

## 1 SENATE BILL NO. 407

2 INTRODUCED BY B. LAKE

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4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING ANNUAL INCREASES IN THE VALUATION OF  
5 CENTRALLY ASSESSED PROPERTY AND INDUSTRIAL PROPERTY THAT IS ANNUALLY ASSESSED BY  
6 THE DEPARTMENT OF REVENUE TO 1% TO FACILITATE POSSIBLE CHANGES IN THE VALUATION  
7 PROCESS FOR CENTRALLY ASSESSED PROPERTY; PROVIDING EXEMPTIONS FOR NEW PROPERTY  
8 AND PROPERTY OF MERGED OR ACQUIRED COMPANIES; AND AMENDING SECTIONS 15-8-111 AND  
9 15-23-101, MCA."

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

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13 **NEW SECTION. Section 1. Centrally assessed and certain industrial property -- temporary**  
14 **valuation increase limitation.** (1) (a) The increases in annual valuation of property that is centrally assessed  
15 under Title 15, chapter 23, part 1, except railroad property assessed under Title 15, chapter 23, part 2, and  
16 industrial property that is assessed annually by the department of revenue, may not exceed 1% annually for tax  
17 years 2012 and 2013, except as provided in this section.

18 (b) The valuation of new property added to an existing property is not subject to the 1% limitation of  
19 subsection (1)(a). The new property may be valued at no more than the original cost of the property less  
20 depreciation.

21 (c) (i) Except as provided in subsections (1)(c)(ii) and (1)(c)(iii), if centrally assessed companies or  
22 companies comprising industrial properties that are assessed annually by the department are the subject of a  
23 merger or acquisition with another company, the valuation of the surviving company is subject to the 1% valuation  
24 limitation of subsection (1)(a) and the property of the merged or acquired company is treated as new property  
25 pursuant to subsection (1)(b).

26 (ii) If a centrally assessed company merges with, or acquires, in its entirety, another centrally assessed  
27 company, the valuation of the surviving company is subject to the 1% valuation limitation of subsection (1)(a) and  
28 the valuation of the surviving company is the sum of the valuations of the individual companies in the most recent  
29 assessment prior to the merger or acquisition.

30 (iii) If a centrally assessed company acquires a portion of another centrally assessed company, the

1 valuation of the surviving company is subject to the 1% valuation limitation of subsection (1)(a) and the valuation  
2 of the surviving company is the sum of the surviving company's most recent assessment prior to the acquisition  
3 and a prorated share of the acquired company's most recent assessment. The prorated share is determined by  
4 multiplying the percentage of assets acquired, based on original cost less depreciation, times the most recent  
5 valuation of the company from which assets are being acquired.

6 (2) Property that is owned by a company that was in existence on July 1, 2011, and that was not centrally  
7 assessed in the 3 previous tax years or was not composed of industrial property that was assessed annually by  
8 the department for tax year 2011, may not be centrally assessed or assessed by the department for tax years  
9 2012 or 2013. Property owned by a company formed after July 1, 2011, other than a company formed by merger  
10 or acquisition with one or more centrally assessed properties, may be centrally assessed or assessed by the  
11 department for tax years 2012 or 2013 if the property is otherwise subject to central assessment under 15-23-101  
12 or is industrial property that is subject to annual assessment by the department.

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14 **Section 2.** Section 15-8-111, MCA, is amended to read:

15 **"15-8-111. Assessment -- market value standard -- exceptions.** (1) All taxable property must be  
16 assessed at 100% of its market value except as otherwise provided.

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

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

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

26 (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural  
27 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and  
28 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules  
29 showing the average wholesale value when a national appraisal guide does not exist.

30 (3) The department may not adopt a lower or different standard of value from market value in making

1 the official assessment and appraisal of the value of property, except:

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

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

8 (c) for condominium property, the department shall establish the value as provided in subsection (4); and

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

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

14 (b) Subject to subsection (4)(c), if sufficient, relevant information on income is made available to the  
15 department, the department shall use the capitalization-of-net-income method to appraise commercial  
16 condominium units. Because the undivided interest in common elements contributes directly to the  
17 income-producing capability of the individual units, the department is not required to separately allocate the value  
18 of the common elements to the individual units being valued.

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

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

27 (6) The taxable value for all property is the percentage of market or assessed value established for each  
28 class of property. For tax years 2012 and 2013, any increase in the assessed value of centrally assessed property  
29 or industrial property that is assessed annually by the department is limited to facilitate possible changes in the  
30 valuation process for centrally assessed property as provided in [section 1].

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

3 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after  
4 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,  
5 15-23-516, 15-23-517, or 15-23-518.

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

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

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

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

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

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

18 (a) ownership of the improvements is different from ownership of the land;

19 (b) the taxpayer makes a written request; or

20 (c) the land is outside an incorporated city or town."  
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22 **Section 3.** Section 15-23-101, MCA, is amended to read:

23 **"15-23-101. Properties centrally assessed.** ~~The~~ Subject to the valuation limitations for tax years 2012  
24 and 2013 in [section 1], the department shall centrally assess each year:

25 (1) the railroad transportation property of railroads and railroad car companies operating in more than  
26 one county in the state or more than one state;

27 (2) property owned by a corporation or other person operating a single and continuous property operated  
28 in more than one county or more than one state including but not limited to:

29 (a) telegraph, telephone, microwave, and electric power or transmission lines;

30 (b) rate-regulated natural gas transmission or oil transmission pipelines regulated by the public service

1 commission or the federal energy regulatory commission;  
2 (c) common carrier pipelines as defined in 69-13-101 or a pipeline carrier as defined in 49 U.S.C.  
3 15102(2);  
4 (d) natural gas distribution utilities;  
5 (e) the gas gathering facilities specified in 15-6-138(5);  
6 (f) canals, ditches, flumes, or like properties; and  
7 (g) if congress passes legislation that allows the state to tax property owned by an agency created by  
8 congress to transmit or distribute electrical energy, property constructed, owned, or operated by a public agency  
9 created by congress to transmit or distribute electrical energy produced at privately owned generating facilities,  
10 not including rural electric cooperatives;  
11 (3) all property of scheduled airlines;  
12 (4) the net proceeds of mines, except bentonite mines;  
13 (5) the gross proceeds of coal mines; and  
14 (6) property described in subsections (1) and (2) that is subject to the provisions of Title 15, chapter 24,  
15 part 12."

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