

## HOUSE BILL NO. 658

INTRODUCED BY JOPEK, GEBHARDT, POMNICHOWSKI, ESSMANN, GILLAN, LAKE  
 BY REQUEST OF THE SENATE JOINT SELECT COMMITTEE ON REAPPRAISAL

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX LAWS; MITIGATING THE EFFECTS OF PROPERTY TAX REAPPRAISAL; ~~CHANGING THE TAXABLE RATE OF~~ PHASING IN CHANGES TO THE TAX RATES FOR CLASS THREE AND FOUR PROPERTY; INCREASING THE MARKET VALUE AMOUNT AND THE INCOME ELIGIBILITY REQUIREMENTS FOR THE PROPERTY TAX ASSISTANCE PROGRAM; PHASING IN CHANGES TO THE TAX RATES OF ~~CLASS THREE AND~~ CLASS TEN PROPERTY; ESTABLISHING EXEMPTION RATES FOR RESIDENTIAL AND COMMERCIAL CLASS FOUR PROPERTY; ~~CHANGING THE REAPPRAISAL CYCLE TO 4 YEARS AND PHASING IN VALUES IMPLEMENTED BY REAPPRAISAL OVER 4 YEARS~~; ESTABLISHING A CIRCUIT BREAKER INCOME TAX CREDIT FOR PROPERTY TAXES BASED ON THE TAXPAYER'S PROPERTY TAX BILL AS A PERCENT OF INCOME AND OTHER FACTORS; ELIMINATING THE LOW-INCOME PROPERTY TAX ASSISTANCE PROGRAM, THE PROPERTY TAX EXEMPTION FOR DISABLED OR DECEASED VETERANS, AND THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY; PROVIDING FOR AN EXEMPTION OF VALUE FOR QUALIFYING HOMES, INCLUDING RENTAL HOMES REVISING THE PROVISIONS RELATED TO MITIGATING EXTRAORDINARY INCREASES IN RESIDENTIAL MARKET VALUE; REVISING THE PROPERTY TAX EXEMPTION FOR DISABLED VETERANS; CHANGING THE WAY THE VALUE OF CERTAIN NEWLY CONSTRUCTED PROPERTY IS DETERMINED FOR LOCAL GOVERNMENT MILL LEVY AUTHORITY; EXEMPTING FROM TAXATION LAND THAT IS DEDICATED EXCLUSIVELY TO PARK OR ROADWAY PURPOSES UNDER LAWS REGULATING SUBDIVISIONS; REVISING THE METHOD FOR VALUING AGRICULTURAL PROPERTY BY INCREASING WATER LABOR COSTS FOR IRRIGATED LAND AND ~~CLARIFYING~~ PROVIDING THAT SPRING WHEAT FROM SUMMER FALLOW LAND AND ALFALFA HAY ADJUSTED TO 80 PERCENT OF THE SALES PRICE IS THE BASE CROP FOR NONIRRIGATED LAND; REVISING THE DETERMINATION OF THE CAPITALIZATION RATE FOR THE VALUATION OF FOREST LANDS; INCREASING THE ELIGIBILITY INCOME REQUIREMENTS AND BENEFIT AMOUNTS FOR THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY; ESTABLISHING A FOREST LANDS TAXATION ADVISORY COMMITTEE TO ADVISE THE DEPARTMENT OF REVENUE IN ITS DETERMINATION OF THE VALUE OF FOREST LANDS; PROVIDING FOR THE APPOINTMENT AND TERMS OF THE MEMBERS OF THE COMMITTEE; REQUIRING NOTICE OF PROPERTY TAX ASSISTANCE PROGRAMS ON CLASSIFICATION AND APPRAISAL NOTICES AND

