

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
HOUSE OF REPRESENTATIVES  
50TH LEGISLATIVE SESSION

March 25, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on March 25, 1987, at 8 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members of the Committee were present, except Rep. Keenan, who was excused. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF SENATE BILL NO. 272: Sen. J.D. Lynch, Senate District #34, sponsor of SB 272, said the bill would exempt tour trains from taxation. He explained the non-profit tour train in Butte travels from the Berkley Pit to the World Museum of Mining and to other mining facilities enroute.

PROPOSERS OF SENATE BILL NO. 272: Bill Fogle, Director of the Butte Tour Train Committee, said the bill would cost about 22 cents per acre and that Livingston would lose about \$59 in taxes for its tour train from Livingston to Wilsall.

Don Peoples, Butte/Silver Bow, and member of the Montana Economic Development and the Board of Historic Parks, said it would be years before the tour train gets to a break-even point financially, and that the train needs to be able to generate revenue to get tours started, in addition to the tax exemption.

OPPOSERS OF SENATE BILL NO. 272: There were no opposers of the bill.

QUESTIONS ON SENATE BILL NO. 272: There were no questions on the bill.

CLOSING: Sen. Lynch closed without comment.

CONSIDERATION OF SENATE BILLS NO. 145, 146, AND 147: Sen. Judy Jacobsen, Senate District #36, sponsor of SB's 145, 146, and 147, said all three bills arose from the same audit on county collections, and that the bills were drafted at the request of the Legislative Audit Committee, to determine when assessment of penalties and interest should be levied on mobile homes. She explained there are no provisions for delinquencies on the first half payment for mobile home taxes, and that the bills provide mobile homes be treated the same a real property for delinquencies.

Sen. Jacobsen said the bills designate the Department of Commerce , Local Government Assistance Division, the responsibility for collection of revenue in the counties, and that the most substantial change is in collection and distribution of proceeds. She advised that the county treasurers support the bills, which allow direct remittance of certain forms of revenue to the state treasurer on a standard form. Sen. Jacobsen added that the Montana Association of Counties also support the bills.

PROPOSERS OF SENATE BILLS NO. 145, 146, AND 147: Cort Harrington, Montana County Treasurers Association, stated his support of the three bills.

OPPOSERS OF SENATE BILLS NO. 145, 146, AND 147: There were no opposers of the bills.

QUESTIONS ON SENATE BILLS NO. 145, 146, AND 147: Rep. Ellison asked if manuals would be issued biannually, as indicated in SB 146, page 2, line 7. Sen. Jacobsen explained these would be loose-leaf manuals, in which updated information could be inserted and from which outdated information could be removed.

Rep. Gilbert asked how DOR and DOC coordinate their efforts in this area. Greg Groepper replied that DOC has to audit local governments, and when DOR has a question in the area, it confers with DOC, who would service as a coordinator for directives between the agencies and the counties, to provide local governments with one source of information from the state level. He explained the agencies are doing this now and that the bills merely allow it to be done.

CLOSING ON SENATE BILLS NO. 145, 146, AND 147: Sen. Jacobsen asked that Rep. Simon carry the bills.

DISPOSITION OF SENATE BILLS NO. 145, 146, AND 147: Rep. Williams made a motion that SB 145 BE CONCURRED IN. The motion CARRIED unanimously.

Rep. Gilbert made a motion that SB 146 BE CONCURRED IN. The motion CARRIED unanimously.

Greg Groepper asked if county treasurers remit all payments directly to the state treasurer instead of to several state agencies, who would pass payment on to the state treasurer.

Rep. Gilbert made a motion that SB 147 BE CONCURRED IN. The motion CARRIED unanimously.

CONSIDERATION OF SENATE BILL NO. 183: Sen. Pat Regan, Senate District #47, said the bill was drafted at the

request of the Legislative Finance Committee on Education and addresses the costs of teachers' retirement. She explained the costs vary from school district to school district and that the intent of the bill is to equalize these costs.

