

SJR 17 Study of Centrally Assessed & Industrial Property Final Report:
Summary of Reports to the Revenue and Transportation Interim Committee

by
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Updated October 2012

Senate Joint Resolution No. 17 (SJR 17) requested an interim study of the system of valuing centrally assessed properties and industrial properties assessed annually by the Department of Revenue. The preamble of the joint resolution describes the rationale for the study:

- the Legislature has heard concerns about centrally assessed property and large industrial facility taxation; and
- predictability and stability of property valuation.

At its June 2011 meeting, the Revenue and Transportation Interim Committee approved the SJR 17 [study plan](#), which contains background on centrally assessed and industrial property and the Committee's plan for studying the issues raised in the joint resolution.

A summary of reports provided to the Committee follows, organized by the meeting date at which the material was presented.

Findings and Recommendations

The Revenue and Transportation Interim Committee did not make any findings or recommendations for this study.

September 26-27, 2011

[Overview of Property Classification, Assessment, and Taxation -- Jeff Martin](#)

This report provides an overview of changes made by the Montana Legislature in the classification of property since 1989, including business equipment, railroads and airlines, telecommunications, and electric generation and energy-related property. The report also provides an overview of the process of valuing centrally assessed property for tax purposes and includes information on the unit value method of valuation, statutory provisions related to centrally assessed property, indicators of market value, reconciliation of the indicators of value, allocation of values among taxing jurisdictions, and Department of Revenue rules for valuing centrally assessed property.

[Centrally Assessed and Industrial Properties -- Department of Revenue](#)

This slide presentation provides an overview of the types of property that are centrally assessed and industrial property, the numbers and values of centrally assessed and industrial properties, the process and timeline for assessing centrally assessed and industrial property, and how centrally assessed property is appraised.

[Reporting Requirements for Centrally Assessed Properties -- Norman Ross, PacifiCorp](#)

This slide presentation addresses why property is centrally assessed, the unit valuation method of valuation, an overview of the process for valuing centrally assessed property, and data sources used for valuing centrally assessed property.

[Wireless Property Assessment in Montana -- Nancy Riedel, Verizon](#)

This slide presentation provides a history of wireless property assessment in Montana and a discussion of wireless property assessment in other states and of wireless intangible property.

Court Decisions and State Tax Appeal Board Decisions on Centrally Assessed Property:

- [Department of Revenue v. PPL Montana](#) (Montana Supreme Court)
- [PacifiCorp v. Department of Revenue](#) (Montana Supreme Court)
- [Qwest v. Department of Revenue](#) (STAB)
- [PacifiCorp v. Department of Revenue](#) (STAB)
- [Puget Sound Energy v. Department of Revenue](#) (Montana Supreme Court)
- [Verizon Wireless v. Department of Revenue](#) (Montana First Judicial District Court)

December 8-9, 2011

[Overview of Selected States Methods for Valuing Centrally Assessed Property -- Jeff Martin](#)

This report describes the methods used in Arizona, Idaho, New Mexico, Oregon, and Utah to value property operated in more than one county of a state or in more than one state. The property described in this report is centrally assessed by the state, but the unitary approach is not always used. For each state, the report describes constitutional provisions related to the valuation of property and the statutory provisions and administrative rules for valuing centrally assessed property. The report also includes a discussion of two court cases, one in Oregon and one in Utah, dealing with the valuation of centrally assessed property within the limited context of the state's constitutional and statutory framework for valuation.

[Montana Taxation of Railroads -- Judy Cummings, BNSF](#)

This slide presentation provides information on the legislative history of railroad taxation, the federal 4-R Act, and the Montana railroad taxation formula.

[Summary of Major Centrally Assessed Cases -- Jaret Coles](#)

This is a summary prepared by the Committee's staff attorney of the major centrally assessed property court cases (linked above) handed out by the Department of Revenue at the September 2011 committee meeting. The document is only a summary and a variety of contentions are not presented. Direct quotations from the courts were utilized to the extent possible in order to present information in an accurate manner.

