

Unofficial Draft Copy

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LC9500

**** Bill No. ****

Introduced By *****

By Request of the *****

A Bill for an Act entitled: "An Act revising the revaluation of class three agricultural land, class four residential and commercial land and improvements, and class ten forest land for property tax purposes; providing for annual revaluation of agricultural land, residential and commercial land and improvements, and forest land beginning in 2017; clarifying the terms of office of agriculture advisory committee members; revising the terms of office of forest land taxation advisory committee members; amending sections 15-6-134, 15-6-222, 15-7-102, 15-7-103, 15-7-111, 15-7-112, 15-7-131, 15-7-139, 15-7-201, 15-8-111, 15-10-420, 15-15-102, 15-16-101, 15-24-3202, 15-24-3203, 15-44-103, and 77-1-208, MCA; repealing section 15-6-193, MCA; and providing effective dates."

Be it enacted by the Legislature of the State of Montana:

Section 1. Section 15-6-134, MCA, is amended to read:

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

(a) subject to 15-6-222 and subsections (1)(f) and (1)(g) of this section, all land, except that specifically included in another class;

(b) subject to 15-6-222 and subsections (1)(f) and (1)(g)

of this section, all improvements, including trailers, manufactured homes, or mobile homes used as a residence, except those specifically included in another class;

(c) the first \$100,000 or less of the ~~taxable~~ market value, after the application of the exemption under 15-6-222, of any improvement on real property, including trailers, manufactured homes, or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 7 months a year as the primary residential dwelling of one or more qualified claimants:

~~(i) for tax year 2009, whose federal adjusted gross income did not exceed the thresholds established in subsection (2)(b)(i); or~~

~~(ii) for tax years after tax year 2009, whose total household income did not exceed the thresholds established in subsection (2)(b)(i);~~

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

(e) subject to 15-6-222(1), all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202, including 1 acre of real property beneath improvements on land described in 15-6-133(1)(c). The 1 acre must be valued at market value.

(f) (i) single-family residences, including trailers, manufactured homes, or mobile homes;

(ii) rental multifamily dwelling units;

(iii) appurtenant improvements to the residences or dwelling units, including the parcels of land upon which the residences and dwelling units are located and any leasehold improvements; and

(iv) vacant residential lots; and

(g) (i) commercial buildings and the parcels of land upon which they are situated; and

(ii) vacant commercial lots.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402, 15-24-1501, 15-24-1502, and 15-24-2101, property described in subsections (1) (a), (1) (b), and (1) (e) through (1) (g) of this section is taxed at:

~~(i) 2.93% of its taxable market value in tax year 2009;~~

~~(ii) 2.82% of its taxable market value in tax year 2010;~~

~~(iii) 2.72% of its taxable market value in tax year 2011;~~

~~(iv) 2.63% of its taxable market value in tax year 2012;~~

~~(v) 2.54% of its taxable market value in tax year 2013; and~~

~~(vi) 2.47% of its taxable market value, after the~~

application of the exemption under 15-6-222, in tax years

beginning after 2013 December 31, 2014.

(b) (i) Property qualifying under the property tax assistance program in subsection (1) (c) is taxed at the rate provided in subsection (2) (a) of its ~~taxable~~ market value, after the application of the exemption under 15-6-222, multiplied by a percentage figure based on the income for the preceding calendar year of the owner or owners who occupied the property as their

primary residence and determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
Head of Household		
\$0 - \$6,000	\$0 - \$8,000	20%
\$6,001 - \$9,200	\$8,001 - \$14,000	50%
\$9,201 - \$15,000	\$14,001 - \$20,000	70%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property and property assessed as other than commercial property is

comparable only to other property assessed as other than commercial property.

(4) (a) As used in this section, "qualified claimants" means one or more owners who:

(i) occupied the residence as their primary residence for more than 7 months during the preceding calendar year;

(ii) had combined income for the preceding calendar year that does not exceed the threshold provided in subsection (2)(b); and

(iii) file a claim for assistance on a form that the department prescribes on or before April 15 of the year for which the assistance is claimed.

(b) For the purposes of subsection (1)(c), total household income is the income as reported on the tax return or returns required by Title 15, chapter 30 or 31, for the year in which the assistance is being claimed excluding losses, depletion, and depreciation and before any federal or state adjustments to income. In cases in which the claimant is not required to file a tax return under Title 15, chapter 30 or 31, household income means the household's total income as it would have been calculated under this subsection (4)(b) if the claimant had been required to file a return.

(c) The combined income of two or more owners who are qualified claimants:

(i) may not exceed the married couple and head of household thresholds provided in subsection (2)(b); and

(ii) determines the amount of tax reduction under subsection

(2) (b) . "

{ Internal References to 15-6-134:

2-15-122x	5-2-301x	15-2-301x	15-6-133x
15-6-156x	15-6-211x	15-6-211x	15-6-222x
15-6-222x	15-7-102x	15-7-102x	15-7-102x
15-7-102x	15-7-103x	15-7-111x	15-8-111x
15-8-111x	15-8-111x	15-8-111x	15-8-111x
15-8-205x	15-10-420x	15-16-101x	15-16-102x
15-24-2101x	15-24-2102x	15-24-3001x	15-24-3201x
15-24-3201x	15-30-2336x		

Section 2. Section 15-6-222, MCA, is amended to read:

"15-6-222. Residential and commercial improvements -- percentage of value exempt. (1) (a) ~~Except as provided in subsection (1)(b), the following percentage~~ For tax years beginning after December 31, 2014, 47% of the market value of residential property described in 15-6-134(1)(e) and (1)(f) is exempt from property taxation:

- ~~(i) 36.8% for tax year 2009;~~
- ~~(ii) 39.5% for tax year 2010;~~
- ~~(iii) 41.8% for tax year 2011;~~
- ~~(iv) 44% for tax year 2012;~~
- ~~(v) 45.5% for tax year 2013;~~
- ~~(vi) 47% for tax year 2014 and succeeding tax years.~~

(b) For single-family residential dwellings, the exemption provided under subsection (1)(a) is applied to the first \$1.5 million or less in market value.

