

HOUSE BILL NO. 558

INTRODUCED BY G. HERTZ

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX RATES; REVISING THE TAX RATE
5 FOR CLASS THREE AGRICULTURAL PROPERTY AND CLASS FOUR RESIDENTIAL AND COMMERCIAL
6 PROPERTY TO MITIGATE THE EFFECTS OF REVALUATION; ALLOWING FOR AN INCREASE OF THE
7 ABATEMENT FOR NEW OR EXPANDING INDUSTRY; REPEALING THE TERMINATION DATE FOR THE
8 EXEMPTION FOR CERTAIN AIR AND WATER POLLUTION CONTROL AND CARBON CAPTURE EQUIPMENT
9 AND FOR THE REDUCTION IN VALUE FOR CARBON TRANSPORTATION AND SEQUESTRATION
10 EQUIPMENT; AMENDING SECTIONS 15-6-133 AND 15-6-134 SECTION 15-24-1402, MCA; REPEALING
11 SECTIONS 4 AND 7, CHAPTER 407, LAWS OF 2015; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
12 AND A RETROACTIVE APPLICABILITY DATE."

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

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

17 ~~"15-6-133. Class three property -- description -- taxable percentage.~~ (1) Class three property
18 includes:

19 ~~(a) agricultural land as defined in 15-7-202;~~

20 ~~(b) nonproductive patented mining claims outside the limits of an incorporated city or town held by an~~
21 ~~owner for the ultimate purpose of developing the mineral interests on the property. For the purposes of this~~
22 ~~subsection (1)(b), the following provisions apply:~~

23 ~~(i) The claim may not include any property that is used for residential purposes, recreational purposes~~
24 ~~as described in 70-16-301, or commercial purposes as defined in 15-1-101 or any property the surface of which~~
25 ~~is being used for other than mining purposes or has a separate and independent value for other purposes.~~

26 ~~(ii) Improvements to the property that would not disqualify the parcel are taxed as otherwise provided in~~
27 ~~this title, including that portion of the land upon which the improvements are located and that is reasonably~~
28 ~~required for the use of the improvements.~~

29 ~~(iii) Nonproductive patented mining claim property must be valued as if the land were devoted to~~
30 ~~agricultural grazing use.~~

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

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

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

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

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

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

13 ~~_____ (b) subject to subsection (1)(d):~~

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

16 ~~_____ (ii) appurtenant improvements to the residences, including the parcels of land upon which the residences~~
 17 ~~are located and any leasehold improvements;~~

18 ~~_____ (iii) vacant residential lots; and~~

19 ~~_____ (iv) rental multifamily dwelling units.~~

20 ~~_____ (c) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land~~
 21 ~~under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The~~
 22 ~~1 acre must be valued at market value.~~

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

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

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

28 ~~_____ (iii) commercial buildings and parcels of land upon which the buildings are situated; and~~

29 ~~_____ (iv) vacant commercial lots.~~

30 ~~_____ (2) If a property includes both residential and commercial uses, the property is classified and appraised~~

1 as follows:

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

3 ~~_____ (b) the improvements are apportioned according to the use of the improvements.~~

4 ~~_____ (3) (a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and subsection (3)(b) of this section,~~
 5 ~~class four residential property described in subsections (1)(a) through (1)(c) of this section is taxed at 1.35%~~
 6 ~~1.26% of market value.~~

7 ~~_____ (b) The tax rate for the portion of the market value of a single-family residential dwelling in excess of \$1.5~~
 8 ~~million is the residential property tax rate in subsection (3)(a) multiplied by 1.4 1.34.~~

9 ~~_____ (c) The tax rate for commercial property is the residential property tax rate in subsection (3)(a) multiplied~~
 10 ~~by 1.4 1.34.~~

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

13

14 ~~_____ NEW SECTION. Section 3. Effective date. [This act] is effective on passage and approval.~~

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16 ~~_____ NEW SECTION. Section 4. Retroactive applicability. [This act] applies retroactively, within the~~
 17 ~~meaning of 1-2-109, to tax years beginning after December 31, 2016, and to the reappraisal cycle beginning~~
 18 ~~January 1, 2017.~~

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20 **SECTION 1. SECTION 15-24-1402, MCA, IS AMENDED TO READ:**

21 **"15-24-1402. New or expanding industry -- assessment -- notification.** (1) In the first 5 years after
 22 a construction permit is issued, qualifying improvements or modernized processes that represent new industry
 23 or expansion of an existing industry, as designated in the approving resolution, must be taxed at ~~50%~~ 25% or 50%
 24 of their taxable value. Subject to 15-10-420, each year thereafter, the percentage must be increased by equal
 25 percentages until the full taxable value is attained in the 10th year. In subsequent years, the property must be
 26 taxed at 100% of its taxable value.