Sen. Regan provided a formula explaining cost distribution (Exhibit #1), and said the bill depends on some revenue from the lottery, but the system of equalizing retirement costs is accomplished via mill levy. She advised that once the amount is arrived at, that is to be paid for each teacher, it is averaged for each county.

Sen. Regan said section 2 of the bill establishes a special revenue account and allows the Superintendent of Public Instruction to set the statewide levy, resulting in considerable tax savings in most counties (Exhibit #2).

PROPONENTS OF SENATE BILL NO. 183: Eric Feaver, Montana Education Association, said he considers SB 183 to be one of the most significant pieces of legislation of this session. He explained that of HB's 340, 69, 39, and of SB's 38 as amended, and 200, SB 183 is probably the flagship in providing property tax relief in 36 counties, in accordance with I-105.

Terry Minnow, Montana Federation of Teachers, said the bill provides property tax relief and equalization for educational funding.

Bruce Moerer, Montana School Boards Association, stated his support of the bill.

Jesse Long, School Administrators of Montana, stated his support of SB 183.

Rick Bartos, Office of Public Instruction, stated his support of the bill.

Elinor Collins, Montana Association of County Superintendents, said she supported the bill as an effort to provide local property tax relief.

OPPONENTS OF SENATE BILL NO. 183: Dennis Burr, Montana Taxpayers Association, said his only objection is the rise of statewide property taxes to fund education and that, otherwise, he would support the bill.

Duane Ankney, Rosebud County, stated the counties impacted are those with very high unemployment rates.

QUESTIONS ON SENATE BILL NO. 183: Rep. Gilbert told Sen. Regan her exhibit shows that twelve of the eastern counties would experience an increase in property taxes, and asked if she called that property tax relief. Sen. Regan replied it is only equalization, and that it is possible some counties haven't been paying their fair share.

Chairman Ramirez commented that the bill says it is responding to I-105, and asked how that could be when some counties would experience tax increases. He advised that if a number of counties come out worse off than they were, the legislation probably couldn't be enacted. Chairman Ramirez asked how the bill could be passed off as a response to I-105. Ms. Ripplingale replied there was some doubt about what exactly I-105 meant, and that it was discussed with the drafters of the bill, who felt the bill met the intent of I-105.

Chairman Ramirez asked what impact, if any, the bill would have on the lawsuit involving the oil companies and equalization. Mr. Bartos replied that, in his opinion, SB 183 would help the situation immensely. He added that the ball is in the court of the plaintiff's right now, who will be meeting with counsel next week.

Rep. Ellison asked what the problem is with the lawsuit. Sen. Regan explained there is danger that school districts could be consolidated, causing local governments to lose control, as has happened in other states.

Rep. Gilbert asked how OBPP arrived at the \$7 million figure in the fiscal note. Terry Johnson, OBPP, advised it came from the Revenue Estimating Advisory Committee (REAC), at \$30 per capita.

Rep. Gilbert asked if those mills include 1.4 mills between 1987 and 1989, as stated in the fiscal note, and stated that if this were so, there would be a \$550,000 annual increase to his and other counties. He asked if the mills would increase to 16 or 17 by 1990 or 1991. Terry Johnson replied he didn't know, but the mills would be affected by the prices of oil, gas and coal, and their net proceeds. He said I-105 freezes property taxes, but not property values.

Sen. Regan commented that Dave Bohyer has studied I-105, and that questions in this area should be directed to him.

Rep. Asay asked if Treasure, Rosebud, Garfield and McCollum Counties have responded to this legislation. Bruce Moerer replied he had not received notice of any opposition to the bill.

CLOSING ON SENATE BILL NO. 183: Sen. Regan asked the Committee to treat the bill favorably.

CONSIDERATION OF SENATE BILL NO. 36: Sen. Ed Smith, Senate District #10, said the bill would put appraisal of property back in the counties, as DOR is underfunded and cannot function fully in this situation. He advised the I-105 and CI-27 are proof that protests of property taxation exist.