PROPERTY TAX BILLS; EXTENDING APPLICATION DEADLINES FOR THE LOW-INCOME PROPERTY TAX ASSISTANCE PROGRAM AND THE DISABLED OR DECEASED VETERANS' RESIDENCE PROPERTY TAX EXEMPTION PROGRAM; CHANGING THE REPORTING REQUIREMENTS RELATING TO TAX INCREMENT FINANCING; REQUESTING THAT THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE REVIEW PROPERTY TAX ASSISTANCE TO TAXPAYERS; AMENDING SECTIONS ~~2-15-122, 5-2-301, 15-6-133, 7-15-4285,~~ 15-6-134, 15-6-143, ~~15-6-193, 15-6-211,~~ 15-6-222, 15-7-102, 15-7-111, 15-7-201, ~~15-16-102, 15-30-171, 15-30-172, 15-30-176,~~ 15-10-420, 15-16-101, AND 15-44-103, ~~47-1-111, AND 53-6-1001,~~ MCA; REPEALING SECTIONS ~~15-6-191, 15-6-211, 15-30-171, 15-30-172, 15-30-173, 15-30-174, 15-30-175, 15-30-176, 15-30-177, 15-30-178, AND 15-30-179,~~ MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

(Refer to Introduced Bill)

Strike everything after the enacting clause and insert:

**SECTION 1. SECTION 7-15-4285, MCA, IS AMENDED TO READ:**

**"7-15-4285. Determination and report of original, actual, and incremental taxable values.** The department of revenue shall, ~~immediately~~ upon receipt of the a qualified tax increment provision and each succeeding year, calculate and report to the municipality and to any other affected taxing body in accordance with Title 15, chapter 10, part 2, the base, actual, and incremental taxable values of the property."

**Section 2.** 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 15-6-222 and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-222 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~~ ~~\$119,000~~ \$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.

(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 15-6-222(1), 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;

(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) Except as provided in 15-24-1402, 15-24-1501, and 15-24-1502, property described in subsections (1)(a), (1)(b), and (1)(e) through (1)(g) of this section is taxed at:

(i) ~~3.22%~~ ~~2.85%~~ 2.93% of its taxable market value in tax year ~~2005~~ 2009;

(ii) ~~3.14%~~ ~~2.7%~~ 2.82% of its taxable market value in tax year ~~2006~~ 2010;

(iii) ~~3.07%~~ ~~2.57%~~ 2.72% of its taxable market value in tax year ~~2007~~ 2011;

(iv) 2.45% 2.63% of its taxable market value in tax year 2012;

(v) 2.35% 2.54% of its taxable market value in tax year 2013; and

~~(iv)~~ (vi) 3.01% ~~2.25%~~ 2.47% of its taxable market value in tax years after ~~2007~~ 2013.

(b) (i) Property qualifying under the property tax assistance program in subsection (1)(c) 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 Single Person	Income Married Couple	Percentage Multiplier
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				Head of Household	
	<del>\$0 - \$6,000</del>	<del>\$10,000</del>		<del>\$0 - \$8,000</del>	<del>\$13,000</del>
		\$6,000			\$8,000
	<del>\$6,001 - \$9,200</del>	<del>\$14,000</del>		<del>\$8,001 - \$14,000</del>	<del>\$19,000</del>
		\$6,001	\$9,200	\$8,001	\$14,000
	<del>\$9,201 - \$15,000</del>	<del>\$19,000</del>		<del>\$14,001 - \$20,000</del>	<del>\$25,000</del>
		\$9,201	\$15,000	\$14,001	\$20,000

(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 ~~amounts in subsection (1)(c) and~~ 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).

~~(3) The department shall mail a notice of the property tax assistance program and qualification requirements and an application to each taxpayer who, under records of the department, is likely to qualify for the property tax assistance provided under this section.~~

~~(3)(4)(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 3.** Section 15-6-143, MCA, is amended to read:

**"15-6-143. Class ten property -- description -- taxable percentage.** (1) Class ten property includes all forest lands as defined in 15-44-102.

