

## SENATE BILL NO. 327

INTRODUCED BY R. WEBB

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4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE CLASS EIGHT BUSINESS EQUIPMENT TAX  
5 EXEMPTION; PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT  
6 FINANCING DISTRICTS UNDER THE ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS  
7 THROUGH THE BLOCK GRANT PROGRAM, TO THE COUNTY SCHOOL RETIREMENT FUND AND THE  
8 COUNTY TRANSPORTATION REIMBURSEMENT, AND TO THE MONTANA UNIVERSITY SYSTEM FOR THE  
9 LOSS OF CLASS EIGHT AND CLASS TWELVE PROPERTY TAX REVENUE; AMENDING SECTIONS 15-1-123  
10 AND 15-6-138, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

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

13  
14 **Section 1.** Section 15-1-123, MCA, is amended to read:  
15 **"15-1-123. Reimbursement for class eight rate reduction and exemption -- distribution --**  
16 **appropriations.** (1) For the ~~tax rate reductions in 15-6-138(3), the~~ increased exemption amount in 15-6-138(4);  
17 ~~the effective tax rate reductions on property under 15-6-145 because of the rate reductions required by the~~  
18 ~~amendments of 15-6-138 in section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013,~~  
19 ~~and the effective tax rate reductions on property under 15-6-145 because of the increased exemption amount~~  
20 ~~required by the amendment of 15-6-138 in section 2, Chapter 396, Laws of 2013~~ [section 2 of this act], the  
21 department shall for the fiscal years ending June 30, ~~2014~~ 2018, and June 30, ~~2015~~ 2019, estimate for each local  
22 government, as defined in 15-1-121(5), each school district, the county retirement fund under 20-9-501, the  
23 countywide school transportation reimbursement under 20-10-146, each tax increment financing district, and the  
24 6-mill university levy for the purposes of 15-10-108 the difference between property tax collections under  
25 15-6-138 as amended by ~~section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013,~~  
26 [section 2 of this act] and under 15-6-145 and the property tax revenue that would have been collected under  
27 15-6-138 and 15-6-145 if 15-6-138 had not been amended by ~~section 2, Chapter 411, Laws of 2011, and section~~  
28 ~~2, Chapter 396, Laws of 2013~~ [section 2 of this act]. The difference is the annual reimbursable amount for each  
29 local government, each school district, each tax increment financing district, and the 6-mill levy for the support  
30 of the Montana university system under 15-10-108.

1           (2) (a) The department shall distribute the reimbursements calculated in subsection (1) to local  
2 governments with the entitlement share payments under 15-1-121(7) for the fiscal year ending June 30, ~~2015~~  
3 2019. Local government reimbursements for subsequent years are made pursuant to the entitlement share  
4 recomputation as provided in 15-1-121(6).

5           (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount  
6 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
7 real property for each local government. By June 15, ~~2014~~ 2018, the department shall distribute the amount  
8 determined under this subsection (2)(b) for local governments as provided in 15-1-121(6)(a).

9           (3) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)  
10 to school districts with the block grants pursuant to 20-9-630 for the fiscal year ending June 30, ~~2015~~ 2019.  
11 School district reimbursements for subsequent fiscal years are made pursuant to 20-9-630.

12           (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount  
13 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
14 real property for each school district. By November 30, ~~2014~~ 2018, the office of public instruction shall distribute  
15 the amount determined under this subsection (3)(b) in the same manner as the block grant is distributed by fund  
16 under 20-9-630.

17           (4) (a) For the fiscal year ending June 30, ~~2015~~ 2019, the amount determined under subsection (1) for  
18 each tax increment financing district must be added to the reimbursement amount for the tax increment financing  
19 district as provided in 15-1-121(8)(b) if the tax increment financing district is still in existence. If a tax increment  
20 financing district that is entitled to a reimbursement under this section is not listed under 15-1-121(8)(b), the  
21 reimbursement must be made to that tax increment financing district at the same time as other districts.

