

1 HOUSE BILL NO. 148

2 INTRODUCED BY L. REKSTEN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING PROPERTY TAX LAWS; PROVIDING
5 FOR A 6-YEAR REAPPRAISAL CYCLE FOR CLASS THREE AGRICULTURAL LAND AND CLASS FOUR
6 RESIDENTIAL AND COMMERCIAL PROPERTY; PROVIDING THAT INCREASED CLASS THREE AND
7 CLASS FOUR PROPERTY VALUES ARE PHASED IN; AMENDING SECTIONS 15-1-101, 15-6-240, 15-7-
8 102, 15-7-111, 15-7-112, 15-8-111, 15-24-3202, AND 15-24-3203, MCA; REPEALING SECTION 15-7-110,
9 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12
13 **Section 1.** Section 15-1-101, MCA, is amended to read:

14 **"15-1-101. Definitions.** (1) Except as otherwise specifically provided, when terms mentioned in this
15 section are used in connection with taxation, they are defined in the following manner:

16 (a) The term "agricultural" refers to:

17 (i) the production of food, feed, and fiber commodities, livestock and poultry, bees, biological control
18 insects, fruits and vegetables, and sod, ornamental, nursery, and horticultural crops that are raised, grown, or
19 produced for commercial purposes; and

20 (ii) the raising of domestic animals and wildlife in domestication or a captive environment.

21 (b) The term "assessed value" means the value of property as defined in 15-8-111.

22 (c) The term "average wholesale value" means the value to a dealer prior to reconditioning and the
23 profit margin shown in national appraisal guides and manuals or the valuation schedules of the department.

24 (d) (i) The term "commercial", when used to describe property, means property used or owned by a
25 business, a trade, or a corporation as defined in 35-2-114 or used for the production of income, including
26 industrial property defined in subsection (1)(j), and excluding property described in subsection (1)(d)(ii).

27 (ii) The following types of property are not commercial:

28 (A) agricultural lands;

1 (B) timberlands and forest lands;

2 (C) single-family residences and ancillary improvements and improvements necessary to the function
3 of a bona fide farm, ranch, or stock operation;

4 (D) mobile homes and manufactured homes used exclusively as a residence except when held by a
5 distributor or dealer as stock in trade; and

6 (E) all property described in 15-6-135.

7 (e) The term "comparable property" means property that:

8 (i) has similar use, function, and utility;

9 (ii) is influenced by the same set of economic trends and physical, governmental, and social factors;

10 and

11 (iii) has the potential of a similar highest and best use.

12 (f) The term "credit" means solvent debts, secured or unsecured, owing to a person.

13 (g) (i) "Department", except as provided in subsection (1)(g)(ii), means the department of revenue
14 provided for in 2-15-1301.

15 (ii) In chapters 70 and 71, department means the department of transportation provided for in 2-15-
16 2501.

17 (h) The terms "gas" and "natural gas" are synonymous and mean gas as defined in 82-1-111(2). The
18 terms include all natural gases and all other fluid hydrocarbons, including methane gas or any other natural gas
19 found in any coal formation.

20 (i) The term "improvements" includes all buildings, structures, fences, and improvements situated
21 upon, erected upon, or affixed to land. When the department determines that the permanency of location of a
22 mobile home, manufactured home, or housetrailer has been established, the mobile home, manufactured
23 home, or housetrailer is presumed to be an improvement to real property. A mobile home, manufactured home,
24 or housetrailer may be determined to be permanently located only when it is attached to a foundation that
25 cannot feasibly be relocated and only when the wheels are removed.

26 (j) "Industrial property" for purposes of this section includes all land used for industrial purposes,
27 improvements, and buildings used to house the industrial process and all storage facilities. Under this section,
28 industrial property does not include personal property classified and taxed under 15-6-135 or 15-6-138.

1 (k) The term "leasehold improvements" means improvements to mobile homes and mobile homes
2 located on land owned by another person. This property is assessed under the appropriate classification, and
3 the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on leasehold
4 improvements are a lien only on the leasehold improvements.