(2) Class ten property ~~is taxed at 0.79% of its forest productivity value in tax year 1999, and the rate is reduced by 0.11% each year until the property is taxed at:~~

~~(a) for tax year 2009, 0.35%~~ 0.32% 0.34% of its forest productivity value;

- (b) for tax year 2010, 0.3% 0.33% of its forest productivity value;
- (c) for tax year 2011, 0.28% 0.32% of its forest productivity value;
- (d) for tax year 2012, 0.26% 0.31% of its forest productivity value;
- (e) for tax year 2013, 0.24% 0.3% of its forest productivity value; and
- (f) for tax years after 2013, 0.23% 0.29% of its forest productivity value."

~~Section 3.~~ Section 15-6-193, MCA, is amended to read:

~~"15-6-193. 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 the 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)(5) since the last reappraisal.~~

~~———(5) (a) If total household income is \$25,000 \$28,500 or less, the percentage increase in taxable value is greater than 24% 55%, and the dollar increase in taxable liability is \$250 \$100 or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated such so that the total increase in~~

taxable value over the reappraisal cycle is 24% ~~55%~~ and such so 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 ~~\$28,500~~ but less than or equal to \$50,000 ~~\$57,000~~, the percentage increase in taxable value is greater than 30% ~~60%~~, and the dollar increase in taxable liability is \$250 ~~\$150~~ or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate must be calculated such so that the total increase in taxable value over the reappraisal cycle is 30% ~~60%~~ and such so 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 ~~\$57,000~~ but less than or equal to \$75,000 ~~\$85,500~~, the percentage increase in taxable value is greater than 30% ~~60%~~, and the dollar increase in taxable liability is \$250 ~~\$200~~ or greater, then the property qualifies for an adjusted tax rate. The adjusted tax rate will be calculated such so that the total increase in taxable value over the reappraisal cycle is 36% ~~60%~~ and such so 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)~~ 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.

——— ~~(b) The department shall mail a notice of the property tax assistance program and qualification requirements and an application to each taxpayer who, under records of the department, is likely to qualify for the property tax assistance provided under this section:~~

——— (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 4.** Section 15-6-211, MCA, is amended to read:

——— ~~"15-6-211. Certain disabled or deceased veterans' residences exempt. (1) A residence and appurtenant land, not to exceed 5 acres, on which it is built that is owned and occupied by a veteran or a veteran's spouse is exempt from property taxation if the veteran:~~

- ~~\_\_\_\_\_ (a) was killed while on active duty or died as a result of a service-connected disability; or~~
- ~~\_\_\_\_\_ (b) if living:~~
  - ~~\_\_\_\_\_ (i) was honorably discharged from active service in any branch of the armed services; and~~
  - ~~\_\_\_\_\_ (ii) is currently rated 100% disabled or is paid at the 100% disabled rate by the U.S. department of veterans affairs for a service-connected disability, as verified by official documentation from the U.S. department of veterans affairs:~~

~~\_\_\_\_\_ (2) Property qualifying under subsection (1) is taxed at the rate provided in 15-6-134(2)(a) multiplied by a percentage figure based on income and determined from the following table:~~

Income		Percentage
Single Person	Married Couple	Multiplier
\$0 - \$30,000	\$0 - \$36,000	0%
\$30,001 - \$33,000	\$36,001 - \$39,000	20% <u>15%</u>
\$33,001 - \$36,000	\$39,001 - \$42,000	30% <u>25%</u>
\$36,001 - \$39,000	\$42,001 - \$45,000	50% <u>40%</u>

~~\_\_\_\_\_ (3) The property tax exemption under this section remains in effect as long as the property is the primary residence owned and occupied by the veteran or, if the veteran is deceased, by the veteran's spouse and the spouse:~~

- ~~\_\_\_\_\_ (a) is the owner and occupant of the house;~~
- ~~\_\_\_\_\_ (b) is unmarried; and~~
- ~~\_\_\_\_\_ (c) has obtained from the U.S. department of veterans affairs a letter indicating that the veteran was rated 100% disabled or was paid at the 100% disabled rate by the U.S. department of veterans affairs for a service-connected disability at the time of death or that the veteran died while on active duty or as a result of a service-connected disability:~~