Sen. Smith read extensively from Exhibit #3, and provided copies of proposed amendments (Exhibit #4). He said \$137 million has been spent on statewide property assessment since 1975, and that the State Tax Appeals Board (STAB) recently requested \$273,000 to handle 15,000 more appeals.

PROPOSERS OF SENATE BILL NO. 36: Marvin Barber, Montana County Assessors, told the Committee that 41 of the county assessors voted to return assessment to the counties in a recent poll, while 7 asked that assessment of property remain as it is, and 8 were undecided.

Lorna Frank, Montana Farm Bureau, stated her support of the bill and asked that the Committee concur.

Edie Wright, Gallatin County, stated her support of the bill.

Jo Bruner, Montana Grain Growers and Cattle Feeders, stated her support of the bill.

Sen. Larry Tveit, Senate District #11, told the Committee a building that cost him \$700 to construct was recently appraised at \$11,000. He explained he finally got DOR to drop the assessment to \$4,000, and said the issue of assessment should be returned to local control.

Rep. Bob Hoffman, House District #74, stated his support of the bill.

OPPOSERS OF SENATE BILL NO. 36: Jerry Allen, Ravalli County Commissioner, said he opposed the bill because it would cost his county about \$250,000 for 9 mills.

Shaun Egan, representing Butte/Silver Bow, said the cost to the counties would be staggering, and would be \$600,000 for Butte/Silver Bow alone. He stated there is a difference between the state's ability and that of the counties to handle property assessment, and that the counties have been paid more since state property assessment began. Mr. Egan advised that \$14.5 million has gone to local governments for schools.

John Lawton, City of Billings, said the bill is a great step backward, and would start problems in the counties all over again.

Greg Groepper, told the Committee he opposed the measure, and asked them to accept testimony in opposition to HB 377 and SB 36 at this time. He said that if the Committee believes the system should be changed it might as well change the law altogether to make it more functional. Mr. Groepper advised that the DOR budget for assessment this year is \$9.8, and that it would probably cost the counties about \$14 million. He provided copies of a breakdown on assistance provided to counties by DOR to complete reappraisal Exhibit #5), and said there is not enough work in some counties to support a full time assessor or appraiser, so DOR shifts personnel between counties.

Mr. Groepper stated HJR 48 is a good measure to study this situation, and that, meanwhile, it should remain as is.

QUESTIONS ON SENATE BILL NO. 36: There were no questions on SB 36.

TECHNICAL COMMENTS ON SENATE BILL NO. 36: Dave Bohyer advised the bill would require county assessors to do appraisals, while the Montana Constitution does not require county assessors in every county, because of differing forms of government.

CLOSING ON SENATE BILL NO. 36: Sen. Smith said the bill would create a referendum and put the issue to a vote of the people.

CONSIDERATION OF SENATE BILL NO. 150: Sen. Paul Boylan, Senate District #39, sponsor of SB 150, said the bill would direct DOR to compile and publish annually, information on realty transfer certificates. He read from a prepared statement in support of the bill (Exhibit #6).

PROPONENTS OF SENATE BILL NO. 150: Dennis Burr, Montana Taxpayers Association, told the Committee that DOR collected on 9.028 sales at an average sales price of \$30,780, with an average appraised value of \$14,000, or 14 percent of market value, in 1978. He explained that DOR needs this information on the ratio of value to sales, and that the bill requires that comparable sales information be provided to those appealing their assessments to STAB. Mr. Burr advised that the \$522,000 cost estimate in the fiscal note has been revised to \$280,000, and asked the Committee to support the bill.

OPPONENTS OF SENATE BILL NO. 150: There were no opponents of the bill.

TECHNICAL COMMENTS ON SENATE BILL NO. 150: Greg Groepper, DOR, advised there are two vehicles pending that address the sales/assessment process. He said Rep. Ramirez' bill provides a grouping of counties, and SB 150 provides for study of individual counties.

QUESTIONS ON SENATE BILL NO. 150: Rep. Ellison asked Dennis Burr what he would do to ensure realty transfer certificates are completed accurately. Mr. Burr replied that real estate brokers and closers have a lot to lose by putting misinformation on the certificates, and said he doubts there is that much error. He added that if the certificates are not completed properly, a deed would not be transferred.