5 (l) The term "livestock" means cattle, sheep, swine, goats, horses, mules, asses, llamas, alpacas,
6 bison, ostriches, rheas, emus, and domestic ungulates.

7 (m) (i) The term "manufactured home" means a residential dwelling built in a factory in accordance
8 with the United States department of housing and urban development code and the federal Manufactured
9 Home Construction and Safety Standards.

10 (ii) A manufactured home does not include a mobile home, as defined in subsection (1)(o), or a mobile
11 home or housetrailer constructed before the federal Manufactured Home Construction and Safety Standards
12 went into effect on June 15, 1976.

13 (n) The term "market value" means the value of property as provided in 15-8-111.

14 (o) The term "mobile home" means forms of housing known as "trailers", "housetrailer", or "trailer
15 coaches" exceeding 8 feet in width or 45 feet in length, designed to be moved from one place to another by an
16 independent power connected to them, or any trailer, housetrailer, or trailer coach up to 8 feet in width or 45
17 feet in length used as a principal residence.

18 (p) The term "personal property" includes everything that is the subject of ownership but that is not
19 included within the meaning of the terms "real estate" and "improvements" and "intangible personal property" as
20 that term is defined in 15-6-218.

21 (q) The term "poultry" includes all chickens, turkeys, geese, ducks, and other birds raised in
22 domestication to produce food or feathers.

23 (r) The term "property" includes money, credits, bonds, stocks, franchises, and all other matters and
24 things, real, personal, and mixed, capable of private ownership. This definition may not be construed to
25 authorize the taxation of the stocks of a company or corporation when the property of the company or
26 corporation represented by the stocks is within the state and has been taxed.

27 (s) The term "real estate" includes:

28 (i) the possession of, claim to, ownership of, or right to the possession of land;

1 (ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and
2 Title 15, chapter 23, part 8;

3 (iii) all timber belonging to individuals or corporations growing or being on the lands of the United
4 States; and

5 (iv) all rights and privileges appertaining to mines, minerals, quarries, and timber.

6 (t) "Recreational" means hunting, fishing, swimming, boating, waterskiing, camping, biking, hiking,
7 and winter sports, including but not limited to skiing, skating, and snowmobiling.

8 (u) "Research and development firm" means an entity incorporated under the laws of this state or a
9 foreign corporation authorized to do business in this state whose principal purpose is to engage in theoretical
10 analysis, exploration, and experimentation and the extension of investigative findings and theories of a scientific
11 and technical nature into practical application for experimental and demonstration purposes, including the
12 experimental production and testing of models, devices, equipment, materials, and processes.

13 (v) The term "stock in trade" means any mobile home, manufactured home, or housetrailer that is
14 listed by the dealer as inventory and that is offered for sale, is unoccupied, and is not located on a permanent
15 foundation. Inventory does not have to be located at the business location of a dealer or a distributor.

16 (w) The term "taxable value" means the percentage of market value multiplied by the classification tax
17 rate as provided for in Title 15, chapter 6, part 1.

18 (x) The term "taxes" in relation to property under 15-6-133, 15-6-134, or 15-6-143 is the amount owed
19 by a taxpayer that is the market value multiplied by the tax rate multiplied by the applicable mills, exclusive of
20 local fees and assessments.

21 (2) The phrase "municipal corporation" or "municipality" or "taxing unit" includes a county, city,
22 incorporated town, township, school district, irrigation district, or drainage district or a person, persons, or
23 organized body authorized by law to establish tax levies for the purpose of raising public revenue.

24 (3) The term "state board" or "board" when used without other qualification means the state tax
25 appeal board."
26

27 **Section 2.** Section 15-6-240, MCA, is amended to read:

28 **"15-6-240. Intangible land value property exemption -- application procedure.** (1) There is an

1 intangible land value assistance program that provides graduated levels of property tax exemptions to assist
2 owners of primary residences with land values that are disproportionate to the value of a primary residence and
3 improvements. To be eligible for the exemption, applicants must meet the requirements of this section.

