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HOUSE BILL NO. 212

INTRODUCED BY J. KASSMIER, E. BUTTREY, D. SALOMON, S. FITZPATRICK, G. HERTZ, M. LANG, R. LYNCH, R. FITZGERALD, C. KNUDSEN, T. WELCH, B. BEARD, J. SMALL, R. TEMPEL, B. LER, L. BREWSTER, P. FIELDER, M. STROMSWOLD, M. MALONE, M. BINKLEY, T. SMITH, R. MINER, G. NIKOLAKAKOS, P. GREEN, J. ETCHART, B. BARKER

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE CLASS EIGHT BUSINESS EQUIPMENT TAX EXEMPTION; PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING DISTRICTS UNDER THE ENTITLEMENT SHARE PROGRAM, TO SCHOOL DISTRICTS THROUGH GUARANTEED TAX BASE AID, AND TO THE MONTANA UNIVERSITY SYSTEM FOR THE LOSS OF REVENUE; AMENDING SECTIONS 15-1-123, 15-6-138, 15-10-420, AND 20-9-366, MCA; AMENDING SECTIONS 12 AND 13, CHAPTER 506, LAWS OF 2021; REPEALING SECTIONS 2, 6, 7, 8, AND 14, CHAPTER 506, LAWS OF 2021; AND PROVIDING AN APPLICABILITY DATE."

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

Section 1. Section 15-1-123, MCA, is amended to read:

~~" 15-1-123. (Temporary) Reimbursement for class eight rate reduction and exemption -- distribution -- appropriations. (1) Except as provided in subsection (2), for the tax rate reductions in 15-6-138(3), the increased exemption amount in 15-6-138(4), the effective tax rate reductions on property under 15-6-145 because of the rate reductions required by the amendments of 15-6-138 in section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013, and the effective tax rate reductions on property under 15-6-145 because of the increased exemption amount required by the amendment of 15-6-138 in section 2, Chapter 396, Laws of 2013, the department shall reimburse each local government, as defined in 15-1-121(5), each tax increment financing district, and the 6-mill university levy for the purposes of 15-10-109 the difference between property tax collections under 15-6-138 as amended by section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013, and under 15-6-145 and the property tax revenue that would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been amended by section 2, Chapter 411, Laws of~~

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1 (b) for the reimbursement calculated pursuant to subsection (2), 0%.

2 (4) The department shall distribute the reimbursements calculated in subsections (1) and (2) to
3 local governments with the entitlement share payments under 15-1-121(7).

4 (5) The amount determined under subsections (1) and (2) for each tax increment financing district
5 must be added to the reimbursement amount for the tax increment financing district as provided in 15-1-
6 121(8)(b) if the tax increment financing district is still in existence. If a tax increment financing district that is
7 entitled to a reimbursement under this section is not listed under 15-1-121(8)(b), the reimbursement must be
8 made to that tax increment financing district at the same time as other districts.

9 (6) (a) The amount determined under subsections (1) and (2) for the 6-mill university levy must be
10 added to current collections and reimbursements for the support of the Montana university system as provided
11 in 15-10-109.

12 (b) The department of administration shall transfer the amount determined under this subsection
13 (6) from the general fund to the state special revenue fund for the support of the Montana university system as
14 provided in 15-10-109."

15

16 **Section 2.** Section 15-6-138, MCA, is amended to read:

17 "~~15-6-138. (Temporary) Class eight property — description — taxable percentage. (1) Class eight~~
18 ~~property includes:~~

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

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

22 ~~(c) for oil and gas production, all:~~

23 ~~(i) machinery;~~

24 ~~(ii) fixtures;~~

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

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

2 ~~(v) supplies except those included in class five;~~

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

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

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

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

12 ~~(h) x-ray and medical and dental equipment;~~

13 ~~(i) citizens band radios and mobile telephones;~~

14 ~~(j) radio and television broadcasting and transmitting equipment;~~

15 ~~(k) cable television systems;~~

16 ~~(l) coal and ore haulers;~~

17 ~~(m) theater projectors and sound equipment; and~~

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

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

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

24 ~~(b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or~~
25 ~~service, wholesale, retail, or food handling business.~~

26 ~~(c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas~~
27 ~~production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,~~
28 ~~a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate regulated natural gas transmission or oil~~

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1 ~~transmission pipeline regulated by the public service commission or the federal energy regulatory commission.~~

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

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

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

6 ~~(4) The first [\$300,000] of market value of class eight property of a person or business entity is~~
7 ~~exempt from taxation.~~

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

16 **15-6-138. (Effective July 1, 2025) Class eight property -- description -- taxable percentage. (1)**

