

SENATE BILL NO. 322

INTRODUCED BY J. KASSMIER, R. GREGG, B. GILLESPIE, W. MCKAMEY, G. LAMMERS, E. BOLDMAN

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; 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;

- 1 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and
2 supplies except those included in class five under 15-6-135;
- 3 (c) for oil and gas production, all:
4 (i) machinery;
5 (ii) fixtures;
6 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
7 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers,
8 gas metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment
9 that is skidable, portable, or movable;
- 10 (iv) tools that are not exempt under 15-6-219; and
11 (v) supplies except those included in class five;
- 12 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held
13 tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk
14 processors as provided in 15-6-220, and supplies except those included in class five;
- 15 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that
16 are specifically included and taxed in another class or that are rented under a purchase incentive rental
17 program as defined in 15-6-202(4);
- 18 (f) special mobile equipment as defined in 61-1-101;
- 19 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
20 commercial establishments as defined in this section;
- 21 (h) x-ray and medical and dental equipment;
22 (i) citizens band radios and mobile telephones;
23 (j) radio and television broadcasting and transmitting equipment;
24 (k) cable television systems;
25 (l) coal and ore haulers;
26 (m) theater projectors and sound equipment; and
27 (n) all other property that is not included in any other class in this part, except that property that is
28 subject to a fee in lieu of a property tax.

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

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

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

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

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

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

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

18 (a) for the first \$6 million of taxable market value in excess of the exemption amount in subsection
19 (4), 1.5%; and

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

21 (4) (a) Except as provided in subsection (4)(b), the first ~~\$1.3~~ \$1.5 million of market value of class
22 eight property of a person or business entity is exempt from taxation.

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

the investment the owner made when installing and placing the property into service in the state. The property owners shall make the records available to the department for inspection on request.

(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.

6
7 NEW SECTION. **Section 3. Applicability.** [This act] applies to tax years beginning after December
8 31, 2025.

- END -