4 (2) If the total appraised value of the land is equal to or less than 150% of the appraised value of the
5 primary residence and improvements situated on the land, then the land exemption provided in this section
6 does not apply.

7 (3) Subject to subsection (6), if the total appraised value of the land is greater than 150% of the
8 appraised value of the primary residence and improvements situated on the land, then the land is valued at
9 150% of the appraised value of the primary residence and improvements situated on the land, subject to the
10 minimum equalization of value requirement in subsection (4), and the remainder of the land value is exempt
11 from taxation.

12 (4) If the calculation in subsection (3) creates a land value that is less than the statewide average
13 value of land, then the value of the land may not be reduced in an amount that is less than the statewide
14 average value of land multiplied by the acreage of land for the subject property.

15 (5) This section does not provide an exemption for the primary residence and improvements situated
16 on the land.

17 (6) (a) A claim for assistance must be filed by March 1 of the tax year for which the exemption is
18 sought, on an application form provided by the department. After an exemption is approved, the applicant
19 remains eligible for the exemption for the remainder of the ~~2-year~~ valuation cycle provided for in 15-7-111 as
20 long as the property is continually used as a primary residence by the applicant. An applicant who does not
21 apply for assistance during the first year of the valuation cycle may apply ~~during the second year of the cycle in~~
22 subsequent years.

23 (b) The application form must contain:

24 (i) an affirmation that the applicant owns and maintains the land and improvements as the primary
25 residence;

26 (ii) an affirmation that the land has been owned by the applicant or a family member of the applicant
27 within the third degree of consanguinity for at least 30 consecutive years; and

28 (iii) any other information required by the department that is relevant to the applicant's eligibility.

1 (c) When providing information to the department for qualification under this section, applicants are
2 subject to the false swearing penalties established in 45-7-202.

3 (d) The department may investigate the information provided in an application and an applicant's
4 continued eligibility.

5 (e) The department may request applicant verification of the primary residence.

6 (7) As used in this section the following definitions apply:

7 (a) "Land" means:

8 (i) parcels of land or lots of not more than 5 acres under single ownership that support the primary
9 residential improvements. The term does not include parcels of land or lots that do not support the primary
10 residential improvements, regardless of whether those parcels or lots are contiguous with or adjacent to the
11 primary residential property.

12 (ii) subject to the limitations in subsection (7)(a)(i), separately assessed land on which a mobile or
13 manufactured home is located, but only if the mobile or manufactured home and the land are both owned by
14 the applicant.

15 (b) "Primary residence" means a single-family dwelling:

16 (i) in which an applicant can demonstrate the applicant lived for at least 7 months of the year for
17 which benefits are claimed;

18 (ii) that is the only residence for which the land exemption claimed in this section is claimed by the
19 applicant; and

20 (iii) that is owned or under contract for deed by the applicant.

21 (c) "Single-family dwelling" means a residential dwelling, manufactured home, trailer, or mobile home.
22 The term does not include a condominium unit or a unit of a multiple-unit dwelling.

23 (d) "Statewide average value of land" is a value calculated by the department that is equal to the
24 statewide average market value of 1 acre of class four real property described in 15-6-134(1)(a) through (1)(d)."
25

26 **Section 3.** Section 15-7-102, MCA, is amended to read:

27 **"15-7-102. Notice of classification, market value, and taxable value to owners -- appeals.** (1) (a)

28 Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser

1 under contract for deed a notice that includes the land classification, market value, and taxable value of the
 2 land and improvements owned or being purchased. A notice must be mailed or, with property owner consent,
 3 provided electronically to the owner only if one or more of the following changes pertaining to the land or
 4 improvements have been made since the last notice:

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

9 (b) After the first year of the valuation cycle, the department is not required to mail or provide
 10 electronically the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an annual
 11 incremental change in valuation caused by the phasing in of a reappraisal under 15-7-111.

