

SENATE BILL NO. 507

INTRODUCED BY D. ZOLNIKOV

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAX LAWS; REVISING TAX  
PROCEDURE LAWS; REVISING VARIOUS PROCEDURES OF THE COUNTY TAX APPEAL BOARD AND  
THE MONTANA TAX APPEAL BOARD; ~~ELIMINATING A PROPERTY TAX EXEMPTION FOR CERTAIN~~  
~~ENTITIES THAT USE EXEMPT PROPERTY TO PRODUCE UNRELATED BUSINESS TAXABLE INCOME;~~  
REQUIRING A FORMER EMPLOYEE OF THE DEPARTMENT OF REVENUE TO WAIT A PERIOD OF TIME  
BEFORE APPOINTMENT TO A COUNTY TAX APPEAL BOARD; AMENDING SECTIONS 15-1-222, 15-2-  
201, 15-2-301, 15-2-302, 15-2-303, ~~15-6-201~~, 15-7-102, 15-7-105, 15-7-106, 15-15-101, AND 15-15-103, MCA;  
AND PROVIDING AN IMMEDIATE EFFECTIVE DATES DATE AND AN APPLICABILITY DATES DATE."

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

**Section 1.** Section 15-1-222, MCA, is amended to read:

**"15-1-222. (Temporary) Taxpayer bill of rights.** The department of revenue shall in the course of  
performing its duties in the administration and collection of the state's taxes ensure that:

(1) the taxpayer has the right to record any interview, meeting, or conference with auditors or any  
other representatives of the department;

(2) the taxpayer has the right to hire a representative of the taxpayer's choice to represent the  
taxpayer's interests before the department ~~or any tax appeal board~~, a county tax appeal board, or the Montana  
tax appeal board. The representative is not considered to be practicing law pursuant to 37-61-201 and is not  
required to be an attorney or a certified public accountant. The taxpayer has a right to obtain a representative at  
any time, except that the selection of a representative may not be used to unreasonably delay a field audit that  
is in progress. The representative must have written authorization from the taxpayer to receive from the  
department confidential information concerning the taxpayer. The department shall provide copies to the  
authorized representative of all information sent to the taxpayer and shall notify the authorized representative  
concerning contacts with the taxpayer.

**Section 6.** Section 15-6-201, MCA, is amended to read:

~~"15-6-201. Governmental, charitable, and educational categories — exempt property. (1) The following categories of property are exempt from taxation:~~

~~(a) — except as provided in 15-24-1203, the property of:~~

~~(i) — the United States, except:~~

~~(A) — if congress passes legislation that allows the state to tax property owned by the federal government or an agency created by congress; or~~

~~(B) — as provided in 15-24-1103;~~

~~(ii) — the state, counties, cities, towns, and school districts;~~

~~(iii) — irrigation districts organized under the laws of Montana and not operated for gain or profit;~~

~~(iv) — municipal corporations;~~

~~(v) — public libraries;~~

~~(vi) — rural fire districts and other entities providing fire protection under Title 7, chapter 33;~~

~~(vii) — special districts created pursuant to Title 7, chapter 11, part 10; and~~

~~(viii) — subject to subsection (2), federally recognized Indian tribes in the state if the property is located entirely within the exterior boundaries of the reservation of the tribe that owns the property and the property is used exclusively by the tribe for essential government services. Essential government services are tribal government administration, fire, police, public health, education, recreation, sewer, water, pollution control, public transit, and public parks and recreational facilities.~~

~~(b) — buildings and furnishings in the buildings that are owned by a church and used for actual religious worship or for residences of the clergy, not to exceed one residence for each member of the clergy, together with the land that the buildings occupy and adjacent land reasonably necessary for convenient use of the buildings, which must be identified in the application, and all land and improvements used for educational or youth recreational activities if the facilities are generally available for use by the general public but may not exceed 15 acres for a church or 1 acre for a clergy residence after subtracting any area required by zoning, building codes, or subdivision requirements;~~