(2) ~~The following percentage~~ For tax years beginning after December 31, 2014, 21.5% of the market value of commercial property described in 15-6-134(1)(g) is exempt from property taxation:

- ~~———— (a) 14.2% for tax year 2009;~~
- ~~———— (b) 15.9% for tax year 2010;~~
- ~~———— (c) 17.5% for tax year 2011;~~
- ~~———— (d) 19% for tax year 2012;~~
- ~~———— (e) 20.3% for tax year 2013;~~
- ~~———— (f) 21.5% for tax year 2014 and succeeding tax years."~~

{ Internal References to 15-6-222:

15-6-134x	15-6-134x	15-6-134x	15-7-102x
15-7-102a	15-8-111x	15-8-111x	}

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

"15-7-102. Notice of classification and appraisal to owners

-- appeals. (1) (a) Except as provided in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land 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) ~~except as provided in subsection (1)(b),~~ change in valuation; or
- (iv) addition or subtraction of personal property affixed to the land.

~~(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an annual incremental change in valuation caused by the phasing in of a reappraisal under~~

~~15-7-111 or the application of the exemptions under 15-6-222 or caused by an incremental change in the tax rate.~~

~~(c)~~(b) The notice must include the following for the taxpayer's informational purposes:

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, ~~the extended property tax assistance program under 15-6-193,~~ the disabled or deceased veterans' residence exemption under 15-6-211, and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341;

(ii) the total amount of mills levied against the property in the prior year; and

(iii) a statement that the notice is not a tax bill.

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

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

(2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a standardized form, adopted by

the department, containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over the prior tax year.

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

(c) The department is not required to mail the notice of classification and appraisal to a new owner or purchaser under contract for deed unless the department has received the transfer certificate from the clerk and recorder as provided in 15-7-304 and has processed the certificate before the notices required by subsection (2)(a) are mailed. The department shall notify the county tax appeal board of the date of the mailing.

(3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department on forms provided by the department for that purpose. For property other than class three property described in 15-6-133, class four property described in 15-6-134, and class ten property described in 15-6-143, the objection must be submitted within 30 days after receiving the notice of classification and appraisal from the department. For class three property described in 15-6-133, class four property described in

15-6-134, and class ten property described in 15-6-143, the objection may be made at any time but only once each ~~valuation cycle~~ year.

(b) For properties valued using sales price or the capitalization of net income method as an indication of value, the form must include a provision that the objector agrees to confidentiality requirements for receipt of comparable sales data from information received from realty transfer certificates under 15-7-308. Within 4 weeks of submitting an objection, if the objection relates to residential and commercial property, the department shall provide the objector by posted mail or e-mail, unless the objector waives receiving the information, with:

(i) data from comparable sales used by the department to value the property;

(ii) the methodology and sources of data used by the department in the valuation of the property; and

(iii) if the department uses a blend of evaluations developed from various sources, the reasons that the methodology was used.

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

(d) The review must be conducted informally and is not subject to the contested case procedures of the Montana

Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. If a taxpayer's class four property under 15-6-134 has not been inspected and fully appraised in the calendar year prior to the assessment year, the department shall, upon request of the taxpayer, conduct a full inspection and reappraisal of the property as part of its review under this subsection. The department shall give reasonable notice to the taxpayer of the time and place of the review.

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

(4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an appraisal or

classification upon the taxpayer's objection unless:

(a) the taxpayer has submitted an objection in writing; and

(b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

(6) If ~~any~~ a property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

{ Internal References to 15-7-102:

15-7-103x 15-7-138x 15-7-138x 15-7-208x
15-15-102x 15-15-103x }

Section 4. Section 15-7-103, MCA, is amended to read:

"15-7-103. Classification and appraisal -- general and uniform methods. (1) ~~It is the duty of the~~ The department of revenue ~~to shall~~ implement the provisions of 15-7-101, 15-7-102, and this section by providing:

(a) for a general and uniform method of classifying lands in the state for the purpose of securing an equitable and uniform basis of assessment of lands for taxation purposes;

(b) for a general and uniform method of appraising city and town lots;

(c) for a general and uniform method of appraising rural and urban improvements;

(d) for a general and uniform method of appraising timberlands.

(2) All lands must be classified according to their use or uses.

(3) Land classified as agricultural land or forest land must be subclassified according to soil type and productive capacity. In the classification work, use must be made of soil surveys and maps and all other pertinent available information.

(4) All lands must be classified by parcels or subdivisions not exceeding 1 section each, by the sections, fractional sections, or lots of all tracts of land that have been sectionized by the United States government, or by metes and bounds, whichever yields a true description of the land.

