

HOUSE BILL NO. 558

INTRODUCED BY G. HERTZ

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX RATES; REVISING THE TAX RATE FOR CLASS THREE AGRICULTURAL PROPERTY AND CLASS FOUR RESIDENTIAL AND COMMERCIAL PROPERTY TO MITIGATE THE EFFECTS OF REVALUATION; AMENDING SECTIONS 15-6-133 AND 15-6-134, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

**Section 1.** Section 15-6-133, MCA, is amended to read:

**"15-6-133. Class three property -- description -- taxable percentage.** (1) Class three property includes:

- (a) agricultural land as defined in 15-7-202;
- (b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this subsection (1)(b), the following provisions apply:
  - (i) The claim may not include any property that is used for residential purposes, recreational purposes as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which is being used for other than mining purposes or has a separate and independent value for other purposes.
  - (ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in this title, including that portion of the land upon which the improvements are located and that is reasonably required for the use of the improvements.
  - (iii) Nonproductive patented mining claim property must be valued as if the land were devoted to agricultural grazing use.

(c) parcels of land of 20 acres or more but less than 160 acres under one ownership that are not eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), which are considered to be nonqualified agricultural land. Nonqualified agricultural land may not be devoted to a commercial or industrial purpose. Nonqualified agricultural land is valued at the average productive capacity value of grazing land.

1           (2) Subject to subsection (3), class three property is taxed at ~~2.16%~~ 2.01% of its productive capacity  
2 value.

3           (3) The taxable value of land described in subsection (1)(c) is computed by multiplying the value of the  
4 land by seven times the taxable percentage rate for agricultural land."

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6           **Section 2.** Section 15-6-134, MCA, is amended to read:

7           **"15-6-134. Class four property -- description -- taxable percentage.** (1) Class four property includes:

8           (a) subject to subsection (1)(d), all land, except that specifically included in another class;

9           (b) subject to subsection (1)(d):

10           (i) all improvements, including single-family residences, trailers, manufactured homes, or mobile homes  
11 used as a residence, except those specifically included in another class;

12           (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences  
13 are located and any leasehold improvements;

14           (iii) vacant residential lots; and

15           (iv) rental multifamily dwelling units.

16           (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land  
17 under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The  
18 1 acre must be valued at market value.

19           (d) all commercial and industrial property, as defined in 15-1-101, and including:

20           (i) all commercial and industrial property that is used or owned by an individual, a business, a trade, a  
21 corporation, a limited liability company, or a partnership and that is used primarily for the production of income;

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

24           (iii) commercial buildings and parcels of land upon which the buildings are situated; and

25           (iv) vacant commercial lots.

26           (2) If a property includes both residential and commercial uses, the property is classified and appraised  
27 as follows:

28           (a) the land use with the highest percentage of total value is the use that is assigned to the property; and

29           (b) the improvements are apportioned according to the use of the improvements.

30           (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b) of this section,

1 class four residential property described in subsections (1)(a) through (1)(c) of this section is taxed at ~~4.35%~~  
2 1.26% of market value.

3 (b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5  
4 million is the residential property tax rate in subsection (3)(a) multiplied by ~~4.4~~ 1.34.

5 (c) The tax rate for commercial property is the residential property tax rate in subsection (3)(a) multiplied  
6 by ~~4.4~~ 1.34.

7 (4) Property described in subsection (1)(d)(ii) is taxed at one-half the tax rate established in subsection  
8 (3)(c)."

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10 NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

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12 NEW SECTION. **Section 4. Retroactive applicability.** [This act] applies retroactively, within the  
13 meaning of 1-2-109, to tax years beginning after December 31, 2016, and to the reappraisal cycle beginning  
14 January 1, 2017.

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