~~(c) — land and improvements upon the land, not to exceed 15 acres, owned by a federally recognized Indian tribe when the land has been set aside by tribal resolution and designated as sacred land to~~

~~be used exclusively for religious purposes;~~

~~(d) — property owned and used exclusively for agricultural and horticultural societies not operated for gain or profit;~~

~~(e) — property, not to exceed 80 acres, which must be legally described in the application for the exemption, used exclusively for educational purposes, including dormitories and food service buildings for the use of students in attendance and other structures necessary for the operation and maintenance of an educational institution that:~~

~~(i) — is not operated for gain or profit;~~

~~(ii) — has an attendance policy; and~~

~~(iii) — has a definable curriculum with systematic instruction;~~

~~(f) — property, of any acreage, owned by a tribal corporation created for the sole purpose of establishing schools, colleges, and universities if the property meets the requirements of subsection (1)(e);~~

~~(g) — property used exclusively for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.~~

~~(h) — property that is:~~

~~(i) — (A) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21; or~~

~~(B) — owned by a federally recognized Indian tribe within the state and set aside by tribal resolution;~~

~~and~~

~~(ii) — devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and~~

~~(iii) — not maintained and not operated for gain or profit;~~

~~(i) — subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;~~

~~(j) — evidence of debt secured by mortgages of record upon real or personal property in the state of~~

Montana;

~~(k) — public museums, art galleries, zoos, and observatories that are not operated for gain or profit;~~

~~(l) — motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;~~

~~(m) — the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;~~

~~(n) — (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and~~

~~(ii) — subject to subsection (2)(e), property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;~~

~~(o) — property owned by a nonprofit corporation that is organized to provide facilities primarily for training and practice for or competition in international sports and athletic events and that is not held or used for private or corporate gain or profit. For purposes of this subsection (1)(o), "nonprofit corporation" means an organization that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted under the Montana Nonprofit Corporation Act.~~

~~(p) — property rented or leased to a municipality or taxing unit for less than \$100 a year and that is used for public park, recreation, or landscape beautification purposes. For the purposes of this subsection (1)(p), "property" includes land but does not include buildings. The exemption must be applied for by the municipality or taxing unit, and not more than 10 acres within the municipality or taxing unit may be exempted.~~

~~(2) — (a) (i) For the purposes of tribal property under subsection (1)(a)(viii), the property subject to exemption may not be:~~

~~(A) — operated for gain or profit;~~

~~(B) — held under contract to operate, lease, or sell by a taxable individual;~~

~~(C) — used or possessed exclusively by a taxable individual or entity; or~~

~~(D) — held by a tribal corporation except for educational purposes as provided in subsection (1)(f).~~

~~(ii) — For the purposes of parks and recreational facilities under subsection (1)(a)(viii), the property~~

~~must be:~~

~~(A) — set aside by tribal resolution and designated as park land, not to exceed 640 acres, or be~~

~~designated as a recreational facility; and~~

~~(B) — open to the general public.~~

~~(b) — For the purposes of subsection (1)(b), the term "clergy" means, as recognized under the~~

~~federal Internal Revenue Code:~~

~~(i) — an ordained minister, priest, or rabbi;~~

~~(ii) — a commissioned or licensed minister of a church or church denomination that ordains ministers~~

~~if the person has the authority to perform substantially all the religious duties of the church or denomination;~~

~~(iii) — a member of a religious order who has taken a vow of poverty; or~~

~~(iv) — a Christian Science practitioner.~~

~~(c) — For the purposes of subsection (1)(i):~~

~~(i) — the term "institutions of purely public charity" includes any organization that meets the following~~

~~requirements:~~

~~(A) — The organization offers its charitable goods or services to persons without regard to race,~~

~~religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3),~~

~~Internal Revenue Code, as amended.~~

~~(B) — The organization accomplishes its activities through absolute gratuity or grants. However, the~~

~~organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public~~

~~performances or entertainment or by other similar types of fundraising activities.~~

~~(ii) — agricultural property owned by a purely public charity is not exempt if the agricultural property is~~