CLOSING ON SENATE BILL NO. 150: Sen.Boylan advised the bill is a step forward, and asked the Committee to support the bill.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11 a.m.

  
Representative Jack Ramirez,  
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 25, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ		7	
REP. ASAY		7	
REP. ELLISON		7	
REP. GILBERT		7	
REP. HANSON		7	
REP. HARP		7	
REP. HARRINGTON		7	
REP. HOFFMAN		7	
REP. KEENAN			7
REP. KOEHNKE		7	
REP. PATTERSON		7	
REP. RANEY		7	
REP. REAM		7	
REP. SANDS		7	
REP. SCHYE		7	
REP. WILLIAMS		7	

# STANDING COMMITTEE REPORT

MARCH 25

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL 145

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

Representative Jack Ramirez, Chairman

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# STANDING COMMITTEE REPORT

MARCH 25

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report ~~SENATE~~ BILL NO. 146

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

Representative Jack Ramirez, Chairman

# STANDING COMMITTEE REPORT

MARCH 25

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION  
report BENEFIT BILL NO. 147

do pass  
 do not pass

be concurred in  
 be not concurred in

as amended  
 statement of intent attached

Representative Jack Ramirez, Chairman

# 1  
3-25-87  
SB 183

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SYSTEM OF EQUALIZING RETIREMENT COSTS

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Retirement Costs for Year	\$47,553,272	\$47,553,272
Percent of Cost Being Equalized	<u>.63</u>	<u>.63</u>
Amount to be Equalized	\$29,958,561	\$29,958,561
Less Lottery Revenue	<u>7,463,225</u>	<u>9,120,500</u>
Dollars to be Collected by Statewide Mill Levy	<u>\$22,495,336</u>	<u>\$20,830,061</u>
Statewide Mill Levy*	<u>9.5</u>	<u>8.8</u>

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\*Varies slightly from figures used by OPI as OPI used slightly higher retirement costs than the fiscal note shows.

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COUNTY RETIREMENT-SB183-1/31/87  
 1985-86 BUDGET DATA

