

SENATE BILL NO. 324

INTRODUCED BY R. TEMPEL

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PROPERTY TAX EXEMPTION LAWS; REQUIRING THE DEPARTMENT OF REVENUE TO NOTIFY THE COUNTY TREASURER WHEN PROPERTY WITHIN A COUNTY BECOMES TAX EXEMPT; REQUIRING CERTAIN TENANTS OF TAX-EXEMPT HOUSING TO SATISFY AGE AND INCOME GUIDELINES; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-6-201, MCA; AND PROVIDING AN APPLICABILITY DATE."

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

**NEW SECTION. Section 1. New property tax exemptions -- department notification to local governments.** The department shall notify the county treasurer by written or electronic means when it makes a determination that previously taxable property within a county qualifies for a property tax exemption. The department may provide additional notification to a taxing authority that requests notification from the department.

**Section 2.** Section 15-6-201, MCA, is amended to read:

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

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

(i) the United States, except:

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

(B) as provided in 15-24-1103;

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

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

(iv) municipal corporations;

(v) public libraries;

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

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



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

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

13 (c) land and improvements upon the land, not to exceed 15 acres, owned by a federally recognized  
14 Indian tribe when the land has been set aside by tribal resolution and designated as sacred land to be used  
15 exclusively for religious purposes;

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

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

22 (i) is not operated for gain or profit;

23 (ii) has an attendance policy; and

24 (iii) has a definable curriculum with systematic instruction;

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

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

- 1 (h) property that is:
- 2 (i) (A) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- 3 or
- 4 (B) owned by a federally recognized Indian tribe within the state and set aside by tribal resolution; and
- 5 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
- 6 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 7 (iii) not maintained and not operated for gain or profit;
- 8 (i) subject to subsection (2), property that is owned or property that is leased from a federal, state, or
- 9 local governmental entity by institutions of purely public charity if the property is directly used for purely public
- 10 charitable purposes;
- 11 (j) evidence of debt secured by mortgages of record upon real or personal property in the state of
- 12 Montana;
- 13 (k) public museums, art galleries, zoos, and observatories that are not operated for gain or profit;
- 14 (l) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or
- 15 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the
- 16 irrigation of agricultural land;
- 17 (m) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive
- 18 of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore,
- 19 prospect, or dig for oil, gas, coal, or minerals;
- 20 (n) (i) property that is owned and used by a corporation or association organized and operated
- 21 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with
- 22 physical or mental impairments that constitute or result in substantial impediments to employment and that is not
- 23 operated for gain or profit; and
- 24 (ii) subject to subsection (2)(e), property that is owned and used by an organization owning and operating
- 25 facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;
- 26 (o) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
- 27 and practice for or competition in international sports and athletic events and that is not held or used for private
- 28 or corporate gain or profit. For purposes of this subsection (1)(o), "nonprofit corporation" means an organization
- 29 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
- 30 under the Montana Nonprofit Corporation Act.

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

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

7 (A) operated for gain or profit;

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

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

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

11 (ii) For the purposes of parks and recreational facilities under subsection (1)(a)(viii), the property must  
12 be:

13 (A) set aside by tribal resolution and designated as park land, not to exceed 640 acres, or be designated  
14 as a recreational facility; and

15 (B) open to the general public.

16 (b) For the purposes of subsection (1)(b), the term "clergy" means, as recognized under the federal  
17 Internal Revenue Code:

18 (i) an ordained minister, priest, or rabbi;

19 (ii) a commissioned or licensed minister of a church or church denomination that ordains ministers if the  
20 person has the authority to perform substantially all the religious duties of the church or denomination;

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

22 (iv) a Christian Science practitioner.

23 (c) For the purposes of subsection (1)(i):

24 (i) the term "institutions of purely public charity" includes any organization that meets the following  
25 requirements:

26 (A) The organization offers its charitable goods or services to persons without regard to race, religion,  
27 creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal  
28 Revenue Code, as amended.

29 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the  
30 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public

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

2 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used  
3 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal  
4 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually  
5 with the department a copy of its federal tax return reporting any unrelated business taxable income received by  
6 the charity during the tax year, together with a statement indicating whether the exempt property was used to  
7 generate any unrelated business taxable income.

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

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

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

- 1 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
- 2 (ii) held for future display; or
- 3 (iii) used to house or store a public display.
- 4 (e) For the purposes of facilities for the care of the retired, aged, or chronically ill under subsection
- 5 (1)(n)(ii), the terms "retired" and "aged" mean an individual who satisfies the age and gross household income
- 6 limitations of 15-30-2338. The property owner shall verify age and gross household income requirements on a
- 7 form prescribed by the department. Applicants are subject to the false swearing penalties established in
- 8 45-7-202."

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10 NEW SECTION. Section 3. Codification instruction. [Section 1] is intended to be codified as an

11 integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

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13 NEW SECTION. Section 4. Applicability. [Section 2] applies to rental agreements or occupancy

14 arrangements entered into on or after [the effective date of this act].

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