[Analysis of Recent Montana Cases -- Richard G. Smith, Hawley Troxell Ennis & Hawley](#)

This analysis was commissioned by AT&T and provided to the Committee by Bob Strong during public comment.

[Overview of Case Law of Centrally Assessed Property Taxes -- Department of Revenue](#)

This overview asks four questions and answers them affirmatively by citing case law:

- Is unit valuation the proper method for achieving market value in Montana for centrally assessed properties?
- Do the three approaches to value (market, cost, and income) achieve market value for centrally assessed properties?
- Does the Department of Revenue use the correct data source, including financial data, the correct calculations, and the correct detailed valuation methods to achieve market value?
- Has the Department properly applied the intangible personal property exemption?

[Capitalization Rate Overview: Centrally Assessed Properties -- Department of Revenue](#)

This slide presentation discusses the income approach to valuation, specifically focusing on the two methods of income capitalization: direct capitalization and yield capitalization.

[Trends in Property Taxation -- Department of Revenue](#)

This document contains three line graphs showing assessed value of property, estimated taxes paid, and taxable value of property for real property, centrally assessed property, and other business property. A bar graph shows the distribution of the different types of property taxpayers in Montana including residential, centrally assessed, commercial, personal, agricultural and forest, and mining property.

[February 16-17, 2012](#)

[Unitary Valuation -- Tom Hamilton, University of St. Thomas](#)

This slide presentation discusses unitary valuation and how it differs from traditional valuation. Other topics include assemblage and plottage, locally assessed property, leased assets, intangible assets, and reconciling the approaches to value.

[Unitary Valuation: Notes for PowerPoint -- Tom Hamilton, University of St. Thomas](#)

These notes accompany the slide presentation discussed above.

[Annualized Growth Rates for Assessed Value: 1999-2011 -- Department of Revenue](#)

These tables provide information on the growth rates for assessed value, taxable value, and estimated taxes paid for residential real property, commercial, agricultural and forest real property, centrally assessed property, and other business property.

[Centrally Assessed Values: 2005-2011 -- Department of Revenue](#)

These spreadsheets summarize the values of centrally assessed properties for tax years 2005 through 2011 and provide the net change in value.

[Assessed Values of Top 25 Industrial Companies -- Department of Revenue](#)

This table provides the assessed values for tax years 2008 through 2011 for the top 25 industrial companies.

July 19-20, 2012

[Briefing on Large Industrial Property Taxation -- Megan Moore](#)

This report covers the authority for industrial property taxation, methods for valuing industrial property, and how other states address industrial property taxation.

[Briefing on Centrally Assessed Property Appeals Process -- Megan Moore](#)

This briefing paper provides information about the appeals process for centrally assessed property in Montana, New Mexico, North Carolina, Oregon, and Utah.

[Current Issues Involving Montana's Centrally Assessed Property Taxation Statutes and Procedures -- Kristen Gustafson Juras](#)

This report has four parts:

- a history of property taxation in Montana including the development of Montana's assessment and classification systems;
- an overview of constitutional and statutory provisions governing the assessment, classification, and taxation of centrally assessed property and how those laws are implemented by the Department of Revenue;
- discussion of the Montana exemption of intangible property from property taxation and whether intangibles are being assessed as a result of valuation methodologies applied by the Department of Revenue; and
- a summary of how other western states have addressed issues surrounding central assessment, including the exemption of intangible property.

September 13-14, 2012

[Response to Petroleum Association Representative -- C.A. Daw, Department of Revenue](#)

This memorandum provides the Department of Revenue's response to comments made by a representative of the Montana Petroleum Association at the July meeting. The Department also provided [charts](#) along with the memorandum.

[Reply to Juras Report -- C.A. Daw, Department of Revenue](#)

This memorandum is the Department of Revenue's response to the report prepared by Kristen Gustafson Juras (above), which was presented at the July meeting. The Department also provided the following information:

- [Impact of AT&T acquiring Alltel's Montana assets](#);
- [Definition of "retail telecommunications"](#);
- [Bakken Pipeline project location](#); and
- [Estimated tax shift](#).

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