12 ~~(b)(c)~~ The notice must include the following for the taxpayer's informational and informal classification
 13 and appraisal review purposes:

- 14 (i) a notice of the availability of all the property tax assistance programs available to property
 15 taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax
 16 assistance programs provided for in Title 15, chapter 6, part 3, and the residential property tax credit for the
 17 elderly provided for in 15-30-2337 through 15-30-2341;
- 18 (ii) the total amount of mills levied against the property in the prior year;
- 19 (iii) a statement that the notice is not a tax bill; and
- 20 (iv) a taxpayer option to request an informal classification and appraisal review by checking a box on
 21 the notice and returning it to the department.

22 ~~(e)(d)~~ When the department uses an appraisal method that values land and improvements as a unit,
 23 including the sales comparison approach for residential condominiums or the income approach for commercial
 24 property, the notice must contain a combined appraised value of land and improvements.

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

27 (2) (a) Except as provided in subsection (2)(c), the department shall assign each classification and
 28 appraisal to the correct owner or purchaser under contract for deed and mail or provide electronically the notice

1 in written or electronic form, adopted by the department, containing sufficient information in a comprehensible
2 manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of
3 changes over the prior tax year.

4 (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an
5 appeal of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in
6 15-1-402.

7 (c) The department is not required to mail or provide electronically the notice to a new owner or
8 purchaser under contract for deed unless the department has received the realty transfer certificate from the
9 clerk and recorder as provided in 15-7-304 and has processed the certificate before the notices required by
10 subsection (2)(a) are mailed or provided electronically. The department shall notify the county tax appeal board
11 of the date of the mailing or the date when the taxpayer is informed the information is available electronically.

12 (3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
13 market value of the property as determined by the department or with the classification of the land or
14 improvements, the owner may request an informal classification and appraisal review by submitting an
15 objection on written or electronic forms provided by the department for that purpose or by checking a box on the
16 notice and returning it to the department in a manner prescribed by the department.

17 (i) For property other than class three property described in 15-6-133, class four property described in
18 15-6-134, and class ten property described in 15-6-143, the objection must be submitted within 30 days from
19 the date on the notice.

20 (ii) For class three property described in 15-6-133, ~~and class four property described in 15-6-134, and~~
21 ~~class ten property described in 15-6-143, the objection may be made only once each valuation cycle. An~~
22 ~~objection must be made in writing or by checking a box on the notice within 30 days from the date on the~~
23 ~~classification and appraisal notice for a reduction in the appraised value to be considered for both years of the~~
24 ~~2-year valuation cycle. An objection made more than 30 days from the date of the classification and appraisal~~
25 ~~notice will be applicable only for the second year of the 2-year valuation cycle. For an objection to apply to the~~
26 ~~second year of the valuation cycle, the taxpayer must make the objection in writing or by checking a box on the~~
27 ~~notice no later than June 1 of the second year of the valuation cycle or, if a classification and appraisal notice is~~
28 ~~received in the second year of the valuation cycle, within 30 days from the date on the notice.~~

1 ~~(iii) For class ten property described in 15-6-143,~~ the objection may be made at any time but only once
2 each valuation cycle. An objection must be made in writing or by checking a box on the notice within 30 days
3 from the date on the classification and appraisal notice for a reduction in the appraised value to be considered
4 for all years of the 6-year appraisal cycle. An objection made more than 30 days after the date of the
5 classification and appraisal notice applies only for the subsequent remaining years of the 6-year reappraisal
6 cycle. For an objection to apply to any subsequent year of the valuation cycle, the taxpayer must make the
7 objection in writing or by checking a box on the notice no later than June 1 of the year for which the value is
8 being appealed or, if a classification and appraisal notice is received after the first year of the valuation cycle,
9 within 30 days from the date on the notice.

