

HOUSE BILL NO. 115

INTRODUCED BY G. KIPP

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE REQUIREMENTS RELATED TO WHICH GUIDES MUST BE USED FOR VALUING AGRICULTURAL IMPLEMENTS AND MACHINERY; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

**Section 1.** Section 15-8-111, MCA, is amended to read:

**"15-8-111. Appraisal -- market value standard -- exceptions.** (1) All taxable property must be appraised 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 the cost approach 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 income approach 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 (4), 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) In valuing class four residential and commercial property described in 15-6-134, the department shall conduct the appraisal following the appropriate uniform standards of professional appraisal practice for mass appraisal promulgated by the appraisal standards board of the appraisal foundation. In valuing the property, the department shall use information available from any source considered reliable. Comparable properties used for

1 valuation must represent similar properties within an acceptable proximity of the property being valued.

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

4 (a) ~~the wholesale market value for agricultural implements and machinery is the average wholesale value~~  
5 ~~category as shown in Guides 2000, Northwest Region Official Guide, published by the North American equipment~~  
6 ~~dealers association, St. Louis, Missouri provided in published national agricultural and implement valuation~~  
7 ~~guides.~~ If the guide or the average wholesale value category is unavailable, the department shall use a  
8 comparable ~~publication or~~ wholesale value category.

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

11 (c) (i) for condominium property, the department shall establish the value as provided in subsection (5);  
12 and

13 (ii) for a townhome or townhouse, as defined in 70-23-102, the department shall determine the value in  
14 a manner established by the department by rule; and

15 (d) as otherwise authorized in Titles 15 and 61.

16 (5) (a) Subject to subsection (5)(c), if sufficient, relevant information on comparable sales is available,  
17 the department shall use the sales comparison approach to appraise residential condominium units. Because  
18 the undivided interest in common elements is included in the sales price of the condominium units, the  
19 department is not required to separately allocate the value of the common elements to the individual units being  
20 valued.

21 (b) Subject to subsection (5)(c), if sufficient, relevant information on income is made available to the  
22 department, the department shall use the income approach to appraise commercial condominium units. Because  
23 the undivided interest in common elements contributes directly to the income-producing capability of the individual  
24 units, the department is not required to separately allocate the value of the common elements to the individual  
25 units being valued.

26 (c) If sufficient, relevant information on comparable sales is not available for residential condominium  
27 units or if sufficient, relevant information on income is not made available for commercial condominium units, the  
28 department shall value condominiums using the cost approach. When using the cost approach, the department  
29 shall determine the value of the entire condominium project and allocate a percentage of the total value to each  
30 individual unit. The allocation is equal to the percentage of undivided interest in the common elements for the unit

1 as expressed in the declaration made pursuant to 70-23-403, regardless of whether the percentage expressed  
2 in the declaration conforms to market value.

3 (6) For purposes of taxation, assessed value is the same as appraised value.

4 (7) The taxable value for all property is the market value multiplied by the tax rate for each class of  
5 property.

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

7 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
8 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
9 15-23-516, 15-23-517, or 15-23-518.

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

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

14 (d) Properties in 15-6-134, under class four, are assessed at 100% of market value.

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

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

19 (9) Land and the improvements on the land are separately assessed when any of the following  
20 conditions occur:

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

22 (b) the taxpayer makes a written request; or

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

24

25 **NEW SECTION. Section 2. Effective date.** [This act] is effective on passage and approval.

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