(5) All agricultural lands must be classified and appraised

as agricultural lands without regard to the best and highest value use of adjacent or neighboring lands.

(6) In ~~any periodic~~ the revaluation of taxable property completed under the provisions of ~~15-7-111~~, all property classified in 15-6-134 must be appraised as provided in 15-7-111 on the ~~taxable portion of its market value in the same year.~~ The department shall publish a rule specifying the year used in the appraisal.

(7) All sewage disposal systems and domestic use water supply systems of all dwellings may not be appraised, assessed, and taxed separately from the land, house, or other improvements in which they are located. ~~In no event may the sewage disposal or domestic water supply systems be included twice by including them in the valuation and assessing them separately."~~

{ *Internal References to 15-7-103:*
15-7-114x 15-7-139a 15-7-201a }

Section 5. Section 15-7-111, MCA, is amended to read:

"15-7-111. ~~Periodic revaluation~~ Revaluation of certain taxable property. (1) The department shall administer and supervise a program for the revaluation of all taxable property within class three under 15-6-133, class four under 15-6-134, and class ten under 15-6-143 as provided in this section. All other property must be revalued annually. Beginning January 1, 2017, all property must be revalued annually.

(2) ~~The~~ For the revaluation cycle ending December 31, 2014, the department shall value and phase in the value of newly

constructed, remodeled, or reclassified property in a manner consistent with the valuation within the same class and the values established pursuant to subsection (1). The department shall adopt rules for determining the assessed valuation and phased-in value of new, remodeled, or reclassified property within the same class.

(3) The revaluation of class three, four, and ten property is complete on December 31, 2008. The amount of the change in valuation from the 2002 base year for each property in classes three, four, and ten must be phased in each year at the rate of 16.66% of the change in valuation. The change in value is fully phased in on January 1, 2014, effective for January 1, 2014.

~~(4) During the end of the second and fourth year of each revaluation cycle, the department shall provide the revenue and transportation interim committee with a sales assessment ratio study of residences to be used to allow the committee to be apprised of the housing market and value trends.~~

~~(5)~~(4) (a) The department shall administer and supervise a program for the revaluation of all taxable property within classes three, four, and ten. A comprehensive written reappraisal plan must be promulgated by the department. The reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued by January 1, 2015, effective for January 1, 2015, ~~and each succeeding 6 years. The resulting valuation changes must be phased in for each year until the next reappraisal. If a percentage of change for each year is not established, then the percentage of phasein for each year is~~

16.66%.

(b) For revaluations occurring after December 31, 2014, the reappraisal plan must provide for the revaluation of property as provided in subsections (5) and (6).

(5) Beginning January 1, 2015, the reappraisal plan adopted must provide that all class three, four, and ten property in each county is revalued for 2 years to reflect current market value.

(6) (a) Beginning January 1, 2017, the reappraisal plan adopted must provide that all class three, four, and ten property in each county is to be revalued by January 1, 2017, effective for January 1, 2017, and by January 1 for each succeeding year.

(b) All class four property must be appraised annually or adjusted annually to reflect current market value. In order to achieve this goal, the department shall appraise all taxable property in a county at least once every 6 years. For the 6-year period beginning in 2017 and for each succeeding 6-year period, the department shall appraise class four property as follows:

(i) not less than 16% of class four residential, commercial, and industrial property in the county must be appraised by the first year of the 6-year period;

(ii) not less than 33% of class four residential, commercial, and industrial property in the county must be appraised by the end of the second year of the 6-year period;

(iii) not less than 50% of class four residential, commercial, and industrial property in the county must be appraised by the end of the third year of the 6-year period;

(iv) not less than 67% of class four residential,

commercial, and industrial property in the county must be appraised by the end of the fourth year of the 6-year period;

(v) not less than 84% of class four residential, commercial, and industrial property in the county must be appraised by the end of the fifth year of the 6-year period; and

(vi) not less than 100% of class four residential, commercial, and industrial property in the county must be appraised by the end of the sixth year of the 6-year period.

(7) (a) Each year, the department shall conduct a field inspection of a sufficient number of taxable properties to meet the requirements of subsection (6).

(b) In completing the appraisal or adjustments under subsections (5) and (6), the department shall, as provided in the reappraisal plan, conduct individual property inspections, building permit reviews, sales data verification reviews, and electronic data reviews, including but not limited to aerial imagery and change detection software.

(8) For the purposes of this section:

(a) agricultural land must be appraised as provided in Title 15, chapter 7, part 2; and

(b) forest land must be appraised as provided in Title 15, chapter 44, part 1."

{ Internal References to 15-7-111:

15-1-402x	15-2-301x	15-6-193r	15-7-102x
15-7-102a	15-7-103x	15-7-113 *x	15-7-114 *x
15-7-201x	15-7-202x	77-1-208x	}

Section 6. Section 15-7-112, MCA, is amended to read:

"15-7-112. **Equalization of valuations.** The ~~same~~ method of appraisal and assessment ~~shall~~ provided in 15-7-111 must be used in each county of the state ~~to the end~~ so that comparable ~~property~~ properties with similar true market values and subject to taxation in Montana ~~shall~~ have substantially equal taxable values ~~at the end of each cyclical revaluation program hereinbefore provided~~ in the tax year."

{ Internal References to 15-7-112:
15-7-113 *x 15-7-114 *x }

Section 7. Section 15-7-131, MCA, is amended to read:

"15-7-131. **Policy.** It is the policy of the state of Montana to provide for equitable assessment of taxable property in the state and to provide for ~~periodic~~ the revaluation of taxable property in a manner that is fair to all taxpayers."