10 (b) If the objection relates to residential or commercial property and the objector agrees to the
11 confidentiality requirements, the department shall provide to the objector, by posted mail or electronically, within
12 8 weeks of submission of the objection, the following information:

13 (i) the methodology and sources of data used by the department in the valuation of the property; and
14 (ii) if the department uses a blend of evaluations developed from various sources, the reasons that the
15 methodology was used.

16 (c) At the request of the objector, and only if the objector signs a written or electronic confidentiality
17 agreement, the department shall provide in written or electronic form:

18 (i) comparable sales data used by the department to value the property; and
19 (ii) sales data used by the department to value residential property in the property taxpayer's market
20 model area.

21 (d) For properties valued using the income approach as one approximation of market value, notice
22 must be provided that the taxpayer will be given a form to acknowledge confidentiality requirements for the
23 receipt of all aggregate model output that the department used in the valuation model for the property.

24 (e) The review must be conducted informally and is not subject to the contested case procedures of
25 the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual
26 selling price of the property and other relevant information presented by the taxpayer in support of the
27 taxpayer's opinion as to the market value of the property. The department shall consider an independent
28 appraisal provided by the taxpayer if the appraisal meets standards set by the Montana board of real estate

1 appraisers and the appraisal was completed within 6 months of the valuation date pursuant to 15-8-201. If the
2 department does not use the appraisal provided by the taxpayer in conducting the appeal, the department must
3 provide to the taxpayer the reason for not using the appraisal. The department shall give reasonable notice to
4 the taxpayer of the time and place of the review.

5 (f) After the review, the department shall determine the correct appraisal and classification of the land
6 or improvements and notify the taxpayer of its determination by mail or electronically. The department may not
7 determine an appraised value that is higher than the value that was the subject of the objection unless the
8 reason for an increase was the result of a physical change in the property or caused by an error in the
9 description of the property or data available for the property that is kept by the department and used for
10 calculating the appraised value. In the notification, the department shall state its reasons for revising the
11 classification or appraisal. When the proper appraisal and classification have been determined, the land must
12 be classified and the improvements appraised in the manner ordered by the department.

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

15 (a) the taxpayer has submitted an objection on written or electronic forms provided by the department
16 or by checking a box on the notice; and

17 (b) the department has provided to the objector by mail or electronically its stated reason in writing for
18 making the adjustment.

19 (5) A taxpayer's written objection or objection made by checking a box on the notice and
20 supplemental information provided by a taxpayer that elects to check a box on the notice to a classification or
21 appraisal and the department's notification to the taxpayer of its determination and the reason for that
22 determination are public records. The department shall make the records available for inspection during regular
23 office hours.

24 (6) If a property owner feels aggrieved by the classification or appraisal made by the department after
25 the review provided for in subsection (3), the property owner has the right to first appeal to the county tax
26 appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in
27 the courts. The appeal to the county tax appeal board, pursuant to 15-15-102, must be filed within 30 days from
28 the date on the notice of the department's determination. A county tax appeal board or the state tax appeal

1 board may consider the actual selling price of the property, independent appraisals of the property, and other
 2 relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax
 3 appeal board or the state tax appeal board determines that an adjustment should be made, the department
 4 shall adjust the base value of the property in accordance with the board's order."

5

6 **Section 4.** Section 15-7-111, MCA, is amended to read:

7 **"15-7-111. Periodic reappraisal of certain taxable property.** (1) The department shall administer
 8 and supervise a program for the reappraisal of all taxable property within class three under 15-6-133, class four
 9 under 15-6-134, and class ten under 15-6-143 as provided in this section. All other property must be revalued
 10 annually. Beginning January 1, ~~2015~~2021, all property within class three, ~~and class four, and class ten~~ must be
 11 revalued every ~~2~~ 6 years, ~~and all property within class ten must be revalued every 6 years.~~

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

17 (3) The reappraisal of class three, ~~and class four, and class ten~~ property is complete on December 31
 18 of ~~every second year of the reappraisal cycle, and the reappraisal of class ten property is complete on~~
 19 ~~December 31~~ of the sixth year of the reappraisal cycle. The amount of the change in valuation from the base
 20 year for ~~class ten property~~ each property in classes three, four, and ten must be phased in each year at the rate
 21 of 16.66% of the change in valuation.

