

HOUSE BILL NO. 844

INTRODUCED BY M. VINTON, B. LER

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT; INCREASING THE AMOUNT OF EXEMPT BUSINESS EQUIPMENT; PROVIDING THAT THE BUSINESS EQUIPMENT EXEMPTION IS ADJUSTED ANNUALLY BY INFLATION; PROVIDING THAT BUSINESS EQUIPMENT WITH A COST OF LESS THAN \$250 IS EXEMPT FROM TAXATION; PROVIDING A REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING DISTRICTS UNDER THE ENTITLEMENT SHARE PROGRAM AND TO THE MONTANA UNIVERSITY SYSTEM FOR THE LOSS OF REVENUE; PROVIDING DEFINITIONS; AMENDING SECTIONS 15-1-123 AND 15-6-138, MCA; 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. 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 2011, and section 2, Chapter 396, Laws of 2013. The difference plus the amount calculated in subsection (2) is the annual reimbursable amount for each local government, each tax increment financing district, and the 6-mill levy for the

support of the Montana university system under 15-10-109.

(2) For the increased exemption amount in 15-6-138(4) provided for in Chapter 506, Laws of 2021, and Chapter 45, Laws of 2023, and [this act], 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 that would have been collected under 15-6-138 as amended by Chapter 506, Laws of 2021, ~~and~~ Chapter 45, Laws of 2023, and [this act], and the property tax revenue that would have been collected under 15-6-138 if it had not been amended by Chapter 506, Laws of 2021, and Chapter 45, Laws of 2023. The difference calculated in this subsection is added to the annual reimbursable amount for each local government, each tax increment financing district, and the 6-mill levy for the support of the Montana university system under 15-10-109 calculated in subsection (1).

(3) The growth rate applied to the reimbursements is:

(a) for the reimbursement calculated pursuant to subsection (1), one-half of the average rate of inflation for the prior 3 years; and

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

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

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

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

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

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

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property

includes:

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

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

(c) for oil and gas production, all:

(i) machinery;

(ii) fixtures;

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

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

(v) supplies except those included in class five;

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

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

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

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

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

(i) citizens band radios and mobile telephones;

(j) radio and television broadcasting and transmitting equipment;

(k) cable television systems;

(l) coal and ore haulers;

(m) theater projectors and sound equipment; and

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

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

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

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

(c) (i) "Cost" means the purchase price of the personal property, including all direct and indirect expenses associated with placing the personal property into use.

(ii) The term does not include an allocated purchase price.

~~(e)~~(d) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101 or a rate-regulated natural gas transmission or oil transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

~~(d)~~(e) "Governing body" means the governing body of the county where the class eight property is located.

(f) "Individual piece of personal property" means a distinct and separate item of personal property that is not physically connected as a component part of a larger, integrated operating system or unit, even if the physically connected item of personal property has a cost of less than \$250.

~~(e)~~(g) "Manufacturing machinery, fixtures, and equipment" means all property used in the manufacturing process, whether permanently or temporarily in place, to transform raw or finished materials into something possessing a new nature or name and adopted to a new use. The term includes but is not limited to refinery property.

(h) "Physically connected" means personal property that:

(i) is permanently affixed through mechanical fastening, welding, or chemical bonding designed to

1 remain intact during normal operation;

2 (ii) serves an essential operational function within an integrated mechanical, electrical, or industrial
3 system; and

4 (iii) cannot be removed or replaced without damage to itself or the larger unit or without causing
5 temporary or permanent impairment of the larger unit's functionality.

6 (3) Except as provided in 15-24-1402 and this section, class eight property is taxed at:

7 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection
8 (4), 1.5%; and

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

10 (4) (a) (i) Except as provided in subsection (4)(b) and (4)(c), the first \$1 ~~\$1.75~~\$1.5 million of market
11 value of class eight property of a person or business entity is exempt from taxation.

12 (ii) When calculating the market value subject to the exemption in subsection (4)(a)(i), a property
13 owner is not required to include personal property described in subsection (4)(c) with a cost of \$250 or less.

14 (iii) The exemption amount in subsection (4)(a)(i) must be adjusted annually by multiplying the
15 exemption amount by an inflation factor, which is determined by dividing the consumer price index for June of
16 the prior year by the consumer price index for June of the current year, rounded to the nearest \$1,000. If the
17 inflation adjustment results in a decrease in the exemption amount from the previous year, the exemption
18 amount must remain the same for that year.

19 (b) Subject to subsection (6), manufacturing machinery, fixtures, and equipment installed and
20 placed in service after December 31, 2022, are exempt or partially exempt from taxation for a period of 5 years
21 starting from the later of the date they were placed in service or October 1, 2023, after which the exemption
22 amount allowed under subsection (6)(d) is phased out at a rate of 20% of the amount allowed by the governing
23 body a year, with the property being assessed at 100% of its taxable value after a 10-year period. An entity that
24 claims a tax exemption under this subsection (4)(b) shall maintain adequate books and records demonstrating
25 the investment the owner made when installing and placing the property into service in the state. The property
26 owners shall make the records available to the department for inspection on request.

27 (c) An individual piece of personal property with a cost of less than \$250 is exempt from property
28 taxation.

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

(6) (a) In order for a taxpayer to receive the tax abatement described in subsection (4)(b), the taxpayer shall submit an application for the abatement and a project plan to the governing body and receive approval pursuant to this subsection (6). For property in which a taxpayer does not seek approval prior to commencing construction, the taxpayer shall apply:

(i) by March 1 of the year during which the abatement is first applicable for property placed in service on or after October 1, 2023; or

(ii) by January 31, 2024, for property placed in service after December 31, 2022, and before October 1, 2023.

(b) In order to receive an abatement, the governing body must approve the abatement request in the application by resolution for each project, following due notice as provided in 7-1-2121 and a public hearing. The governing body may not grant approval for the project until the applicant's property taxes have been paid in full. Taxes paid under protest do not preclude approval. If a taxpayer receives approval of a tax abatement prior to commencement of construction, the abatement does not extend to property that is outside the scope of the project plan that was submitted to the governing body with the application.

(c) The purpose of the public hearing is to determine whether the manufacturing machinery, fixtures, and equipment eligible for an abatement has an impact on services. The governing body shall:

(i) publish due notice within 60 days of receiving a taxpayer's complete application for the tax abatement; and

(ii) conduct a public hearing regarding an application for the tax abatement and make a determination whether the eligible abatement activities will have a fiscal impact to the county.

(d) Within 120 days of receiving the application provided for in subsection (6)(a), the governing body shall issue a decision regarding whether to allow the abatement at 100%, 90%, or 80%. If the governing

Amendment - 1st Reading-white - Requested by: Brandon Ler - (H) Taxation

- 2025

69th Legislature 2025

Drafter: Megan Moore,

HB0844.001.002

1 body fails to issue a decision within 120 days of receiving the application, the application is considered
2 approved in an amount equal to 100%. If the property qualifies for the abatement, the local government may not
3 deny the abatement and the minimum amount of the abatement may not be less than 80%."

4
5 NEW SECTION. **Section 3. Applicability.** [This act] applies to tax years beginning after December
6 31, 2025.

7 - END -