

BEFORE THE DEPARTMENT OF REVENUE  
OF THE STATE OF MONTANA

In the matter of the amendment of	)	NOTICE OF PUBLIC HEARING ON
ARM 42.20.101, 42.20.102,	)	PROPOSED AMENDMENT
42.20.105, 42.20.118, and 42.20.119	)	
pertaining to property tax exemption	)	
applications, exemptions for veterans'	)	
organizations, exemption notifications	)	
to county treasurers, and valuation of	)	
condominiums and townhomes	)	

TO: All Concerned Persons

1. On September 7, 2017, at 1 p.m., the Department of Revenue will hold a public hearing in the Third Floor East Conference Room of the Sam W. Mitchell Building, located at 125 North Roberts, Helena, Montana, to consider the proposed amendment of the above-stated rules. The hearing room is most readily accessed by entering through the east doors of the building facing Sanders Street.

2. The Department of Revenue will make reasonable accommodations for persons with disabilities who wish to participate in this public hearing or need an alternative accessible format of this notice. If you require an accommodation, contact the department no later than 5 p.m. on August 25, 2017, to advise us of the nature of the accommodation you need. Please contact Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail lalogan@mt.gov.

3. The rules as proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

42.20.101 CITY AND TOWN LOTS AND IMPROVEMENTS (1) The assessment of city and town lots and the assessment of rural and urban improvements shall be at market value as determined by an appraisal using one or more of the three accepted approaches to determine value:

(a) the cost approach, where the ~~Montana Appraisal Manual~~ department's Appraisal Guide and national cost service manuals, as indicated in ARM 42.18.122, are used;

(b) and (c) remain the same.

(2) Said appraisals shall be made in the same manner as provided in 15-7-101 through ~~15-7-104~~ 15-7-103, MCA, and 15-8-112, MCA.

AUTH: 15-1-201, MCA

IMP: 15-7-103, MCA

REASON: The department proposes amending ARM 42.20.101 to update two resource references in the content of the rule. The first proposed change is in

(1)(a), to correspond with the department's renaming of the "Montana Appraisal Manual" to the "Appraisal Guide," and the second proposed change is in (2), to remove a reference to a repealed statute and renumber the remaining range of statutes accordingly.

The proposed amendments to this rule are unrelated to amendments being proposed for other rules in this same notice to implement new legislation.

42.20.102 APPLICATIONS FOR PROPERTY TAX EXEMPTIONS (1) The property owner of record, the property owner's agent, or a federally recognized tribe must file an application for a property tax exemption on a form available from the local department office before March 1, except as provided in ARM 42.20.118, of the year for which the exemption is sought. ~~All first time exemption applicants in 2016 and all owners of real property that was exempt prior to March 1, 2014, must submit an application for exempt status along with the application fee stated in (17) no later than March 1, 2016 in order for the application to be processed for tax year 2016.~~ Applications postmarked after March 1 will be considered for the following tax year only, unless the department determines any of the following conditions are met:

(a) through (c) remain the same.

(2) The department may extend the March 1 deadline to June 1, ~~for tax year 2016~~, if the applicant was unable to apply for the current year due to a physical or mental infirmity that existed between January 1 and June 1 of the tax year in which the applicant is applying that prevented timely filing of the application.

(3) The department may extend the March 1 deadline to June 1, ~~for tax year 2016~~, on a case-by-case basis, if the property on the application was exempt in a prior year ~~prior to 2014~~, and the applicant:

(a) and (b) remain the same.

(4) For each application submitted, the applicant must:

(a) identify each parcel by geocode, assessor code, legal description, or physical address;

(b) explain how the applicant qualifies for the property tax exemption; and

(c) state the specific use of the real or personal property.

~~(4)(5)~~ The following documents must accompany all applications, unless the applicant is a federally recognized tribe. If the applicant:

(a) remains the same.

(b) is not incorporated, a copy of the applicant's constitution or by-laws; or

(c) has been granted tax-exempt status by the Internal Revenue Service (IRS), a copy of the applicant's tax-exempt status letter (501 determination):

~~(i) identifying the parcel by geocode, assessor code, legal description, or physical address;~~

~~(ii) explaining how the organization, or society, qualifies for the property tax exemption; and~~

~~(iii) stating the specific use of the real or personal property; or~~

(d) has not been granted tax-exempt status by the IRS, ~~as stated by the applicant~~ must provide a written statement explaining why that such exemption does not exist.

(5) through (12) remain the same, but are renumbered (6) through (13).

~~(13)~~(14) For real property exemption applications where the applicant is requesting an 8-year exemption for up to 15 acres of property owned by a purely public charity, as set forth in 15-6-201, MCA, the following apply:

(a) all documents in ~~(7)~~(4), (5), and (8) must be submitted with the application;

(b) through (h) remain the same.