22 (4) During the ~~second~~ sixth year of each reappraisal cycle, the department shall provide the revenue
 23 interim committee with a report, in accordance with 5-11-210, of tax rates for the upcoming reappraisal cycle
 24 that will result in taxable value neutrality for each property class.

25 (5) (a) The department shall administer and supervise a program for the reappraisal of all taxable
 26 property within classes three, ~~and four, and ten.~~ The department shall adopt a reappraisal plan by rule. The
 27 reappraisal plan adopted ~~must provide that all class three and class four property in each county is revalued by~~
 28 ~~January 1 of the second year of the reappraisal cycle, effective for January 1 of the following year, and each~~

1 ~~succeeding 2 years, and~~ must provide that all class three, four, and ten property in each county is revalued by
 2 January 1, ~~2015~~2021, effective for January 1, ~~2015~~2021, and each succeeding 6 years. ~~The~~ Except as
 3 provided in subsection (5)(b), the resulting valuation changes ~~for class ten property~~ must be phased in for each
 4 year until the next reappraisal. ~~If a percentage of change for each year is not established, then the~~ The
 5 percentage of phase in ~~for class ten property~~ each year is 16.66%.

6 (b) If the market value after reappraisal is lower than the market value for the previous reappraisal
 7 cycle, the market value after reappraisal may not be phased in and must be used for each year of the
 8 reappraisal cycle.

9 (6) (a) In completing the appraisal or adjustments under subsection (5), the department shall, as
 10 provided in the reappraisal plan, conduct individual property inspections, building permit reviews, sales data
 11 verification reviews, and electronic data reviews. The department may adopt new technologies for recognizing
 12 changes to property.

13 (b) The department shall conduct a field inspection of a sufficient number of taxable properties to
 14 meet the requirements of subsection (5)."

15
 16 **Section 5.** Section 15-7-112, MCA, is amended to read:
 17 **"15-7-112. Equalization of valuations.** The method of appraisal and assessment provided for in 15-
 18 7-111 must be used in each county of the state so that comparable properties with similar full market values
 19 and subject to taxation in Montana have substantially equal taxable values ~~in the tax year and, for class ten~~
 20 ~~property, substantially equal taxable values~~ at the end of each cyclical revaluation cycle."

21
 22 **Section 6.** Section 15-8-111, MCA, is amended to read:
 23 **"15-8-111. Appraisal -- market value standard -- exceptions.** (1) All taxable property must be
 24 appraised at 100% of its market value except as otherwise provided.

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

28 (b) If the department uses the cost approach as one approximation of market value, the department

1 shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional
2 obsolescence, or economic obsolescence.

3 (c) If the department uses the income approach as one approximation of market value and sufficient,
4 relevant information on comparable sales and construction cost exists, the department shall rely upon the two
5 methods that provide a similar market value as the better indicators of market value.

6 (d) Except as provided in subsection (4), the market value of special mobile equipment and
7 agricultural tools, implements, and machinery is the average wholesale value shown in national appraisal
8 guides and manuals or the value before reconditioning and profit margin. The department shall prepare
9 valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

10 (3) In valuing class four residential and commercial property described in 15-6-134, the department
11 shall conduct the appraisal following the appropriate uniform standards of professional appraisal practice for
12 mass appraisal promulgated by the appraisal standards board of the appraisal foundation. In valuing the
13 property, the department shall use information available from any source considered reliable. Comparable
14 properties used for valuation must represent similar properties within an acceptable proximity of the property
15 being valued.