27 (2) (a) In order for a taxpayer to receive the tax benefits described in subsection (1), the taxpayer must
 28 have applied by March 1 of the year during which the benefit is first applicable. The governing body of the affected
 29 county or the incorporated city or town must have approved by separate resolution for each project, following due
 30 notice as provided in 7-1-2121 if a county or 7-1-4127 if an incorporated city or town and a public hearing, the

1 use of the schedule provided for in subsection (1) for its respective jurisdiction. The governing body may not grant
2 approval for the project until all of the applicant's taxes have been paid in full. Taxes paid under protest do not
3 preclude approval.

4 (b) The governing body shall:

5 (i) publish due notice within 60 days of receiving a taxpayer's complete application for the tax treatment
6 provided for in this section; and

7 (ii) conduct a public hearing regarding an application for the tax treatment provided for in this section and
8 deny or approve it within 120 days of receiving the application as provided in subsection (2)(b)(i).

9 (c) If the governing body fails to hold a hearing or deny or approve the application within 120 days of
10 receiving the application, the applicant may seek from the district court in the jurisdiction in which the county, city,
11 or town is located a writ of mandamus to compel the governing body to make a determination.

12 (d) Subject to 15-10-420, the governing body may end the tax benefits by majority vote ~~at any time, but~~
13 ~~the tax benefits may not be denied an industrial facility that previously qualified for the benefits~~ if the conditions
14 of the resolution, provided for in subsection (2)(a), are not met.

15 (e) The resolution provided for in subsection (2)(a) must include a definition of the improvements or
16 modernized processes that qualify for the tax treatment that is to be allowed in the taxing jurisdiction. The
17 resolution may provide that real property other than land, personal property, improvements, or any combination
18 thereof is eligible for the tax benefits described in subsection (1).

19 (f) Property taxes abated from the reduction in taxable value allowed by this section are subject to
20 recapture by the local governing body if the ownership or use of the property does not meet the requirements of
21 15-24-1401, this section, or the resolution required by subsections (2)(a) and (2)(e) of this section. The recapture
22 is equal to the amount of taxes avoided, plus interest and penalties for nonpayment of property taxes provided
23 in 15-16-102, during any period in which an abatement under the provisions of this section was in effect. The
24 amount recaptured, including penalty and interest, must be distributed by the treasurer to funds and accounts
25 subject to the abatement in the same ratio as the property tax was abated. A recapture of taxes abated by this
26 section is not allowed with regard to property ceasing to qualify for the abatement by reason of an involuntary
27 conversion. The recapture of abated taxes may be canceled, in whole or in part, if the local governing body
28 determines that the taxpayer's failure to meet the requirements is a result of circumstances beyond the control
29 of the taxpayer.

30 (3) The taxpayer shall apply to the department for the tax treatment allowed under subsection (1). The

1 application by the taxpayer must first be approved by the governing body of the appropriate local taxing
2 jurisdiction, and the governing body shall indicate in its approval that the property of the applicant qualifies for the
3 tax treatment provided for in this section. Upon receipt of the form with the approval of the governing body of the
4 affected taxing jurisdiction, the department shall make the assessment change pursuant to this section.

5 (4) The tax benefit described in subsection (1) applies only to the number of mills levied and assessed
6 for local high school district and elementary school district purposes and to the number of mills levied and
7 assessed by the governing body approving the benefit over which the governing body has sole discretion. The
8 benefit described in subsection (1) may not apply to levies or assessments required under Title 15, chapter 10,
9 20-9-331, 20-9-333, or 20-9-360 or otherwise required under state law.

10 (5) Prior to approving the resolution under this section, the governing body shall notify by certified mail
11 all taxing jurisdictions affected by the tax benefit."

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13 NEW SECTION. SECTION 2. REPEALER. SECTIONS 4 AND 7, CHAPTER 407, LAWS OF 2015, ARE REPEALED.

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15 NEW SECTION. SECTION 3. APPLICABILITY. [SECTION 1] APPLIES TO NEW OR EXPANDING INDUSTRY TAX
16 ABATEMENTS GRANTED ON OR AFTER [THE EFFECTIVE DATE OF THIS ACT].

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