17 Class eight property includes:

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

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

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

22 (i) machinery;

23 (ii) fixtures;

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

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

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- 1 (v) supplies except those included in class five;
- 2 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held
3 tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk
4 processors as provided in 15-6-220, and supplies except those included in class five;
- 5 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that
6 are specifically included and taxed in another class or that are rented under a purchase incentive rental
7 program as defined in 15-6-202(4);
- 8 (f) special mobile equipment as defined in 61-1-101;
- 9 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
10 commercial establishments as defined in this section;
- 11 (h) x-ray and medical and dental equipment;
- 12 (i) citizens band radios and mobile telephones;
- 13 (j) radio and television broadcasting and transmitting equipment;
- 14 (k) cable television systems;
- 15 (l) coal and ore haulers;
- 16 (m) theater projectors and sound equipment; and
- 17 (n) all other property that is not included in any other class in this part, except that property that is
18 subject to a fee in lieu of a property tax.
- 19 (2) As used in this section, the following definitions apply:
- 20 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and
21 that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying
22 environment.
- 23 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or
24 service, wholesale, retail, or food-handling business.
- 25 (c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas
26 production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,
27 a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate-regulated natural gas transmission or oil
28 transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

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- 1 (3) Except as provided in 15-24-1402, class eight property is taxed at:
- 2 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection
- 3 (4), 1.5%; and
- 4 (b) for all taxable market value in excess of \$6 million, 3%.
- 5 (4) The first ~~\$300,000~~ \$1 million of market value of class eight property of a person or business
- 6 entity is exempt from taxation.
- 7 (5) The gas gathering facilities of a stand-alone gas gathering company providing gas gathering
- 8 services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana,
- 9 and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject
- 10 to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
- 11 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
- 12 aggregated for purposes of determining the 500-mile threshold."

13

14 **Section 3.** Section 15-10-420, MCA, is amended to read:

15 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a

16 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount

17 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3

18 years. The maximum number of mills that a governmental entity may impose is established by calculating the

19 number of mills required to generate the amount of property tax actually assessed in the governmental unit in

20 the prior year based on the current year taxable value, less the current year's newly taxable value, plus one-half

21 of the average rate of inflation for the prior 3 years.

22 (b) A governmental entity that does not impose the maximum number of mills authorized under

23 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between

24 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill

25 authority carried forward may be imposed in a subsequent tax year.

26 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average

27 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,

28 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of

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1 subsection (2), [this act] is effective July 1, 2021.

2 ~~(2) [Section 3] is effective January 1, 2026.~~

3 ~~(3) [Section 4] is effective October 1, 2021, and applies to the tax year beginning after December 31,~~
4 ~~2021.~~

5 ~~(4)(2) [Section 5] is effective October 1, 2022, and applies to the tax year years beginning after~~
6 ~~December 31, 2022.~~

7 ~~(5) [Section 6] is effective October 1, 2023, and applies to the tax year beginning after December 31,~~
8 ~~2023.~~

9 ~~(6) [Section 7] is effective October 1, 2024, and applies to the tax year beginning after December 31,~~
10 ~~2024.~~

11 ~~(7) [Section 8] is effective July 1, 2025, and applies to the tax years beginning after December 31,~~
12 ~~2025."~~

13

14 **Section 6.** Section 13, Chapter 506, Laws of 2021, is amended to read:

15 **"Section 13. Termination.** ~~(1) [Section 4] terminates December 31, 2022.~~

16 ~~(2) [Section 5] terminates December 31, 2023.~~

17 ~~(3) [Section 6] terminates December 31, 2024.~~

18 ~~(4) [Section 14] terminates January 1, 2025.~~

19 ~~(5) [Sections 2, 7, and 9] terminate December 31, 2025."~~

20

21 **NEW SECTION. Section 7. Repealer.** Sections 2, 6, 7, 8, and 14, Chapter 506, Laws of 2021, are
22 repealed.

23

24 **COORDINATION SECTION. Section 8. Coordination instruction.** (1) If [this act] is passed and
25 approved and provides an exemption amount for class eight property of a person or business of more than \$1
26 million in 15-6-138(4), and if any of the five bills identified in subsection (2) are not passed and approved, then
27 the exemption amount for class eight property of a person or business in 15-6-138(4) is \$500,000.

28 (2) The five bills are:

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- 1 (a) House Bill No. 192;
- 2 (b) House Bill No. 221;
- 3 (c) House Bill No. 222;
- 4 (d) House Bill No. 251; and
- 5 (e) House Bill No. 267.

6
7 **NEW SECTION. Section 9. Applicability.** [This act] applies to tax years beginning after December
8 31, 2023.

9 - END -