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Revenue Interim Committee

66th Montana Legislature

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TO: Committee Members
FROM: Jaret Coles, Staff Attorney
RE: Administrative Rule Activity
DATE: September 9, 2020

Department of Revenue

Proposal and Adoption Notices are available on the Internet:

Department of Revenue notices can be found on the Secretary of State's website at <http://www.mtrules.org/>. Under the Montana Administrative Register heading, type the number "42" in the "Search by Notice No." box and click on the "Go" icon.

Notice of Proposed Rules:

Property Tax -- Classification and Valuation of Class Three Property (i.e., agricultural land) -- House Bill No. 24 (2019), MAR 42-1023. A public hearing was held on September 28, 2020, at 10:00 a.m. via remote conferencing. The public comment period ends on October 2, 2020. The Department proposes to amend nine rules and repeal four rules. The Department's statement of reasonable necessity provides that certain rules contain redundancies to other rules within the subchapter, contain outdated definitions, and in some cases do not reflect current Department practices. The Department proposes to revise and relocate relevant content of four rules into one rule to provide improved rule organization for agricultural land application and classification requirements for land totaling less than 160 acres. The Department proposes to repeal the four reorganized rules based on the transfer of content. The Department further proposes to amend three rules to update land classification change criteria, to implement [House Bill No. 24](#) amendments made to 15-7-201, MCA, made by the 2019 Montana Legislature, and to update the agricultural commodity prices and values for the upcoming reappraisal cycle.

Property Tax -- Forest Land Classification Requirements and Valuation, MAR 42-1021. A public hearing was held on August 31, 2020, and the public comment period ended on September 8, 2020. The Department proposes to amend five rules and repeal eight rules. The Department's statement of reasonable necessity provides that certain rules contain redundancies to statute,

contain outdated definitions, text usage, or writing style, and in some cases do not reflect current Department practices. The Department proposes to revise and relocate the most relevant content of six rules into two rules. The Department further proposes to repeal a rule to eliminate redundancies to statute and redundancies found in the Agricultural Land Classification and Valuation Manual and Forest Land Classification and Valuation Manual (Manual). The Manual, which is adopted and incorporated by reference, is updated each valuation cycle.

Notice of Adopted Rules:

Property Tax -- Alternative County Business Office Hours -- Housekeeping. [MAR 42-1020](#). Adopted August 18, 2020. No public comment or testimony was received and the Department repealed one rule as proposed. The repealed rule established alternative business hours of less than 40 hours per week in several county offices based on budget cuts during the 2017 Legislative Session. However, according to the Department's statement of reasonable necessity, the Department "is open for the transaction of business for all counties 8 a.m. to 5 p.m. Monday through Friday through all of our field and regional offices."

Income Tax -- Montana Economic Development Industry Advancement Act (MEDIAA) -- House Bill No. 293 (2019). [MAR 42-1019](#). Adopted August 18, 2020. A public hearing was held and the Department adopted eleven rules as proposed and further amended three rules based on the public comment received. The new rules pertain to the Montana Economic Development Industry Advancement Act (MEDIAA), which is codified as sections [15-31-1001 through 15-31-1012](#), MCA. The purpose of MEDIAA is to enhance Montana's economy by expanding film and related media production in the state, by increasing job opportunities for a broad array of workers, and by promoting the growth of small businesses. The objectives of MEDIAA stated in section [15-31-1002](#)(1), MCA, are achieved by offering tax incentives as provided in the Act. Pursuant to the general statement of reasonable necessity, the new rules are necessary for the Department to:

- (a) adopt definitions for new terminology established in, or as an extension of, MEDIAA;
- (b) provide procedural coordination and guidance with the Montana Department of Commerce (DOC) in its certification of a MEDIAA-compliant production;
- (c) provide department forms and uniform application processes through which production companies or postproduction companies may apply to the department to reserve the respective media production or postproduction tax credits;
- (d) determine qualified production expenditures allowed under [15-31-1007](#), MCA, and qualified postproduction wages allowed under [15-31-1009](#), MCA;

- (e) review taxpayer compliance with the provisions of [15-31-1004](#), MCA; and
- (f) administer the transfer of tax credits.

Pursuant to section [15-31-1010\(2\)\(a\)](#), MCA, no more than \$10 million may be claimed from the Department each year.