~~\_\_\_\_\_ (4) Property qualifying under subsection (3) is taxed at the rate provided in 15-6-134(2)(a) multiplied by a percentage figure based on income and determined from the following table:~~

Income	Percentage
Surviving Spouse	Multiplier
\$0 - \$25,000	0%
\$25,001 - \$28,000	20% <u>15%</u>
\$28,001 - \$31,000	30% <u>25%</u>
\$31,001 - \$34,000	50% <u>40%</u>

~~———— (5) For the purposes of the exemption under this section, the income referred to in subsections (2) and (4) is the taxpayer's federal adjusted gross income, as reported on the latest federal income tax return.~~

~~———— (6) (a) The income levels contained in the tables in subsections (2) and (4) must be adjusted for inflation annually by the department. The adjustment to the income levels is determined by:~~

~~———— (i) multiplying the appropriate dollar amount from the table 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 2002; and~~

~~———— (ii) rounding the product obtained in subsection (6)(a)(i) to the nearest dollar amount.~~

~~———— (b) "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 4.** Section 15-6-222, MCA, is amended to read:

**"15-6-222. Residential and commercial improvements -- percentage of value exempt.** (1) (A) ~~THE~~ **EXCEPT AS PROVIDED IN SUBSECTION (1)(B), THE** following percentage of the market value of residential property described in 15-6-134(1)(e) and (1)(f) is exempt from property taxation:

~~(a)(i)~~ 32% ~~35.9%~~ 36.8% for tax year ~~2005~~ 2009;

~~(b)(ii)~~ 32.6% ~~37.4%~~ 39.5% for tax year ~~2006~~ 2010;

~~(c)(iii)~~ 33.2% ~~38.7%~~ 41.8% for tax year ~~2007~~ 2011;

~~(d)(iv)~~ 39.9% 44% for tax year 2012;

~~(e)(v)~~ 41.1% 45.5% for tax year 2013;

~~(d)(f)(vi)~~ 34% ~~42%~~ 47% for tax year ~~2008~~ 2014 and succeeding tax years.

(B) FOR SINGLE-FAMILY RESIDENTIAL DWELLINGS, THE EXEMPTION PROVIDED UNDER SUBSECTION (1)(A) IS APPLIED TO THE FIRST \$1.5 MILLION OR LESS IN MARKET VALUE.

(2) The following percentage of the market value of commercial property described in 15-6-134(1)(g) is exempt from property taxation:

(a) 13.8% ~~15.3%~~ 14.2% for tax year ~~2005~~ 2009;

(b) 14.2% ~~15.5%~~ 15.9% for tax year ~~2006~~ 2010;

(c) 14.6% ~~15.7%~~ 17.5% for tax year ~~2007~~ 2011;

(d) 15.9% 19% for tax year 2012;

(e) 16.4% 20.3% for tax year 2013;

~~(d)(f)~~ 15% ~~16.6%~~ 21.5% for tax year ~~2008~~ 2014 and succeeding tax years."

NEW SECTION. SECTION 5. DEDICATED ROADS AND PARKS. LAND DEDICATED EXCLUSIVELY TO PARK PURPOSES OR FOR ROADWAYS PURSUANT TO TITLE 76, CHAPTER 3, IS EXEMPT FROM PROPERTY TAXATION.

**SECTION 6. SECTION 15-7-102, MCA, IS AMENDED TO READ:**

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

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

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

(c) The notice must include the following for the taxpayer's informational purposes:

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, the extended property tax assistance program under 15-6-193, the disabled or deceased veterans' residence exemption under 15-6-211, and the residential property tax credit for the elderly under 15-30-171 through 15-30-179;

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

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

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

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

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal

of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

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

(3) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department, on forms provided by the department for that purpose, within 30 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

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

- (a) the taxpayer has submitted an objection in writing; and
- (b) the department has stated its reason in writing for making the adjustment.