~~(14)~~(15) For real property exemption applications where the applicant is requesting exemption for property used for low-income housing, as set forth in 15-6-221, MCA, all documents in (4), (5), and (8) must be submitted with the application and also include:

(a) through (h) remain the same.

(16) For real property exemption applications where the applicant is requesting exemption for property used by a veterans' society or organization, as set forth in 15-6-203, MCA, and the applicant is someone other than the society or organization, the applicant must include a copy of the lease that verifies the savings from the property tax exemption is realized by the society or organization. For tax year 2017 only, the deadline to submit an exemption application is December 31, 2017.

~~(15)~~(17) Upon receipt of the application and supporting documents, the local department office will perform a field evaluation. The department will approve or deny the application. The and notify the applicant, and the local department office, and the county treasurer will be advised, of its decision in writing, ~~of the decision.~~

(16) remains the same, but is renumbered (18).

~~(17) Real property exemption renewal applications must provide the documentation specified in this rule and also include a copy of IRS form 990 identifying the gross receipts of the entire organization. If IRS form 990 is not available, a copy of the current year's financial statements may be substituted. When multiple properties are being applied for, the payments may be consolidated and submitted on one instrument. The instrument must clearly identify the individual properties for which the payments are being made and the amount paid for each property. Real property exemption renewal applications will be charged a processing fee as follows:~~

~~(a) \$15 for vacant land parcels;~~

~~(b) \$25 for parcels with improvements; or~~

~~(c) \$0 for nonprofit entities with gross receipts less than \$5,000.~~

AUTH: 15-1-201, ~~15-6-230, 15-6-231~~, MCA

IMP: 7-8-2307, 15-6-201, 15-6-203, 15-6-209, 15-6-216, 15-6-221, ~~15-6-230, 15-6-231, 15-6-233, 15-6-311, 15-7-102~~, MCA

REASON: The department proposes amending ARM 42.20.102 to implement new legislation, remove outdated language, and restructure the rule for better clarity.

The language proposed to be stricken from (1) applied to tax year 2016, only. This language initially implemented the 2015 Legislature's requirement that previously exempt property owners reapply for exempt status for the upcoming year and pay a fee. Because future year applicants are not subject to a processing fee, it is no longer necessary to include any fee language in the rule. For this reason, the

department also proposes striking all of existing (17) from the rule and removing 15-6-231, MCA, from the implementing section of the rule.

The department also proposes striking all references to calendar year 2016 from (2) and (3). The department will continue to evaluate applications submitted past the annual March 1 deadline on a case-by-case basis to determine if there were extenuating circumstances that prevented an applicant from timely submitting their application. The department further proposes relocating the details regarding what the applicant is required to provide with their exemption applications into a separate section, as new (4), to set it apart from the list of documents provided for in newly numbered (5), to improve clarity.

The department proposes adding new (16) to implement House Bill 224, L. 2017, which allows for a veterans' organization or society to apply for a property tax exemption even if the property is owned by someone other than the organization or society. As proposed, the new language identifies the documentation applicants are required to provide and allows for an extended application deadline for 2017, because the legislation became effective after the annual March 1 deadline for property tax exemption applications had already passed.

The department also proposes updating newly numbered (17) to implement Senate Bill 324, L. 2017, which requires the department to inform the county treasurer of any determination made on a property tax exemption application. The proposed change in the language adds the county treasurer as a recipient of the department's written notification on exemption application determinations.

The department further proposes removing 15-6-230, MCA, from the authorization and implementing section of the rule because it is a temporary exemption for tribal fee land pending a trust status determination and the application process for this exemption is covered separately in ARM 42.20.118.

42.20.105 CONDOMINIUMS/TOWNHOMES (1) remains the same.

(2) The department will employ the following appraisal and assessment methodology for ~~the appraisal of~~ condominiums/townhomes, except for condominiums/townhomes situated on qualified tax-exempt community land trust property, as set forth in (6), and time-share condominiums, as set forth in (7).

(a) through (5) remain the same.

(6) The department will appraise and assess condominiums/townhomes situated on qualified tax-exempt community land trust property using the cost approach method. The cost approach method is appropriate in this situation because it utilizes national cost service manuals and does not factor in the land.

~~(6)(7)~~ The department will employ the following appraisal and assessment methodology for ~~the appraisal of~~ time-share condominiums.

(a) through (c) remain the same.

AUTH: 15-1-201, MCA

IMP: 15-7-103, 15-8-111, 15-8-511, 70-23-102, 70-23-103, 70-23-301, 70-23-403, MCA

REASON: The department proposes amending ARM 42.20.105 to implement House Bill 200, L. 2017, which revised laws regarding shared equity properties.

The proposed change in (2) adds an exception for tax-exempt community land trust property and provides the location for where this and another exception noted in this section are addressed in the rule. The language being proposed for new (6) describes the methodology the department will use to value condominiums/townhomes situated on qualified tax-exempt community land trust properties and why the method is appropriate. The department further proposes adding a supporting implementing citation to the rule. Section 15-8-111, MCA, pertains to the market value citation in the rule.