~~used by the charity to produce unrelated business taxable income as that term is defined in section 512 of the~~

~~Internal Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file~~

~~annually with the department a copy of its federal tax return reporting any unrelated business taxable income~~

~~received by the charity during the tax year, together with a statement indicating whether the exempt property~~

~~was used to generate any unrelated business taxable income.~~

~~(iii) — up to 15 acres of property owned by a purely public charity is exempt at the time of its purchase even if the property must be improved before it can directly be used for its intended charitable purpose. If the property is not directly used for the charitable purpose within 8 years of receiving an exemption under this section or if the property is sold or transferred before it entered direct charitable use, the exemption is revoked and the property is taxable. In addition to taxes due for the first year that the property becomes taxable, the owner of the property shall pay an amount equal to the amount of the tax due that year times the number of years that the property was tax exempt under this section. The amount due is a lien upon the property and when collected must be distributed by the treasurer to funds and accounts in the same ratio as property tax collected on the property is distributed. At the time the exemption is granted, the department shall file a notice with the clerk and recorder in the county in which the property is located. The notice must indicate that an exemption pursuant to this section has been granted. The notice must describe the penalty for default under this section and must specify that a default under this section will create a lien on the property by operation of law. The notice must be on a form prescribed by the department.~~

~~(iv) — not more than 160 acres may be exempted by a purely public charity under any exemption originally applied for after December 31, 2004. An application for exemption under this section must contain a legal description of the property for which the exemption is requested.~~

~~(d) — For the purposes of subsection (1)(k), the term "public museums, art galleries, zoos, and observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes all real and personal property owned by the public museum, art gallery, zoo, or observatory that is reasonably necessary for use in connection with the public display or observatory use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual or for-profit organization, real and personal property owned by other persons is exempt if it is:~~

~~(i) — actually used by the governmental entity or nonprofit organization as a part of its public display;~~

~~(ii) — held for future display; or~~

~~(iii) — used to house or store a public display.~~

~~(e) — For the purposes of facilities for the care of the retired, aged, or chronically ill under subsection~~

~~(1)(n)(ii), the terms "retired" and "aged" mean an individual who satisfies the age and gross household income limitations of 15-30-2338. The property owner shall verify age and gross household income requirements on a form prescribed by the department. Applicants are subject to the false swearing penalties established in 45-7-202.~~

~~(f) For the purposes of subsection (1), property owned or used by nonprofit health care facilities, a purely public charity, public museums, art galleries, zoos, and observatories is not exempt if the property is used to produce unrelated business taxable income as that term is defined in section 512 of the Internal Revenue Code, 26 U.S.C. 512. An organization provided for in this subsection (2)(f) claiming an exemption for property shall file annually with the department a copy of the organization's federal tax return reporting any unrelated business taxable income received by the organization during the tax year, together with a statement indicating whether the exempt property was used to generate any unrelated business taxable income."~~

**Section 6.** Section 15-7-102, MCA, is amended to read:

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

Except as provided in 15-7-138, the department shall mail or provide electronically to each owner or purchaser under contract for deed a notice that includes the land classification, market value, and taxable value of the land and improvements owned or being purchased. A notice must be mailed or, with property owner consent, provided electronically to the owner 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) change in valuation; or
- (iv) addition or subtraction of personal property affixed to the land.

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

- (i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the intangible land value assistance program provided for in 15-6-240, the property tax assistance programs provided for in Title 15, chapter 6, part 3, and the residential property tax credit for the

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2        NEW SECTION. Section 13. Effective ~~dates~~ date. ~~(1) Except as provided in subsection (2), [this act]~~

3        ~~[This act]~~ is effective on passage and approval.

4        ~~(2) — [Section 6] is effective January 1, 2024.~~

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6        NEW SECTION. Section 14. Applicability. ~~(1) Except as provided in subsection (2), [this act]~~ [This  
7        act] applies to county tax appeal board and Montana tax appeal board proceedings filed after [the effective date  
8        of this act].

9        ~~(2) — [Section 6] applies to property tax years beginning after December 31, 2023.~~

10        - END -