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

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information

presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

**Section 7.** 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.

(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) The revaluation of class three, four, and ten property is complete on December 31, 2008. The amount of the change in valuation from the 2002 base year for each property in classes three, four, and ten must be phased in each year at the rate of 16.66% of the change in valuation.

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

~~(3)~~(5) 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, ~~2009~~ 2015, effective for January 1, ~~2009~~ 2015, 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 phasein for each year is 16.66%."

**Section 8.** Section 15-7-201, MCA, is amended to read:

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

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

(3) Within each class, land must be subclassified by production categories. Production categories are determined from the productive capacity of the land based on yield.

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

(a) V is the per-acre productive capacity value of agricultural land in each land use and production category;

(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined as provided in subsection (5); and

(c) R is the capitalization rate and, unless the advisory committee recommends a different rate and the department adopts the recommended capitalization rate by rule, is equal to 6.4%. This capitalization rate must remain in effect until the next revaluation cycle.

(5) (a) Net income must be determined separately in each land use based on production categories.

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

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

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

(iii) Allowable water costs consist only of the per-acre labor costs, energy costs of irrigation, and, unless the advisory committee recommends otherwise and the department adopts the recommended cost by rule, a base water cost of ~~\$5.50~~ \$15 for each acre of irrigated land. Total allowable water costs may not exceed \$40 for each acre of irrigated land. Labor and energy costs must be determined as follows:

(A) Labor costs are ~~zero~~ \$5 an acre for pivot sprinkler irrigation systems; ~~\$4.50~~ \$10 an acre for tow lines, side roll, and lateral sprinkler irrigation systems; and ~~\$9~~ \$15 an acre for hand-moved and flood irrigation systems.

(B) Energy costs must be based on per-acre energy costs incurred in the energy cost base year, which is the calendar year immediately preceding the year specified by the department in 15-7-103(5). By July 1 of the

year following the energy cost base year, an owner of irrigated land shall provide the department, on a form prescribed by the department, with energy costs incurred in that energy cost base year. In the event that no energy costs were incurred in the energy cost base year, the owner of irrigated land shall provide the department with energy costs from the most recent year available. The department shall adjust the most recent year's energy costs to reflect costs in the energy cost base year.

(c) The base crop for valuation of irrigated land is ~~alfalfa hay spring wheat from summer fallow farm land~~ ALFALFA HAY ADJUSTED TO 80% OF THE SALES PRICE, ~~adjusted to 80% of sales price,~~ and the base crop for valuation of nonirrigated land is spring wheat. The base unit for valuation of grazing lands is animal unit months (AUM), defined as the average monthly requirement of pasture forage to support a 1,000-pound cow with a calf or its equivalent.

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

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

(7) The governor shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics. The advisory committee shall include one member of the Montana state university-Bozeman, college of agriculture, staff. The advisory committee shall:

- (a) compile and review data required by subsections (4) and (5);
- (b) recommend to the department any adjustments to data or to landowners' share percentages if required by changes in government agricultural programs, market conditions, or prevailing agricultural practices;
- (c) recommend appropriate base periods and averaging methods to the department;
- (d) evaluate the appropriateness of the capitalization rate and recommend a rate to the department;
- (e) verify for each class of land that the income determined in subsection (5) reasonably approximates that which the average Montana farmer or rancher could have attained; and
- (f) recommend agricultural land valuation schedules to the department. With respect to irrigated land, the recommended value of irrigated land may not be below the value that the land would have if it were not irrigated."

**SECTION 9. SECTION 15-10-420, MCA, IS AMENDED TO READ:**

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

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

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

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

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

- (i) annexation of real property and improvements into a taxing unit;
- (ii) construction, expansion, or remodeling of improvements;
- (iii) transfer of property into a taxing unit;
- (iv) subdivision of real property; and
- (v) transfer of property from tax-exempt to taxable status.

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

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

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

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

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

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

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

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

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

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may increase the number of mills to account for a decrease in reimbursements.