# 2  
 3-25-87

-----SB 183-----

SB 183

COUNTY NAME	ANB	STATE WIDE MILL LEVY	COUNTY MILL LEVY	TOTAL MILLS	CURRENT MILLS	MILLS DIFFERENCE
BEAVERHEAD	1543	9.6	+ 10.4	= 20.0	- 31.3	= -11.3
BIG HORN	2326	9.6	2.9	12.4	6.5	6.0
BLAINE	1584	9.6	5.4	15.0	12.5	2.5
BROADWATER	694	9.6	1.5	11.1	13.6	-2.5
CARBON	1647	9.6	7.5	17.1	18.4	-1.3
CARTER	267	9.6	6.0	15.6	12.6	3.1
CASCADE	13733	9.6	19.0	28.6	48.8	-20.1
CHOUTEAU	1157	9.6	4.5	14.2	12.1	2.1
CUSTER	2128	9.6	12.8	22.4	35.6	-13.2
DANIELS	540	9.6	15.1	24.7	28.4	-3.6
DAWSON	2234	9.6	7.5	17.1	22.6	-5.5
DEER LODGE	1980	9.6	21.8	31.4	63.9	-32.5
FALLON	794	9.6	1.4	11.0	2.7	8.4
FERGUS	2184	9.6	13.6	23.2	33.1	-9.9
FLATHEAD	11508	9.6	8.2	17.9	33.9	-16.0
GALLATIN	7131	9.6	9.4	19.0	32.1	-13.0
GARFIELD	333	9.6	6.0	15.6	14.7	0.9
GLACIER	2815	9.6	11.2	20.8	22.7	-1.8
GOLDEN VALLEY	191	9.6	9.8	19.4	16.9	2.5
GRANITE	567	9.6	11.6	21.2	31.6	-10.4
HILL	3153	9.6	11.0	20.6	23.7	-3.0
JEFFERSON	1556	9.6	7.6	17.2	25.4	-8.1
JUDITH BASIN	484	9.6	8.1	17.7	18.3	-0.6
LAKE	4153	9.6	12.7	22.3	43.2	-20.9
LEWIS & CLARK	8813	9.6	13.1	22.7	41.4	-18.7
LIBERTY	470	9.6	3.3	12.9	7.5	5.4
LINCOLN	3966	9.6	11.3	20.9	33.3	-12.3
MADISON	1008	9.6	8.6	18.2	19.9	-1.6
MCCONE	514	9.6	6.3	15.9	15.7	0.2
MEAGHER	371	9.6	6.6	16.2	15.7	0.6
MINERAL	852	9.6	29.2	38.8	65.6	-26.8
MISSOULA	12378	9.6	12.1	21.7	31.9	-10.1
MUSSELSHELL	943	9.6	3.8	13.4	10.3	3.2
PARK	2404	9.6	16.8	26.4	42.0	-15.6
PETROLEUM	128	9.6	10.3	19.9	18.9	1.1
PHILLIPS	1095	9.6	4.3	13.9	9.9	4.0
PONDREA	1365	9.6	9.9	19.6	21.0	-1.4
POWDER RIVER	518	9.6	1.2	10.8	3.2	7.7
POWELL	1164	9.6	10.2	19.8	26.5	-6.6
PRAIRIE	366	9.6	5.6	15.2	16.5	-1.2
RAVALLI	4852	9.6	8.2	17.8	47.3	-29.5
RICHLAND	2755	9.6	1.7	11.3	6.5	4.8
ROOSEVELT	2713	9.6	5.1	14.7	11.8	2.9
ROSEBUD	2849	9.6	2.6	12.2	5.0	7.3
SANDERS	1899	9.6	9.1	18.7	27.1	-8.3
SHERIDAN	1026	9.6	2.0	11.6	4.2	7.5
SILVER BOW	6285	9.6	23.7	33.3	51.8	-18.5

COUNTY NAME	ANB	STATE WIDE MILL LEVY	COUNTY MILL LEVY	TOTAL MILLS	CURRENT MILLS	MILLS DIFFERENCE
STILLWATER	1237	9.6	9.4	19.0	25.4	-6.3
SWEET GRASS	622	9.6	7.3	16.9	25.2	-8.2
TETON	1248	9.6	6.7	16.2	18.6	-2.3
TOOLE	1020	9.6	3.1	12.8	7.3	5.5
TREASURER	191	9.6	7.1	16.7	15.2	1.5
VALLEY	1929	9.6	7.8	17.4	15.4	2.1
WHEATLAND	440	9.6	7.6	17.2	19.8	-2.6
WIBAUX	298	9.6	2.1	11.7	4.4	7.3
YELLOWSTONE	21137	9.6	10.3	19.9	30.2	-10.3
*** Total ***						
	151558					

#3  
3-25-87  
SB 36

Len Smith

(1)

