

SENATE BILL NO. 530

INTRODUCED BY G. HERTZ

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAXATION OF CERTAIN CLASS EIGHT BUSINESS EQUIPMENT PROPERTY; PROVIDING FOR AN ABATEMENT OF MANUFACTURING MACHINERY, FIXTURES, AND EQUIPMENT; PROVIDING A DEFINITION; AMENDING SECTION 15-6-138, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. (Temporary) Class eight property -- description -- taxable percentage. (1) Class eight property includes:

(a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies except those included in class five under 15-6-135;

(c) for oil and gas production, all:

(i) machinery;

(ii) fixtures;

(iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is skidable, portable, or movable;

(iv) tools that are not exempt under 15-6-219; and

(v) supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-220, and supplies except those included in class five;

1 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that
2 are specifically included and taxed in another class or that are rented under a purchase incentive rental
3 program as defined in 15-6-202(4);

4 (f) special mobile equipment as defined in 61-1-101;

5 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
6 commercial establishments as defined in this section;

7 (h) x-ray and medical and dental equipment;

8 (i) citizens band radios and mobile telephones;

9 (j) radio and television broadcasting and transmitting equipment;

10 (k) cable television systems;

11 (l) coal and ore haulers;

12 (m) theater projectors and sound equipment; and

13 (n) all other property that is not included in any other class in this part, except that property that is
14 subject to a fee in lieu of a property tax.

15 (2) As used in this section, the following definitions apply:

16 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and
17 that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying
18 environment.

19 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or
20 service, wholesale, retail, or food-handling business.

21 (c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas
22 production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,
23 a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate-regulated natural gas transmission or oil
24 transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

25 (d) "Manufacturing machinery, fixtures, and equipment" means all property used in the
26 manufacturing process, whether permanently or temporarily in place, to transform raw or finished materials into
27 something possessing a new nature or name and adopted to a new use. The term includes but is not limited to
28 refinery property.

1 (3) Except as provided in 15-24-1402 and this section, class eight property is taxed at:

2 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection
3 (4), 1.5%; and

4 (b) for all taxable market value in excess of \$6 million, 3%.

5 (4)— ~~(a) The~~ Except as provided in subsection (4)(b), the first [\$300,000] of market value of class
6 eight property of a person or business entity is exempt from taxation.

7 (b) Manufacturing machinery, fixtures, and equipment installed and placed in service after
8 December 31, 2022, are exempt from taxation for a period of 5 years starting from the later of the date they
9 were placed in service or [the effective date of this act], after which the exemption is phased out at a rate of
10 20% a year, with the property being assessed at 100% of its taxable value after a 10-year period. An entity that
11 claims a tax exemption under this subsection (4)(b) shall maintain adequate books and records demonstrating
12 the investment the owner made when installing and placing the property into service in the state. The property
13 owners shall make the records available to the department for inspection on request.

14 (5) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering
15 services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana,
16 and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject
17 to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
18 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
19 aggregated for purposes of determining the 500-mile threshold. (Bracketed language is temporarily amended to
20 "\$100,000" on occurrence of contingency for calendar years 2022, 2023, 2024, and 2025 until July 1, 2025--
21 secs. 12(7) and 14, Ch. 506, L. 2021--see compiler's comment.)

22 **15-6-138. (Effective July 1, 2025) Class eight property -- description -- taxable percentage. (1)**

23 Class eight property includes:

24 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

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26 supplies except those included in class five under 15-6-135;

27 (c) for oil and gas production, all:

28 (i) machinery;

- 1 (ii) fixtures;
- 2 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
3 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers,
4 gas metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment
5 that is skidable, portable, or movable;
- 6 (iv) tools that are not exempt under 15-6-219; and
- 7 (v) supplies except those included in class five;
- 8 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held
9 tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk
10 processors as provided in 15-6-220, and supplies except those included in class five;
- 11 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that
12 are specifically included and taxed in another class or that are rented under a purchase incentive rental
13 program as defined in 15-6-202(4);
- 14 (f) special mobile equipment as defined in 61-1-101;
- 15 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
16 commercial establishments as defined in this section;
- 17 (h) x-ray and medical and dental equipment;
- 18 (i) citizens band radios and mobile telephones;
- 19 (j) radio and television broadcasting and transmitting equipment;
- 20 (k) cable television systems;
- 21 (l) coal and ore haulers;
- 22 (m) theater projectors and sound equipment; and
- 23 (n) all other property that is not included in any other class in this part, except that property that is
24 subject to a fee in lieu of a property tax.
- 25 (2) As used in this section, the following definitions apply:
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27 that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying
28 environment.

1 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or
2 service, wholesale, retail, or food-handling business.

3 (c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas
4 production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,
5 a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate-regulated natural gas transmission or oil
6 transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

7 (d) "Manufacturing machinery, fixtures, and equipment" means all property used in the
8 manufacturing process, whether permanently or temporarily in place, to transform raw or finished materials into
9 something possessing a new nature or name and adopted to a new use. The term includes but is not limited to
10 refinery property.

11 (3) Except as provided in 15-24-1402 and this section, class eight property is taxed at:

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14 (b) for all taxable market value in excess of \$6 million, 3%.

15 (4) ~~(a) The~~ Except as provided in subsection (4)(b), the first \$300,000 of market value of class eight
16 property of a person or business entity is exempt from taxation.

17 (b) Manufacturing machinery, fixtures, and equipment installed and placed in service after
18 December 31, 2022, are exempt from taxation for a period of 5 years starting from the later of the date they
19 were placed in service or [the effective date of this act], after which the exemption is phased out at a rate of
20 20% a year, with the property being assessed at 100% of its taxable value after a 10-year period. An entity that
21 claims a tax exemption under this subsection (4)(b) shall maintain adequate books and records demonstrating
22 the investment the owner made when installing and placing the property into service in the state. The property
23 owners shall make the records available to the department for inspection on request.

24 (5) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering
25 services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana,
26 and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject
27 to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
28 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be

1 aggregated for purposes of determining the 500-mile threshold."

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3 NEW SECTION. Section 2. Applicability. [This act] applies to property tax years beginning after

4 December 31, 2023.

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