{ Internal References to 15-7-131: None. }

Section 8. Section 15-7-139, MCA, is amended to read:

"15-7-139. **Requirements for entry on property by property valuation staff employed by department -- authority to estimate value of property not entered -- rules.** (1) Subject to the conditions and restriction of this section, the provisions of 45-6-203 do not apply to property valuation staff employed by the department and acting within the course and scope of the employees' official duties.

(2) A person qualified under subsection (1) may enter private land to appraise or audit property for property tax

purposes.

(3) (a) No later than November 30 of each year, the department shall publish in a newspaper of general circulation in each county a notice that the department may enter property for the purpose of appraising or auditing property.

(b) The published notice must indicate:

(i) that a landowner may require that the landowner or the landowner's agent be present when the person qualified in subsection (1) enters the land to appraise or audit property;

(ii) that the landowner shall notify the department in writing of the landowner's requirement that the landowner or landowner's agent be present; and

(iii) that the landowner's written notice must be mailed to the department at an address specified and be postmarked not more than 30 days following the date of publication of the notice. The department may grant a reasonable extension of time for returning the written notice.

(4) The written notice described in subsection (3)(b)(ii) must be legible and include:

(a) the landowner's full name;

(b) the mailing address and property address; and

(c) a telephone number at which an appraiser may contact the landowner during normal business hours.

(5) When the department receives a written notice as described in subsection (4), the department shall contact the landowner or the landowner's agent to establish a date and time for entering the land to appraise or audit the property.

(6) If a landowner or the landowner's agent prevents a person qualified under subsection (1) from entering land to appraise or audit property or fails or refuses to establish a date and time for entering the land pursuant to subsection (5), the department shall estimate the value of the real and personal property located on the land.

(7) A county tax appeal board and the state tax appeal board may not adjust the estimated value of the real or personal property determined under subsection (6) unless the landowner or the landowner's agent:

(a) gives permission to the department to enter the land to appraise or audit the property; or

(b) provides to the department and files with the county tax appeal board or the state tax appeal board an appraisal of the property conducted by an appraiser who is certified by the Montana board of real estate appraisers. The appraisal must be conducted in accordance with current uniform standards of professional appraisal practice established for certified real estate appraisers under 37-54-403. The appraisal must be conducted within 1 year of the reappraisal ~~base~~ year provided for in 15-7-103(6) and must establish a separate market value for each improvement and the land.

(8) A person qualified under subsection (1) who enters land pursuant to this section shall carry on the person identification sufficient to identify the person and the person's employer and shall present the identification upon request.

(9) The authority granted by this section does not

authorize entry into improvements, personal property, or buildings or structures without the permission of the owner or the owner's agent.

(10) Vehicular access to perform appraisals and audits is limited to established roads and trails, unless approval for other vehicular access is granted by the landowner.

(11) The department shall adopt rules that are necessary to implement 15-7-140 and this section. The rules must, at a minimum, establish procedures for granting a reasonable extension of time for landowners to respond to notices from the department."

{ *Internal References to 15-7-139:*
15-7-140x 45-6-203x }

Section 9. Section 15-7-201, MCA, is amended to read:

"15-7-201. Legislative intent -- value of agricultural property. (1) Because the market value of many agricultural properties is based upon speculative purchases that do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land must be classified according to its use, which classifications include but are not limited to irrigated use, nonirrigated use, and grazing use.

(3) Within each class, land must be subclassified by productive capacity. Productive capacity is determined based on

yield.

(4) ~~(a) In computing the agricultural land valuation schedules to take effect on the date when each revaluation cycle takes effect pursuant to 15-7-111, the The department of revenue shall determine the productive capacity value of all agricultural lands using the formula $V = I/R$ where:~~

~~(a)(i) V is the per-acre productive capacity value of agricultural land in each subclass;~~

~~(b)(ii) I is the per-acre net income of agricultural land in each subclass and is to be determined as provided in subsection (5); and~~

~~(c)(iii) R is the capitalization rate and, unless the advisory committee recommends a different rate and the department adopts the recommended capitalization rate by rule, is equal to 6.4%. This capitalization rate must remain in effect until the next revaluation cycle. The department shall, after consultation with the agriculture advisory committee established in subsection (7), determine the capitalization rate for each year of the base period. The capitalization rate must be adopted by rule.~~

~~(b) Agricultural land valuation schedules take effect pursuant to 15-7-111 on January 1, 2015, for tax years 2015 and 2016 and on January 1 of each tax year after 2016.~~

(5) (a) Net income must be determined separately for each subclass.

(b) Net income must be based on commodity price data, which may include grazing fees, crop and livestock share arrangements, cost of production data, and water cost data for the base period

using the best available data.

(i) Commodity price data and cost of production data for the base period must be obtained from the Montana Agricultural Statistics, the Montana crop and livestock reporting service, and other sources of publicly available information if considered appropriate by the advisory committee.

(ii) Crop share and livestock share arrangements are based on typical agricultural business practices and average landowner costs.