42.20.118 TRIBAL GOVERNMENT APPLICATION FOR A TEMPORARY PROPERTY TAX EXEMPTION (1) remains the same.

(2) The tribe must file for a property tax exemption on a form available from the local department office in the county in which the tribal fee land is located on or before March 1 of the year for which the exemption is sought. A tribe with tribal fee lands located in more than one county must file an application for a property tax exemption in each county. Applications postmarked after March 1 will be considered for the following tax year. ~~All applications postmarked after that date will be considered for the following year.~~

(3) through (6) remain the same.

(7) The department will approve or deny the application based on whether the property qualified for the exemption as of January 1 of the year for which the exemption is sought. The department will notify the tribe, and the local department office, and the county treasurer of its decision in writing, ~~of its decision.~~

(8) and (9) remain the same.

AUTH: 15-1-201, 15-6-230, MCA

IMP: 15-6-230, MCA

REASON: The department proposes amending ARM 42.20.118 to implement Senate Bill 324, L. 2017, which requires the department to inform the county treasurer of any determination made on a property tax exemption application. The proposed change in (7) adds the county treasurer as a recipient of the department's written notification on exemption application determinations. The department also proposes striking the last sentence from (2) as a matter of language clean-up, because it is redundant with the sentence that precedes it.

42.20.119 AMMUNITION COMPONENTS MANUFACTURING - PROPERTY TAX EXEMPTION APPLICATIONS (1) The property owner of record or the property owner's agent must file an application, on a form provided by the department, for a property tax exemption for the manufacture of ammunition components, as defined in 30-20-203, MCA. The exemption applies only to property taxes levied on class eight personal property and to the mills levied on real property for state educational purposes, as described in 30-20-204, MCA. The application filing deadline for each tax year for which the exemption is being sought is: March 1

~~(a) November 1 for tax year 2016 only; and~~

~~(b) March 1 beginning with tax year 2017 and for all tax years thereafter.~~

(2) through (5) remain the same.

(6) Upon receipt of the application and supporting documents, the department will perform a field evaluation. The department will approve or deny the application, and provide notify the applicant, the local department office, and the county treasurer of its ~~with~~ a decision in writing.

AUTH: 15-1-201, MCA

IMP: 15-6-219, 15-24-1410, 30-20-201, 30-20-202, 30-20-203, 30-20-204, 30-20-205, 30-20-206, MCA

REASON: The department proposes amending ARM 42.20.119 to remove outdated language from (1) that provides the 2016 application date for applying for this property tax exemption. The date proposed to be removed was specific to 2016 when this exemption was new and is no longer necessary to include in the rule. Future year applications are due by March 1 for each applicable tax year.

The department also proposes updating (6) to implement Senate Bill 324, L. 2017, which requires the department to inform the county treasurer of any determination made on a property tax exemption application. The proposed change in the language adds the county treasurer as a recipient of the department's written notification on exemption application determinations.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to: Laurie Logan, Department of Revenue, Director's Office, P.O. Box 7701, Helena, Montana 59604-7701; telephone (406) 444-7905; fax (406) 444-3696; or e-mail [lalogan@mt.gov](mailto:lalogan@mt.gov) and must be received no later than September 20, 2017.

5. Laurie Logan, Department of Revenue, Director's Office, has been designated to preside over and conduct this hearing.

6. The Department of Revenue maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name and e-mail or mailing address of the person to receive notices and specifies that the person wishes to receive notice regarding a particular subject matter or matters. Notices will be sent by e-mail unless a mailing preference is noted in the request. A written request may be mailed or delivered to the person in 4 above or faxed to the office at (406) 444-3696, or may be made by completing a request form at any rules hearing held by the Department of Revenue.

7. An electronic copy of this notice is available on the department's web site at [revenue.mt.gov/rules](http://revenue.mt.gov/rules), or through the Secretary of State's web site at [sos.mt.gov/ARM/register](http://sos.mt.gov/ARM/register).

8. The bill sponsor contact requirements of 2-4-302, MCA, apply and have been fulfilled. The primary sponsor of House Bill 200, L. 2017, Representative Dave Fern, the primary sponsor of House Bill 224, L. 2017, Representative Tom Jacobson, and the primary sponsor of Senate Bill 324, L. 2017, Senator Russel

Tempel, were all contacted by regular mail on June 14, 2017 and July 24, 2017. All three sponsors were subsequently notified by email, on July 31, 2017, about a revision to the initial rulemaking timeline estimate.

9. With regard to the requirements of 2-4-111, MCA, the department has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses. Documentation of the department's determination is available at [revenue.mt.gov/rules](http://revenue.mt.gov/rules) or upon request from the person in 4.

/s/ Laurie Logan

Laurie Logan  
Rule Reviewer

/s/ Mike Kadas

Mike Kadas  
Director of Revenue

Certified to the Secretary of State August 7, 2017.