22           (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount  
23 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
24 real property for each tax increment financing district. By June 15, ~~2014~~ 2018, the department shall distribute the  
25 amount determined under this subsection (4)(b) to each tax increment financing district as provided in 15-1-121(8)  
26 and to any other tax increment financing district that is entitled to a reimbursement under this section.

27           (5) (a) For the fiscal year ending June 30, ~~2015~~ 2019, the amount determined under subsection (1) for  
28 the 6-mill university levy must be added to current collections and reimbursements for the support of the Montana  
29 university system as provided in 15-10-108.

30           (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount

1 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
 2 real property for the 6-mill university levy. By June 15, ~~2014~~ 2018, the department of administration shall transfer  
 3 the amount determined under this subsection (5)(b) from the general fund to the state special revenue fund for  
 4 the support of the Montana university system as provided in 15-10-108.

5 (c) Beginning in fiscal year ~~2013~~ 2017, the department of administration shall transfer the amounts  
 6 determined under this subsection (5) from the general fund to the state special revenue fund for the support of  
 7 the Montana university system as provided in 15-10-108.

8 (6) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)  
 9 to the countywide retirement fund under 20-9-501 for the fiscal year ending June 30, ~~2015~~ 2019. One-half of the  
 10 amount must be distributed in November and the remainder in May.

11 (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount  
 12 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
 13 real property in the county. By November 30, ~~2014~~ 2018, the office of public instruction shall distribute the amount  
 14 determined under this subsection (6)(b) to the countywide retirement fund.

15 (7) (a) The office of public instruction shall distribute the reimbursements calculated in subsection (1)  
 16 to the county transportation reimbursement under 20-10-146 for the fiscal year ending June 30, ~~2015~~ 2019. The  
 17 reimbursement must be made at the same time as countywide school transportation block grants are distributed  
 18 under 20-9-632.

19 (b) For the fiscal year ending June 30, ~~2014~~ 2018, the department shall determine from the amount  
 20 calculated under subsection (1) the amount that is attributable to personal property taxes that are not a lien on  
 21 real property in the county. By November 30, ~~2014~~ 2018, the office of public instruction shall distribute the amount  
 22 determined under this subsection (7)(b) to the county transportation reimbursement."  
 23

24 **Section 2.** Section 15-6-138, MCA, is amended to read:  
 25 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property  
 26 includes:

- 27 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;  
 28 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies  
 29 except those included in class five under 15-6-135;  
 30 (c) for oil and gas production, all:

- 1 (i) machinery;
- 2 (ii) fixtures;
- 3 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water  
4 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas  
5 metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is  
6 skidable, portable, or movable;
- 7 (iv) tools that are not exempt under 15-6-219; and
- 8 (v) supplies except those included in class five;
- 9 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and  
10 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors  
11 as provided in 15-6-220, and supplies except those included in class five;
- 12 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are  
13 specifically included and taxed in another class or that are rented under a purchase incentive rental program as  
14 defined in 15-6-202(4);
- 15 (f) special mobile equipment as defined in 61-1-101;
- 16 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in  
17 commercial establishments as defined in this section;
- 18 (h) x-ray and medical and dental equipment;
- 19 (i) citizens' band radios and mobile telephones;
- 20 (j) radio and television broadcasting and transmitting equipment;
- 21 (k) cable television systems;
- 22 (l) coal and ore haulers;
- 23 (m) theater projectors and sound equipment; and
- 24 (n) all other property that is not included in any other class in this part, except that property that is subject  
25 to a fee in lieu of a property tax.
- 26 (2) As used in this section, the following definitions apply:
- 27 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are  
28 primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.
- 29 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service,  
30 wholesale, retail, or food-handling business.

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

5 (3) Except as provided in 15-24-1402, class eight property is taxed at:

6 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection (4),  
7 1.5%; and

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

9 (4) The first ~~\$100,000~~ \$350,000 of market value of class eight property of a person or business entity  
10 is exempt from taxation.

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

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18 NEW SECTION. **Section 3. Effective date.** [This act] is effective January 1, 2018.

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