(iii) Allowable water costs consist only of the per-acre labor costs, energy costs of irrigation, and, unless the advisory committee recommends otherwise and the department adopts the recommended cost by rule, a base water cost of \$15 for each acre of irrigated land. Total allowable water costs may not exceed \$50 for each acre of irrigated land. Labor and energy costs must be determined as follows:

(A) Labor costs are \$5 an acre for pivot sprinkler irrigation systems; \$10 an acre for tow lines, side roll, and lateral sprinkler irrigation systems; and \$15 an acre for hand-moved and flood irrigation systems.

(B) Energy costs must be based on per-acre energy costs incurred in the ~~energy cost base year, which is the calendar year immediately preceding the revaluation year specified by the department in 15-7-103(6).~~ By July March 1 of the revaluation year following the ~~energy cost base year~~, an owner of irrigated land shall provide the department, on a form prescribed by the department, with energy costs incurred in ~~that energy cost~~

~~base the calendar year preceding the revaluation year. In the event that no~~ If energy costs were not incurred in the ~~energy cost base calendar year preceding the revaluation year,~~ the owner of irrigated land shall provide the department with energy costs from the most recent year available. The department shall adjust the most recent year's energy costs to reflect costs in the ~~energy cost base~~ calendar year preceding the revaluation year.

(c) The base crop for valuation of irrigated land is alfalfa hay adjusted to 80% of the sales price, and the base crop for valuation of nonirrigated land is spring wheat. The base unit for valuation of grazing lands is animal unit months, defined as the average monthly requirement of pasture forage to support a 1,200-pound cow with a calf or its equivalent.

(d) Unless the advisory committee recommends a different base period and the department adopts the recommended base period by rule, the base period used to determine net income must be the most recent 7 years for which data is available prior to the date the revaluation ~~cycle~~ year ends. Unless the advisory committee recommends a different averaging method and the department adopts the recommended averaging method by rule, data referred to in subsection (5)(b) must be averaged, but the average must exclude the lowest and highest yearly data in the period.

(6) The department shall compile data and develop valuation manuals adopted by rule to implement the valuation method established by subsections (4) and (5).

(7) The governor shall appoint an agriculture advisory committee of persons knowledgeable in agriculture and

agricultural economics. Members of the advisory committee must be appointed for terms of 3 years or until their successors are appointed. The advisory committee shall include one member of the Montana state university-Bozeman, college of agriculture, staff. The advisory committee shall:

(a) compile and review data required by subsections (4) and (5);

(b) recommend to the department any adjustments to data or to landowners' share percentages if required by changes in government agricultural programs, market conditions, or prevailing agricultural practices;

(c) recommend appropriate base periods and averaging methods to the department;

(d) evaluate the appropriateness of the capitalization rate and recommend a rate to the department;

(e) verify for each class and subclass of land that the income determined in subsection (5) reasonably approximates that which the average Montana farmer or rancher could have attained; and

(f) recommend agricultural land valuation schedules to the department. With respect to irrigated land, the recommended value of irrigated land may not be below the value that the land would have if it were not irrigated."

{*Internal References to 15-7-201: None.*}

Section 10. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard --

exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

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

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

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

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

(3) In valuing class four residential and commercial property described in 15-6-134, the department shall conduct the appraisal following the appropriate uniform standards of

professional appraisal practice for mass appraisal promulgated by the appraisal standards board of the appraisal foundation. In valuing the property, the department shall use information available from any source considered reliable. Comparable properties used for valuation must represent similar properties within an acceptable proximity of the property being valued.

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

(a) the wholesale value for agricultural implements and machinery is the average wholesale value category as shown in Guides 2000, Northwest Region Official Guide, published by the North American equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is unavailable, the department shall use a comparable publication or wholesale value category.

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

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

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

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

(5) (a) Subject to subsection (5)(c), if sufficient,

relevant information on comparable sales is available, the department shall use the comparable sales method to appraise residential condominium units. Because the undivided interest in common elements is included in the sales price of the condominium units, the department is not required to separately allocate the value of the common elements to the individual units being valued.

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

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

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

(7) The taxable value for all property is the percentage of market or assessed value established for each class of property.

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

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

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-134, under class four, are assessed at ~~the applicable percentage~~ 100% of market value minus any portion of market value that is exempt from taxation under 15-6-222.

(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula described in 15-23-205.

(9) Land and the improvements on the land are separately assessed when any of the following conditions occur:

- (a) ownership of the improvements is different from ownership of the land;
- (b) the taxpayer makes a written request; or
- (c) the land is outside an incorporated city or town."

{ Internal References to 15-8-111:

2-9-211x	7-3-1321x	7-7-107x	7-7-2101x
7-7-2301x	7-7-4201x	7-13-4103x	7-14-236x
7-14-2520x	7-14-2524x	7-14-2524x	7-14-2524x
7-14-2525x	7-16-2327x	7-16-4104x	7-31-107x
7-33-2109x	7-33-2404x	7-34-2131x	15-1-101x
15-1-303x	15-8-104x	15-8-307x	15-8-512x
15-8-701x	15-24-1102x	15-24-1103x	15-39-110x
19-18-503x	39-71-403x	85-9-103x	85-9-406x }

Section 11. Section 15-10-420, MCA, is amended to read:

"15-10-420. Procedure for calculating levy. (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the

maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) (a) For purposes of this section, newly taxable property includes:

- (i) annexation of real property and improvements into a taxing unit;
- (ii) construction, expansion, or remodeling of improvements;
- (iii) transfer of property into a taxing unit;
- (iv) subdivision of real property; and
- (v) transfer of property from tax-exempt to taxable status.