PER CAPITA AMOUNTS OF PROPERTY AND INCOME TAXES

	1985	1985	1984 Population	---- Per Capita ----	
	Total Income Tax	Total Property Tax*		Income Tax	Property Tax
	*****	*****	*****	*****	*****
BEAVERHEAD	1,357,960	4,764,837	8,728	155.59	545.93
BIG HORN	1,105,078	13,876,629	11,542	95.74	1,202.27
BLAINE	749,686	7,775,803	7,063	106.14	1,100.92
BROADWATER	430,702	2,741,988	3,423	125.83	801.05
CARBON	1,128,262	7,682,792	8,613	131.00	892.00
CARTER	239,534	1,897,197	1,763	135.87	1,076.12
CASCADE	16,080,454	38,772,570	81,815	196.55	473.91
CHOUTEAU	1,172,343	7,598,542	6,175	189.85	1,230.53
CUSTER	2,706,090	8,211,591	12,461	201.03	610.03
DANIELS	464,586	2,407,350	2,777	167.30	866.89
DAWSON	2,494,929	9,645,764	12,721	196.13	759.26
DEER LODGE	1,766,747	4,500,598	11,207	157.65	401.59
FALLON	783,217	12,542,553	3,769	207.80	3,327.82
FERGUS	2,097,997	7,751,745	12,929	162.27	599.56
FLATHEAD	11,687,103	31,083,778	53,900	216.83	576.69
GALLATIN	10,041,515	21,158,404	47,584	211.03	444.86
GARFIELD	199,600	1,467,758	1,702	117.27	862.38
GLACIER	1,433,062	11,661,752	11,295	126.86	1,032.38
GOLDEN VALLEY	129,160	1,255,961	1,099	117.53	1,143.73
GRANITE	335,312	1,720,255	2,815	119.12	611.10
HILL	3,632,728	14,110,676	18,546	195.88	760.85
JEFFERSON	1,534,439	5,715,880	8,041	190.83	710.84
JUDITH BASIN	321,787	2,005,380	2,705	118.96	592.75
LAKE	2,138,672	8,858,442	20,420	104.73	433.81
LEWIS & CLARK	11,844,579	27,513,047	45,766	258.81	601.17
LIBERTY	502,565	3,667,000	2,547	197.32	1,439.73
LINCOLN	2,953,075	9,010,356	18,665	158.21	482.74
MADISON	811,860	4,630,986	2,705	300.13	1,712.01
McCONE	327,304	2,848,065	5,842	56.03	487.52
MEAGHER	279,682	1,839,553	2,234	125.19	823.43
MINERAL	650,679	1,668,889	3,693	176.19	451.91
MISSOULA	16,396,641	45,947,555	76,450	214.48	601.01
MUSSELSHELL	723,256	3,910,896	4,708	153.62	830.69
PARK	2,579,775	6,795,217	13,278	194.29	511.77
PETROLEUM	54,457	551,482	674	80.80	818.22
PHILLIPS	799,713	6,413,935	5,686	140.65	1,128.02
PONDERA	1,212,893	6,391,138	7,072	171.51	903.72
POWDER RIVER	466,443	5,248,218	2,489	187.40	2,108.56
POWELL	1,138,639	3,949,474	6,876	165.60	574.39
PRAIRIE	217,469	1,664,305	1,867	116.48	891.43
RAVALLI	3,619,748	7,470,606	24,832	145.77	300.85
RICHLAND	2,653,885	16,071,168	14,365	184.75	1,118.77
ROOSEVELT	1,590,546	13,349,681	11,581	137.34	1,152.72
ROSEBUD	2,657,521	25,259,940	13,159	201.95	1,927.19
SANDERS	1,047,693	5,529,056	9,203	113.84	600.79
SHERIDAN	1,301,070	10,904,854	5,945	218.85	1,834.29
SILVER BOW	7,232,529	22,195,318	35,201	205.47	630.53
STILLWATER	1,031,874	4,129,701	6,018	171.46	686.22
SWEET GRASS	444,301	2,219,308	3,303	134.51	671.91
TETON	1,068,538	5,830,853	6,444	165.82	904.85
TOOLE	1,234,816	7,406,367	5,742	215.05	1,289.86
TREASURE	179,773	1,070,622	1,015	177.12	1,054.80
VALLEY	1,811,064	9,112,512	9,998	181.14	911.43
WHEATLAND	323,399	1,705,139	2,308	140.12	738.80
WIBAUX	182,456	3,544,428	1,493	122.21	2,374.03
YELLOWSTONE	24,142,155	74,198,013	118,741	203.32	624.87
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TOTAL	155,511,466	572,046,937	823,994	188.73	694.24

\*Includes all property types and property taxes

CHAPTER III

MANAGEMENT CONTROLS OVER PROPERTY VALUATION

Article VIII, section 3, of the Montana Constitution says "The state shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law." The Constitution clearly establishes the state's role in property valuation.

Sections 15-8-101 and 15-9-101, MCA, state the Department of Revenue shall have full charge of assessing all property subject to taxation and shall adjust and equalize the valuation of taxable property among the counties, in the counties, and between individual taxpayers.