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

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

- (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;
  - (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
  - (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326; or
  - (iv) a levy for the support of a study commission under 7-3-184.
- (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,

67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

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

**SECTION 10. SECTION 15-16-101, MCA, IS AMENDED TO READ:**

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

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

(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and

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

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

(i) the taxable value of the property;

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

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

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

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

(iv) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, the extended property tax assistance program under 15-6-193, the disabled or deceased veterans' residence exemption under 15-6-211, and the residential

property tax credit for the elderly under 15-30-171 through 15-30-179.

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

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

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

(5) 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."

~~Section 8. Section 15-30-171, MCA, is amended to read:~~

~~"15-30-171. Residential property tax credit for elderly -- definitions. As used in 15-30-171 through 15-30-179, the following definitions apply:~~

~~(1) "Claim period" means the tax year for individuals required to file Montana individual income tax returns and the calendar year for individuals not required to file returns.~~

~~(2) "Claimant" means a person who is eligible to file a claim under 15-30-172.~~

~~(3) "Department" means the department of revenue.~~

~~(4) "Gross household income" means all income received by all individuals of a household while they are members of the household.~~

~~(5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with the landlord.~~

~~(6) "Homestead" means:~~

~~(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a dwelling; or~~

~~(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal~~

housing authority as provided in Title 7, chapter 15:

~~———— (7) (a) "Household" means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses:~~

~~———— (b) The term does not include bona fide lessees, tenants, or roomers and boarders on contract.~~

~~———— (8) "Household income" means the amount obtained by subtracting \$6,300 \$7,850 from gross household income:~~

~~———— (9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:~~

~~———— (i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;~~

~~———— (ii) the amount of capital gains excluded from adjusted gross income;~~

~~———— (iii) alimony;~~

~~———— (iv) support money;~~

~~———— (v) nontaxable strike benefits;~~

~~———— (vi) cash public assistance and relief;~~

~~———— (vii) interest on federal, state, county, and municipal bonds; and~~

~~———— (viii) all payments received under federal social security except social security income paid directly to a nursing home.~~

~~———— (b) For the purposes of this subsection (9), income is reduced by the taxpayer's basis.~~

~~———— (10) "Property tax billed" means taxes levied against the homestead, including special assessments and fees but excluding penalties or interest during the claim period.~~

~~———— (11) "Rent-equivalent tax paid" means 15% of the gross rent."~~

~~———— **Section 9.** Section 15-30-172, MCA, is amended to read:~~

~~———— **"15-30-172. Residential property tax credit for elderly -- eligibility.** (1) In order to be eligible to make a claim under 15-30-171 through 15-30-179, an individual:~~

~~———— (a) must have reached age 62 or older during the claim period for which relief is sought;~~

~~———— (b) must have resided in Montana for at least 9 months of that period;~~

~~———— (c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months of the claim period; and~~

~~\_\_\_\_\_ (d) must have less than \$45,000 \$48,300 of gross household income:~~

~~\_\_\_\_\_ (2) A person is not disqualified as a claimant if the person changes residences during the claim period, provided that the person occupies one or more dwellings in Montana as an owner, renter, or lessee for at least 6 months during the claim period:~~

~~\_\_\_\_\_ (3) The department shall mail a notice of the credit and qualification requirements to each taxpayer who, under records of the department, is likely to qualify for the credit provided for in 15-30-171 through 15-30-179."~~

~~\_\_\_\_\_ **Section 10.** Section 15-30-176, MCA, is amended to read:~~

~~\_\_\_\_\_ **"15-30-176. Residential property tax credit for elderly -- computation of relief.** The amount of the tax credit granted under the provisions of 15-30-171 through 15-30-179 is computed as follows:~~

~~\_\_\_\_\_ (1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the amount of property tax billed less the deduction specified in subsection (4):~~

~~\_\_\_\_\_ (2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the amount of rent-equivalent tax paid less the deduction specified in subsection (4):~~