(b) Newly taxable property does not include an increase in value that arises because of an increase in the incremental value within a tax increment financing district.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable

value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) If a tax increment financing district terminates prior to the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment financing district terminates. If a tax increment financing district terminates after the certification of taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

(c) For the purpose of subsection (3)(a)(ii) and for revaluations occurring before January 1, 2015, the value of newly taxable class four property that was constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current year market value of that property less the previous year market value of that property.

(d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property under 15-6-134 or as nonqualified agricultural land as described in 15-6-133(1)(c).

(5) Subject to subsection (8), subsection (1)(a) does not

apply to:

- (a) school district levies established in Title 20; or
- (b) a mill levy imposed for a newly created regional

resource authority.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

(a) may increase the number of mills to account for a decrease in reimbursements; and

(b) may not increase the number of mills to account for a loss of tax base because of legislative action that is reimbursed under the provisions of 15-1-121(7).

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the calculation must be rounded up to the nearest tenth of a mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402;

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

(iv) a levy for the support of a study commission under 7-3-184;

(v) a levy for the support of a newly established regional resource authority;

(vi) the portion that is the amount in excess of the base contribution of a governmental entity's property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703; or

(vii) a levy for reimbursing a county for costs incurred in transferring property records to an adjoining county under 7-2-2807 upon relocation of a county boundary.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating funds by a county or municipality during that time.

(11) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable

property in a governmental unit."

{ Internal References to 15-10-420:

2-9-212x	2-9-212x	2-9-212x	2-9-212x
2-9-212x	2-9-212x	2-9-212x	2-18-703x
7-1-112x	7-1-114x	7-1-2103x	7-1-4123x
7-2-2730x	7-2-2730x	7-2-2746x	7-2-2807x
7-2-4111x	7-2-4918x	7-2-4918x	7-3-1104x
7-3-1310x	7-3-1310x	7-3-1311x	7-3-1311x
7-3-1313x	7-3-1313x	7-3-4312x	7-6-502x
7-6-2501x	7-6-2511x	7-6-2512x	7-6-2513x
7-6-2522x	7-6-4035x	7-6-4036x	7-6-4401x
7-6-4406x	7-6-4421x	7-6-4431x	7-6-4431x
7-6-4438x	7-6-4438x	7-6-4453x	7-10-115x
7-11-1112x	7-11-1112x	7-13-144x	7-13-3027x
7-14-111x	7-14-232x	7-14-1111x	7-14-1131x
7-14-2101x	7-14-2101x	7-14-2101x	7-14-2501x
7-14-2502x	7-14-2503x	7-14-2801x	7-14-2801x
7-14-2807x	7-14-4404x	7-14-4644x	7-14-4703x
7-14-4713x	7-14-4734x	7-15-4281x	7-16-101x
7-16-2102x	7-16-2108x	7-16-2109x	7-16-4105x
7-16-4113x	7-16-4114x	7-21-3203x	7-22-2142x
7-22-2142x	7-22-2306x	7-22-2512x	7-32-235x
7-32-4117x	7-33-2109x	7-33-2209x	7-33-4111x
7-33-4130x	7-34-102x	7-34-2122x	7-34-2133x
7-34-2417x	7-35-2205x	13-13-230x	15-7-403x
15-10-202x	15-10-401x	15-10-402x	15-10-425x
15-10-425x	15-16-203x	15-23-214x	15-24-1402x
15-24-1402x	15-24-1501x	15-24-1603x	15-24-2102x
19-7-404x	19-9-209x	19-13-214x	19-18-504x
19-19-301x	20-7-714x	20-9-331x	20-9-333x
20-9-360x	20-9-404x	20-9-533x	20-15-305x
20-15-311x	20-15-311x	20-15-313x	20-15-314x
20-15-314x	20-25-439x	22-1-304x	22-1-316x
22-1-702x	22-1-707x	22-1-708x	22-1-711x
22-1-711x	23-4-303x	39-71-403x	41-5-1804x
50-2-111x	50-2-111x	53-20-208x	53-21-1010x
67-10-402x	67-11-201x	67-11-301x	67-11-301x
67-11-302x	67-11-303x	67-11-303x	75-10-112x
76-1-111x	76-1-403x	76-1-404x	76-1-406x
76-2-102x	76-5-1116	76-5-1116x	76-6-109x
76-15-501x	76-15-505x	76-15-515x	76-15-516x
76-15-516x	76-15-516x	76-15-518x	76-15-623x
81-8-504x	85-3-412x	85-3-422x	85-7-307x
85-8-601x	85-8-615x	85-8-618x	85-20-1001x
85-20-1001x	90-5-112x	90-6-403x	90-6-403x
90-6-403x			

Section 12. Section 15-15-102, MCA, is amended to read:

"15-15-102. Application for reduction in valuation. The

valuation of property may not be reduced by the county tax appeal board unless either the taxpayer or the taxpayer's agent makes and files a written application for reduction with the county tax appeal board. The application for reduction may be obtained at the local appraisal office or from the county tax appeal board. The completed application must be submitted to the county clerk and recorder. The date of receipt is the date stamped on the appeal form by the county clerk and recorder upon receipt of the form. The county tax appeal board is responsible for obtaining the applications from the county clerk and recorder. The application must be submitted on or before the first Monday in June of the year in issue or 30 days after receiving either a notice of classification and appraisal or determination after review under 15-7-102(3) from the department, whichever is later. If the department's determination after review is not made in time to allow the county tax appeal board to review the matter during the current tax year, the appeal must be reviewed during the next tax year, but the decision by the county tax appeal board is effective for the year in which the request for review was filed with the department. The application must state the post-office address of the applicant, specifically describe the property involved, and state the facts upon which it is claimed the reduction should be made."