Our audit work in the area of property valuation indicates the state has made positive steps in attempting to equalize property valuation statewide; however, our audit work also indicates that perfect equalization has not and may never be attained. The discretion used to value property and adjustment of property valuations by county appraisers and assessors is the very core of the property tax system. Because of the "discretion factor" the system will continue to have inherent inequities. In an attempt to limit this discretion the property valuation process has gone through legislative changes, administrative rule-making, court decisions, and changes in department directives and control procedures.

During the audit we reviewed division controls over property valuation and the property reappraisal program for the cycle completed January 1, 1986. Major management controls were evaluated. We identified management control weaknesses which allow for appraisal and assessment errors and inconsistencies in valuation practices in and between counties. While controls over appraisers were in place, they often were not functioning adequately. In the case of assessors, controls were generally lacking. The following table summarizes our review of management controls over property valuation and the property reappraisal program.

budget needs. The next two illustrations show the amount of taxes collected (taxable value multiplied by mill rate equals taxes due - however, taxes actually collected may be less due to delinquent and/or protested taxes) related to property for each type of public entity.

Table 11 - Estimated Tax Collections  
For 1963, 1964, and 1965

	1963	1964	1965
Market Valuation of State	\$15,967,731,219	\$16,737,093,570	\$16,950,596,661
Taxable Valuation of State	\$2,233,385,468	\$2,350,863,688	\$2,370,133,344
	Taxes Collected		
State:			
University Millage	\$ 13,123,219	\$ 13,917,989	\$ 14,205,641
Livestock	1,664,002	2,107,255	2,066,681
	<u>\$ 14,987,221</u>	<u>\$ 16,025,244</u>	<u>\$ 16,272,322</u>
County:			
General	\$ 38,900,910	\$ 41,189,744	\$ 42,282,962
Road	22,243,455	22,006,210	23,121,956
Bridge	6,588,076	6,381,019	6,800,513
Poor	12,101,684	11,547,792	13,223,619
Bond Interest and Sinking	1,920,184	1,667,723	2,036,953
County Fair	1,753,625	2,026,112	2,210,684
Library	2,171,408	1,930,547	2,812,543
Agricultural Extension			
Service	1,542,056	1,598,619	1,858,901
Planning	706,694	632,092	574,565
Health and Sanitary	566,294	956,791	720,526
Hospital	1,104,281	1,469,835	2,067,440
Airport	1,461,943	1,259,625	1,378,903
Other	19,755,001	20,836,426	23,792,903
	<u>\$110,635,011</u>	<u>\$113,456,645</u>	<u>\$122,682,468</u>
Schools:			
Elementary	\$162,150,604	\$168,294,699	\$193,667,740
High School	126,023,918	146,760,753	117,762,752
	<u>\$288,174,522</u>	<u>\$315,055,452</u>	<u>\$311,430,492</u>
Miscellaneous			
Fire Districts	\$ 6,541,885	\$ 6,485,292	\$ 6,517,187
Other	21,911,259	21,173,209	25,051,664
	<u>\$ 28,453,144</u>	<u>\$ 27,658,501</u>	<u>\$ 31,568,851</u>
Total All Taxes Except Cities and Towns	\$444,470,468	\$489,386,042	\$502,154,155
Cities and Towns:			
General	\$ 38,558,598	\$ 40,930,627	\$ 43,643,202
Special Improvements	22,011,155	23,772,447	26,269,582
	<u>\$ 60,569,753</u>	<u>\$ 64,703,074</u>	<u>\$ 69,912,784</u>
Gross Total of All Taxes	\$505,040,221	\$554,089,116	\$572,086,939