~~\_\_\_\_\_ (3) In the case of a claimant who both owns and rents the homestead for which a claim is made, the credit is:~~

~~\_\_\_\_\_ (a) the amount of property tax billed on the owned portion of the homestead less the deduction specified in subsection (4); plus~~

~~\_\_\_\_\_ (b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the deduction specified in subsection (4):~~

~~\_\_\_\_\_ (4) Property tax billed and rent-equivalent tax paid are reduced according to the following schedule:~~

<del>Household income</del>	<del>Amount of reduction</del>
<del>\$0 - \$999</del>	<del>\$0</del>
<del>\$1,000 - \$1,999 <u>\$2,120</u></del>	<del>\$0</del>
<del>\$2,000 <u>\$2,121</u> - \$2,999 <u>\$3,250</u></del>	<del>the product of .006 times the household income</del>
<del>\$3,000 <u>\$3,251</u> - \$3,999 <u>\$4,340</u></del>	<del>the product of .016 times the household income</del>
<del>\$4,000 <u>\$4,341</u> - \$4,999 <u>\$5,420</u></del>	<del>the product of .024 times the household income</del>
<del>\$5,000 <u>\$5,421</u> - \$5,999 <u>\$6,500</u></del>	<del>the product of .028 times the household income</del>
<del>\$6,000 <u>\$6,501</u> - \$6,999 <u>\$7,600</u></del>	<del>the product of .032 times the household income</del>
<del>\$7,000 <u>\$7,601</u> - \$7,999 <u>\$8,700</u></del>	<del>the product of .035 times the household income</del>
<del>\$8,000 <u>\$8,701</u> - \$8,999 <u>\$9,800</u></del>	<del>the product of .039 times the household income</del>

~~\$9,000 \$9,801 - \$9,999 \$10,900~~ the product of .042 times the household income  
~~\$10,000 \$10,901 - \$10,999 \$11,900~~ the product of .045 times the household income  
~~\$11,000 \$11,901 - \$11,999 \$13,000~~ the product of .048 times the household income  
~~\$12,000 \$13,001 & over or more~~ the product of .050 times the household income

~~(5) For a claimant whose household income is \$35,000 \$38,000 or more but less than \$45,000 \$48,300, the amount of the credit is equal to the credit calculated under this section multiplied by the decimal equivalent of a percentage figure according to the following table:~~

Gross household income	Percentage of credit allowed
<del>\$35,000 \$38,000 - \$37,500 \$40,700</del>	40%
<del>\$37,501 \$40,701 - \$40,000 \$43,400</del>	30%
<del>\$40,001 \$43,401 - \$42,500 \$46,000</del>	20%
<del>\$42,501 \$46,001 - \$44,999 \$48,299</del>	10%
<del>\$45,000 \$48,300 or more</del>	0%

~~(6) The credit granted may not exceed \$1,000 \$1,085."~~

**Section 11.** Section 15-44-103, MCA, is amended to read:

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

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

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

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

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

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

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

(4) In computing the forest land valuation schedules for each forest valuation zone ~~to take effect on January 1, 1994~~, the department shall determine the productive capacity value of all forest lands in each forest valuation zone using the formula  $V = I/R$ , where:

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

(b) I is the per-acre net income of forest lands in each valuation zone and is determined by the department using the formula  $I = (M \times SV) + AI - C$ , where:

(i) I is the per-acre net income;

(ii) M is the mean annual net wood production;

(iii) SV is the stumpage value;

(iv) AI is the per-acre agriculture-related income; and

(v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

(c) R is the capitalization rate determined by the department as provided in subsection (6).

(5) Net income must:

(a) be calculated for each year of a base period, which is the most recent 5-year period for which data is available;

(b) be based on a rolling average of stumpage value of timber harvested within the forest valuation zone and on the associated production cost data for the base period from sources considered appropriate by the department; and

(c) include agriculture-related net income for the same time period as the period used to determine average stumpage values.

