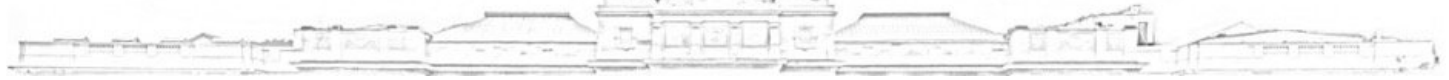




ADMINISTRATIVE RULES OF MONTANA



42.22.121 ALLOCATION PROCEDURE

- (1) The department shall allot that portion of a unit valuation to Montana which represents the state's proper share of the market value of a centrally assessed company's operating property. The procedures used to assign Montana's portion of the unit value will vary depending upon the availability of information and the type of company.
- (2) Except for railroad operating property, Title 15, MCA, does not provide procedures for the allocation of unit value. Therefore, the department will use ratios that are readily available, accurate, and arrived at by exercise of sound judgment which reflect the relationship between the unit value and the value of Montana property.
- (3) For the purpose of allocating the unit value, quantity, use, and productivity ratios may be applied. Following are examples of possible ratios the department may apply to allocate unit value to Montana. The following examples shall not be construed to prohibit the use of other factors in the allocation process:
 - (a) for airlines:
 - (i) Western States Association of Tax Administrators formula which separates mobile and terminal property for the purpose of allocation;
 - (ii) originating and terminating tons;
 - (iii) equated ground hours;
 - (iv) equated flight hours;
 - (v) revenue ton miles;
 - (vi) arrivals and departures;
 - (b) for electric:
 - (i) cost;
 - (ii) revenue;
 - (iii) wire miles;
 - (iv) pole line miles;
 - (c) for gas:
 - (i) cost;
 - (ii) revenue;

- (iii) pipe miles;
 - (iv) mcf miles;
 - (d) for pipelines:
 - (i) cost;
 - (ii) mcf miles;
 - (iii) pipe miles;
 - (iv) barrel miles;
 - (e) for telephone:
 - (i) cost;
 - (ii) revenue;
 - (iii) telephone;
 - (f) for microwave:
 - (i) cost;
 - (ii) revenue;
 - (g) for telecommunication:
 - (i) cost;
 - (ii) revenue;
 - (iii) number of customers;
 - (iv) billing addresses.
- (4) As an alternative to the allocation formula provided in 15-23-213, MCA, the department will use an equivalent car count for each company as the sole factor for allocating railcar property in Montana.
- (5) For tax year 2003, the department will utilize the following miles as the Montana miles per day:
 - (a) 475 miles for flat, box, gondola, and coal gondola railcars, when specifically reported by railcar type; and
 - (b) 265 miles for all other railcars.
- (6) For tax year 2004 and subsequent tax years, and in the absence of a speed study supplied by a railcar company, the department will utilize the following default miles as the Montana miles per day:
 - (a) 450 miles for flat, box, gondola, and coal gondola railcars, when specifically reported by railcar type; and
 - (b) 250 miles for all other railcars.

- (7) A railcar company must report by specific railcar type to qualify for the higher default figure. In the event that a railcar company does not report by specific railcar type, the lower default figure will be applied to all of the railcar company's railcars.
- (8) Commencing with the 2004 tax year, if a railcar company believes that 250 or 450 miles per day does not accurately reflect the speed of its cars, it may submit a speed study to establish its Montana miles per day.
- (9) A speed study must include a statistically valid sample of the cars that reside or travel in the state, and must include data from one month, the month to be determined by the department. The department shall identify to the railcar companies the month to be utilized in the speed study by February 1 of the prior tax year.
- (10) For tax year 2004, the department shall identify to the railcar companies the month to be utilized in the speed study by May 1, 2003.
- (11) The sample population for a speed study must include all railcars and railcar types that were present in the state at any time during the time period being analyzed for the speed study.
- (12) Cars shall be selected randomly from the sample population.
- (13) For each car selected for the speed study, the company will report the time required to travel from the nearest timing point before the car entered the state to the nearest timing point after the car left the state and the total miles between those points. The company will then total the mileage and time for all cars in the study, and compute a speed from those totals. Speed will be computed by dividing the total miles by the total time, multiplied by 24, to equal miles per day.
- (14) If the department determines that a speed study is not representative of the movement of cars within the state, or that the data were incorrectly compiled, the speed study will not be utilized to determine Montana miles per day, and the department shall use the appropriate default number, pursuant to (6).
- (15) A speed study will only be valid for three years. A new speed study must be resubmitted after three years, unless the department agrees in writing to accept a previously submitted speed study.
- (16) A speed study must be submitted to the department no later than December 1 prior to the tax year for which the speed study is to be applied. The department will apply the default provision in (6) to railcar companies that fail to provide a speed study by the time specified in this section.
- (17) When computing allocation factors for airline companies, the department shall find separate mobile and terminal factors. These factors will be combined to make a single allocation factor. The combination will be made according to the relationship of the mobile and terminal properties cost.

Authorizing statute(s): 15-23-108, MCA

Implementing statute(s): 15-1-101, 15-23-213, MCA

History: NEW, Eff. 12/4/76; AMD, 1980 MAR p. 1091, Eff. 3/28/80; AMD, 1984 MAR p. 2041, Eff. 12/28/84; AMD, 1993 MAR p. 435, Eff. 3/26/93; AMD, 1999 MAR p. 2914, Eff. 12/17/99; AMD, 2003 MAR p. 565, Eff. 3/28/03; AMD, 2015 MAR p. 2149, Eff. 12/11/15.