE, AND EVALUATE THE ALTERNATIVE METHODS AND NEW SOURCES ACCORDING TO THE CRITERIA DESCRIBED IN SUBSECTION (2)(D)(II).

(E) THE COMMITTEE SHALL SOLICIT THE KNOWLEDGE AND ADVICE OF ECONOMISTS, TAX POLICY EXPERTS, AND

REPRESENTATIVES OF TAXPAYER GROUPS, LOCAL GOVERNMENTS, SMALL BUSINESS ORGANIZATIONS, LARGE INDUSTRY, AGRICULTURE, AND ECONOMIC AND BUSINESS DEVELOPMENT ORGANIZATIONS.

(3) THE COMMITTEES CREATED IN THIS SECTION SHALL COORDINATE THEIR WORK AND SHALL REPORT TO EACH OTHER AFTER EACH MEETING. THE TWO COMMITTEES SHALL MEET TOGETHER AT LEAST ONCE EVERY 6 MONTHS.

(4) THE COMMITTEES SHALL SUBMIT WRITTEN REPORTS TO THE LEGISLATURE NOT LATER THAN DECEMBER 1, 2004, THAT MUST INCLUDE RECOMMENDATIONS AND PROPOSED LEGISLATION, IF LEGISLATION IS CONSIDERED NECESSARY, TO MITIGATE THE EFFECTS OF CYCLICAL REAPPRAISAL AND TO PROVIDE TAX REFORM FOR MONTANA.

~~(3)~~(5) THE COMMITTEE IS COMMITTEES ARE ATTACHED FOR ADMINISTRATIVE PURPOSES ONLY TO THE DEPARTMENT OF REVENUE TO BE STAFFED BY THE EXECUTIVE BRANCH WITH THE COOPERATION OF THE STAFF OF THE LEGISLATIVE BRANCH.

(6) (A) NONLEGISLATIVE MEMBERS OF THE TAX REFORM STUDY COMMITTEE MUST BE REIMBURSED IN ACCORDANCE WITH 2-18-501 THROUGH 2-18-503 FOR ACTUAL AND NECESSARY EXPENSES INCURRED IN ATTENDING MEETINGS OR CONDUCTING COMMITTEE BUSINESS.

(B) LEGISLATORS SERVING ON THE COMMITTEES MUST BE REIMBURSED AND COMPENSATED AS PROVIDED FOR IN 5-2-302 FOR ACTUAL AND NECESSARY EXPENSES INCURRED IN ATTENDING MEETINGS OR CONDUCTING COMMITTEE BUSINESS.

(7) THE MEMBERS OF THE COMMITTEES CREATED IN THIS SECTION MUST BE APPOINTED BY JULY 1, 2003.

NEW SECTION. SECTION 8. APPROPRIATION. (1) THE COMMITTEES CREATED IN [SECTION 5 7] MAY RECEIVE GIFTS, GRANTS, AND DONATIONS. THE MONEY RECEIVED MUST BE USED FOR FULFILLING THE DUTIES OF THE COMMITTEES, FOR REIMBURSING THE EXPENSES OF COMMITTEE MEMBERS, OR FOR PROVIDING STAFF FOR THE COMMITTEES. THE MONEY RECEIVED MUST BE PLACED IN A SPECIAL REVENUE FUND ACCOUNT TO THE CREDIT OF THE DEPARTMENT OF REVENUE.

(2) IN ADDITION TO ANY MONEY RECEIVED PURSUANT TO SUBSECTION (1), THERE IS APPROPRIATED \$60,000 FROM THE GENERAL FUND TO THE COMMITTEES CREATED IN [SECTION 5 7] FOR THE BIENNIUM FOR THE OPERATING EXPENSES AND PERSONNEL EXPENSES OF THE COMMITTEES.

~~NEW SECTION. Section 17. Codification instruction. (1) [Sections 1 and 3] are 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 [sections 1 and 3].~~

~~(1) [SECTIONS 1 AND 3] ARE 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 [SECTIONS 1 AND 3].

— (2)(2) [Section 2 1] is [SECTIONS 2 AND 8] ARE intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 2 1] [SECTIONS 2 AND 8].

NEW SECTION. SECTION 9. CODIFICATION INSTRUCTION. [SECTIONS 1 AND 2] ARE INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 1, AND THE PROVISIONS OF TITLE 15, CHAPTER 6, PART 1, APPLY TO [SECTIONS 1 AND 2].

NEW SECTION. SECTION 10. COORDINATION INSTRUCTION. IF SENATE BILL NO. 126 AND [THIS ACT] ARE BOTH PASSED AND APPROVED, THEN THE AMENDMENTS CONTAINED IN 15-6-201(1)(Z) AND (1)(AA) IN [SECTION 2 OF SENATE BILL NO. 126] ARE VOID.

NEW SECTION. SECTION 11. SEVERABILITY. IF A PART OF [THIS ACT] IS INVALID, ALL VALID PARTS THAT ARE SEVERABLE FROM THE INVALID PART REMAIN IN EFFECT. IF A PART OF [THIS ACT] IS INVALID IN ONE OR MORE OF ITS APPLICATIONS, THE PART REMAINS IN EFFECT IN ALL VALID APPLICATIONS THAT ARE SEVERABLE FROM THE INVALID APPLICATIONS.

NEW SECTION. Section 12. Effective date DATES. (1) [This act] EXCEPT AS PROVIDED IN SUBSECTIONS (2) AND (3), [THIS ACT] is effective on passage and approval.

(2) [SECTION 8] IS EFFECTIVE JULY 1, 2003.

(3) [SECTION 2] IS EFFECTIVE JANUARY 1, 2009.

NEW SECTION. Section 13. Retroactive applicability APPLICABILITY. (1) [This act] applies [SECTIONS 1 AND 3 THROUGH 5] APPLY retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2002.

(2) [SECTION 2] APPLIES TO TAX YEARS BEGINNING AFTER DECEMBER 31, 2008.

NEW SECTION. SECTION 14. TERMINATION. [SECTION 1] TERMINATES DECEMBER 31, 2008.

- END -