(6) The capitalization rate must be calculated for each year of the base period and is the ~~annual average interest rate on agricultural loans as reported by the Northwest farm credit services, agricultural credit association of Spokane, Washington~~ CAPITALIZATION RATE DETERMINED BY THE DEPARTMENT AFTER CONSULTATION WITH THE FOREST LANDS TAXATION ADVISORY COMMITTEE, plus the effective tax rate. THE CAPITALIZATION RATE MUST BE ADOPTED BY RULE. However, the capitalization rate for each year of the base period FOR TAX YEARS 2009 THROUGH 2014 may not be less than 8%.

(7) The effective tax rate must be calculated for each year of the base period by dividing the total estimated tax due on forest lands subject to the provisions of this section by the total forest value of those lands.

(8) For the purposes of this section, if forest service sales are used in the determination of stumpage values, the department shall take into account purchaser road credits.

(9) In determining the forest productivity value of forest lands and in computing the forest land valuation

schedules, the department shall use information and data provided by the university of Montana-Missoula.

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

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

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

(b) The terms of the members expire on ~~December 31 of each even-numbered year~~ JUNE 30 OF THE FIRST YEAR OF EACH REAPPRAISAL CYCLE.

(c) The advisory committee shall:

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

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

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

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

(v) recommend forest land valuation schedules to the department."

**NEW SECTION. SECTION 12. EXTENSION OF 2009 DEADLINES RELATING TO PROPERTY TAXATION. AS A RESULT OF THE CHANGES IN THE MITIGATION STRATEGY OF REAPPRAISAL FOR CLASS THREE, FOUR, AND TEN PROPERTY ENACTED BY THE 61ST 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 2009, 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 13. APPLICATION DEADLINE EXTENSIONS. BECAUSE [THIS ACT] CHANGES ELIGIBILITY**

CRITERIA FOR THE PROPERTY TAX ASSISTANCE PROGRAM IN 15-6-134(1)(C) AND THE EXEMPTION RATE FORMULAS FOR THE DISABLED OR DECEASED VETERANS' RESIDENCE PROPERTY TAX EXEMPTION PROGRAM UNDER 15-6-211 AND THE APPLICATION DEADLINES FOR THOSE PROGRAMS WILL HAVE PASSED BY [THE EFFECTIVE DATE OF THIS ACT], THE APPLICATION DEADLINES FOR THOSE PROGRAMS HAVE BEEN EXTENDED FOR TAX YEAR 2009 TO JULY 15, 2009.

**NEW SECTION. SECTION 14. REVENUE AND TRANSPORTATION INTERIM COMMITTEE REVIEW OF PROPERTY TAX ASSISTANCE.** THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE IS REQUESTED, UNDER THE COMMITTEE'S OVERSIGHT DUTIES, AS PROVIDED IN 5-5-227, TO REVIEW METHODS OF PROVIDING ASSISTANCE TO PROPERTY TAXPAYERS, INCLUDING CIRCUIT BREAKER PROGRAMS AND ASSISTANCE TO LOW-INCOME, VETERAN, AND ELDERLY PROPERTY OWNERS AND WHETHER THE ASSISTANCE SHOULD BE ACCOMPLISHED THROUGH INCOME TAX OR PROPERTY TAXATION MEANS.

**NEW SECTION. SECTION 15. CODIFICATION INSTRUCTION.** [SECTION 5] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 15, CHAPTER 6, PART 2, AND THE PROVISIONS OF TITLE 15, CHAPTER 6, PART 2, APPLY TO [SECTION 5].

**NEW SECTION. SECTION 16. SAVING CLAUSE.** [THIS ACT] DOES NOT AFFECT RIGHTS AND DUTIES THAT MATURED, PENALTIES THAT WERE INCURRED, OR PROCEEDINGS THAT WERE BEGUN BEFORE [THE EFFECTIVE DATE OF THIS ACT].

**NEW SECTION. SECTION 17. Effective date.** [This act] is effective on passage and approval.

**NEW SECTION. SECTION 18. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2008.

- END -