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

18 (a) the market value for agricultural implements and machinery is the average wholesale value
19 category as provided in published national agricultural and implement valuation guides. The valuation guide
20 must provide average wholesale values specific to the state of Montana or a region that includes the state of
21 Montana. The department shall adopt by rule the valuation guides used as provided in this subsection (4)(a). If
22 the average wholesale value category is unavailable, the department shall use a comparable wholesale value
23 category.

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

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

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

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

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

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

14 (c) If sufficient, relevant information on comparable sales is not available for residential condominium
15 units or if sufficient, relevant information on income is not made available for commercial condominium units,
16 the department shall value condominiums using the cost approach. When using the cost approach, the
17 department shall determine the value of the entire condominium project and allocate a percentage of the total
18 value to each individual unit. The allocation is equal to the percentage of undivided interest in the common
19 elements for the unit as expressed in the declaration made pursuant to 70-23-403, regardless of whether the
20 percentage expressed in the declaration conforms to market value.

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

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

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

26 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
27 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515, 15-23-
28 516, 15-23-517, or 15-23-518.

- 1 (b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.
- 2 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the
3 lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as
4 agricultural lands for tax purposes.
- 5 (d) Properties in 15-6-134, under class four, are assessed at 100% of market value.
- 6 (e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of
7 the land when valued as forest land.
- 8 (f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula
9 described in 15-23-205.
- 10 (9) Land and the improvements on the land are separately assessed when any of the following
11 conditions occur:
- 12 (a) ownership of the improvements is different from ownership of the land;
13 (b) the taxpayer makes a written request; or
14 (c) the land is outside an incorporated city or town."
- 15

16 **Section 7.** Section 15-24-3202, MCA, is amended to read:

17 **"15-24-3202. Gray water system for newly constructed residence -- tax abatement.** (1) A

18 residential dwelling that is under construction or that is newly constructed with a residential gray water system
19 is taxed at 91% of its taxable market value during the course of the construction and for 10 years after
20 completion of construction as provided in this section.

21 (2) To receive a tax abatement under this section, a taxpayer shall apply, on a form provided by the
22 department, to the department on or before April 15 of the year for which the first abatement is claimed for
23 property under construction and for the first year of the completion of construction but not later than 1 year after
24 the completion of the construction. The claimant shall provide a certification from the local board of health
25 pursuant to 50-2-116 that the residential dwelling is under construction or was constructed with a gray water
26 system that meets the requirements of this section. The department may require other information that it
27 considers necessary to determine the eligibility of the residential dwelling for a property tax abatement.

28 (3) An abatement granted under this section remains in effect through the 10th year following the year

1 construction was completed."

2

3 **Section 8.** Section 15-24-3203, MCA, is amended to read:

4 **"15-24-3203. Common gray water and potable water systems for newly constructed multiple**
5 **dwelling projects -- tax abatement.** (1) A multiple dwelling project that is under construction or that is
6 constructed with a common gray water and potable water system is taxed at 91% of the taxable market value of
7 the project or market value of each residential condominium unit during the course of the construction and for
8 10 years after completion of construction as provided in this section.

9 (2) To receive a tax abatement, a taxpayer shall apply, on a form provided by the department, to the
10 department on or before April 15 of the year for which the first abatement is claimed for property under
11 construction and for the first year of the completion of construction but not later than 1 year after the completion
12 of the construction of the residential units or, if construction is to occur over a multiyear period, after the
13 completion of the first residential unit. The claimant shall provide a certification from the local board of health
14 pursuant to 50-2-116 that the residential dwelling is under construction or was constructed with a common gray
15 water and potable water system that meets the requirements of this section. The department may require other
16 information that it considers necessary to determine the eligibility of the residential dwelling for a property tax
17 abatement.

18 (3) An abatement granted under this section remains in effect through the 10th year following the year
19 construction was completed.

20 (4) Only property with a common gray water and potable water system is eligible for the property tax
21 abatement provided in this section."

22

23 NEW SECTION. **Section 9. Repealer.** The following section of the Montana Code Annotated is
24 repealed:

25 15-7-110. Purpose -- reappraisal cycle.

26

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

28