{*Internal References to 15-15-102:*
15-15-103x 15-15-103x }

Section 13. Section 15-16-101, MCA, is amended to read:

"15-16-101. Treasurer to publish notice -- manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:

(a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of $\frac{5}{6}$ of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;

(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of $\frac{5}{6}$ of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and

(c) the time and place at which payment of taxes may be made.

(2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:

- (i) the taxable value of the property;
- (ii) the total mill levy applied to that taxable value;
- (iii) itemized city services and special improvement

district assessments collected by the county;

(iv) the number of the school district in which the property is located;

(v) the amount of the total tax due that is levied as city tax, county tax, state tax, school district tax, and other tax; and

(vi) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, ~~the extended property tax assistance program under 15-6-193~~, the disabled or deceased veterans' residence exemption under 15-6-211, and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.

(b) If the property is the subject of a tax lien sale for which a tax lien sale certificate has been issued under 15-17-212, the notice must also include, in a manner calculated to draw attention, a statement that the property is the subject of a tax lien sale and that the taxpayer may contact the county treasurer for complete information.

(3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2)(a)(iii) ready for mailing.

(4) The notice in every case must be published once a week for 2 weeks in a weekly or daily newspaper published in the county, if there is one, or if there is not, then by posting it in three public places. Failure to publish or post notices does not relieve the taxpayer from any tax liability. Any failure to

give notice of the tax due for the current year or of delinquent tax will not affect the legality of the tax.

(5) If the department revises an assessment that results in an additional tax of \$5 or less, an additional tax is not owed and a new tax bill does not need to be prepared."

{ Internal References to 15-16-101:

2-9-212x	15-7-140x	15-16-118x	15-16-118x
15-16-119x	15-16-203x	20-15-403x	}

Section 14. Section 15-24-3202, MCA, is amended to read:

"15-24-3202. Gray water system for newly constructed residence -- tax abatement. (1) A residential dwelling that is under construction or that is newly constructed with a residential gray water system is taxed at 91% of its ~~taxable~~ market value during the course of the construction and for 10 years after completion of construction as provided in this section.

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

determine the eligibility of the residential dwelling for a property tax abatement.

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

{ Internal References to 15-24-3202:

15-24-3204x 15-24-3204x 15-24-3204x 15-24-3211x }

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

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

(2) To receive a tax abatement, a taxpayer shall apply, on a form provided by the department, to the department on or before April 15 of the year for which the first abatement is claimed for property under construction and for the first year of the completion of construction but not later than 1 year after the completion of the construction of the residential units or, if construction is to occur over a multiyear period, after the completion of the first residential unit. The claimant shall provide a certification from the local board of health pursuant

to 50-2-116 that the residential dwelling is under construction or was constructed with a common gray water and potable water system that meets the requirements of this section. The department may require other information that it considers necessary to determine the eligibility of the residential dwelling for a property tax abatement.

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

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

{ *Internal References to 15-24-3203:*
15-24-3204x 15-24-3204x 15-24-3204x 15-24-3211x }

Section 16. Section 15-44-103, MCA, is amended to read:

"15-44-103. Legislative intent -- value of forest lands -- valuation zones. (1) In order to encourage landowners of private forest lands to retain and improve their holdings of forest lands, to promote better forest practices, and to encourage the investment of capital in reforestation, forest lands must be classified and assessed under the provisions of this section.

(2) (a) The forest productivity value of forest land must be determined by:

~~(a)~~(i) capitalizing the value of the mean annual net wood production at the culmination of mean annual increment plus other agriculture-related income, if any; less

(b)(ii) annualized expenses, including but not limited to the establishment, protection, maintenance, improvement, and management of the crop over the rotation period.

(b) The forest productivity value takes effect pursuant to 15-7-111 on January 1, 2015, for tax years 2015 and 2016 and on January 1 of each tax year after 2016.

(3) To determine the forest productivity value of forest lands, the department shall:

(a) divide the state into appropriate forest valuation zones, with each zone designated so as to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors of that zone; and

(b) establish a uniform system of forest land classification that takes into consideration the productive capacity of the site to grow forest products and furnish other associated agricultural uses.

(4) In computing the forest land productivity valuation for each forest valuation zone, the department shall determine the productive capacity value of all forest lands in each forest valuation zone using the formula $V = I/R$, where:

(a) V is the per-acre forest productivity value of the forest land;

(b) I is the per-acre net income of forest lands in each valuation zone and is determined by the department using the formula $I = (M \times SV)$

+ $AI - C$, where:

(i) I is the per-acre net income;

(ii) M is the mean annual net wood production;

(iii) SV is the stumpage value;

(iv) AI is the per-acre agriculture-related income; and

(v) C is the per-unit cost of the forest product and agricultural product produced, if any; and

(c) R is the capitalization rate determined by the department as provided in subsection (6).

(5) Net income must:

(a) be calculated for each year of a base period, which is the most recent 5-year period for which data is available;

(b) be based on a rolling average of stumpage value of timber harvested within the forest valuation zone and on the associated production cost data for the base period from sources considered appropriate by the department; and

(c) include agriculture-related net income for the same time period as the period used to determine average stumpage values.

(6) The capitalization rate must be calculated for each year of the base period and is the average capitalization rate determined by the department after consultation with the forest lands taxation advisory committee, plus the effective tax rate. The capitalization rate must be adopted by rule. ~~However, the capitalization rate for each year of the base period for tax years 2009 through 2014 may not be less than 8%.~~

(7) The effective tax rate must be calculated for each year of the base period by dividing the total estimated tax due on

forest lands subject to the provisions of this section by the total forest value of those lands.

(8) For the purposes of this section, if forest service sales are used in the determination of stumpage values, the department shall take into account purchaser road credits.

(9) In determining the forest productivity value of forest lands and in computing the forest land valuation, the department shall use information and data provided by the university of Montana-Missoula.

(10) (a) There is a forest lands taxation advisory committee consisting of:

(i) four members with expertise in forest matters, one appointed by the majority leader of the senate, one by the minority leader of the senate, one by the majority leader of the house of representatives, and one by the minority leader of the house of representatives; and

(ii) three members appointed by the governor, one who is an industrial forest landowner, one who is a nonindustrial forest landowner, and one who is a county commissioner.

~~(b) The terms of the members expire on June 30 of the first year of each reappraisal cycle~~ Members must be appointed for terms of 3 years or until their successors are appointed.

(c) The advisory committee shall:

(i) review data required by subsections (2) through (6), (8), and (9), including data on productivity value, stumpage value, wood production, capitalization rate, net income, and agriculture-related income;

(ii) recommend to the department any adjustments to data if required by changes in government forest land programs, market conditions, or prevailing forest lands practices;

(iii) recommend appropriate base periods and averaging methods to the department;

(iv) verify for each forest valuation zone and forest land classification and subclassification under subsection (3) that the income determined in subsection (5) reasonably approximates that which the average Montana forest landowner could have attained; and

(v) recommend forest land valuation techniques to the department."

{ *Internal References to 15-44-103:*
15-44-102x 15-44-102x 77-1-224x }

Section 17. Section 77-1-208, MCA, is amended to read:

"77-1-208. Cabin site licenses and leases -- method of establishing value. (1) The board shall set the annual fee based on full market value for each cabin site and for each licensee or lessee who at any time wishes to continue or assign the license or lease. The fee must attain full market value based on one of the following methods:

(a) appraisal of the cabin site value as determined by the department of revenue. The licensee or lessee has the option to pay the entire fee on March 1 or to divide the fee into two equal payments due March 1 and September 1. The value may be increased or decreased as a result of the statewide ~~periodic~~ revaluation of

property pursuant to 15-7-111 ~~without any adjustments as a result of phasing in values~~. An appeal of a cabin site value determined by the department of revenue must be conducted pursuant to Title 15, chapter 15.

(b) establishing full rental market value through the use of an open competitive bidding process as provided in 77-1-235.

(2) A current licensee or lessee may complete or renew the licensee's or lessee's current lease based on valuation methods provided in subsection (1)(a), or at the end of the lease or license contract, the licensee or lessee may choose to proceed with the valuation option provided in subsection (1)(b).

(3) The board shall set the fee of each initial cabin site license or lease or each current cabin site license or lease of a person who does not choose to retain the license or lease. The initial fee must be based upon a system of competitive bidding. The fee for a person who wishes to retain that license or lease must be determined under the method provided for in subsection (1).

(4) (a) Subject to subsection (4)(b), the board shall follow the procedures set forth in 77-6-302, 77-6-303, and 77-6-306 for the disposal or valuation of any fixtures or improvements placed upon the property by the then-current licensee or lessee and shall require the subsequent licensee or lessee whose bid is accepted by the board to purchase those fixtures or improvements in the manner required by the board.

(b) (i) A subsequent licensee or lessee may not take occupancy unless the license or lease contract and the sale of

improvements have been finalized. If a winning bidder has been identified and the transaction for the sale of the improvements is in process, the current lessee shall pay a prorated lease fee based on the current lease until the date that the sale of the improvements is finalized.

(ii) The valuation of improvements must be applicable to residential property inclusive of all improvements.

(iii) A licensee or lessee may assign or rent any improvements.

(iv) Within 3 years of canceling, terminating, or abandoning a cabin site lease, the owner of the improvements shall sell the improvements, remove the improvements, or transfer ownership of the improvements to the state. If ownership is transferred to the state, proceeds from the sale of the improvements must be paid to the owner who transferred the improvements. The board shall set the conditions of the sale of transferred improvements in order to sell the improvements in an expedient manner."

{ Internal References to 77-1-208:
77-1-106x 77-1-106x 77-1-106x 77-1-106x
77-1-235x 77-1-235x 77-1-236x }

NEW SECTION. **Section 18. Repealer.** The following section of the Montana Code Annotated is repealed:

15-6-193. Extended property tax assistance -- phasein.

{ Internal References to 15-6-193: 15-7-102a 15-7-102a 15-16-101a }

NEW SECTION. **Section 19. Effective dates.** (1) [Sections 5 and 11] and this section are effective July 1, 2013.

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(2) [Section 4] is effective January 1, 2014.

(3) [Sections 1 through 3, 6, 7, 9, 10, and 12 through 18]
are effective January 1, 2015.

(4) [Section 8] is effective January 1, 2017.

- END -

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