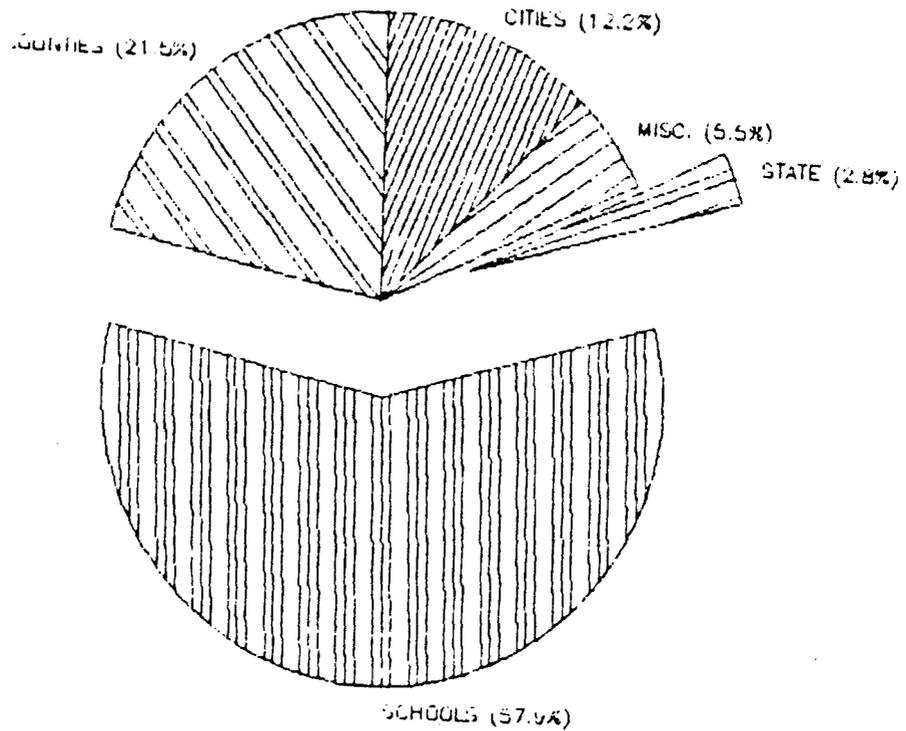
\*Chart shows only University System millage and Livestock millage collected for the state. Another 45 mills (17 mill secondary school levy and a 28 mill elementary school levy) are part of the school Foundation program equalization aid. Our recent audit report of the Office of Public Instruction (86-9) noted that most of these revenues are not recorded on the state's accounting records.

Source: Department of Revenue

Illustration 11

AVERAGE PROPERTY TAX DOLLAR GOES TO:

State-wide 1985



Source: Department of Revenue

Illustration 14

The pie chart above shows average figures for the state of Montana. However, schools in some counties receive a larger or smaller percentage of the property tax dollar to operate depending upon budget and associated millage rates.

MONTANA'S PROPERTY TAX APPEAL PROCESS

The ability to appeal one's property valuation is a major factor in the valuation process. Property owners are provided with a means to inquire about their valuations and resolve any major disputes. The appeal system provides opportunities for hearings before independent bodies and ultimately attempts to

MONTANA VS. THIRTEEN OTHER STATES

<u>Category</u>	<u>States Contacted</u>	<u>Montana</u>
Responsibility	13 - County Level Control	State - Administrators/ Directs
County Organization	6 - Elected Assessors 3 - Appointed Assessors 4 - Elected & Appointed Assessors at County Level	Elected County Assessors (generally) & State Appraisers
Reappraisal Cycle	2 - Six years 1 - Five years 3 - Four years 2 - Two years 2 - Annual 1 - 80% annually 2 - None	Five years
Certification Requirements for Assessment Personnel	8 - Yes 5 - No	Appraisers - Yes Assessors - No
State Monitoring Procedures	3 - Audits 2 - Sales Assessment Ratio Studies  1 - Field Reviews 2 - Reviews by Request Only 5 - None	Audits Limited Sales Assessment Ratio Studies Area Manager Reviews Work Progress Reports

Source: Compiled by the Office of the Legislative Auditor

Illustration 18

Montana (Property Assessment Division) also "controls" property valuation in the state, leaving the various counties the responsibility of carrying out its directives. Other contacted states generally only administer and support property valuation at the state level, leaving "control" to the counties.

## QUALITY GRADES FOR SINGLE FAMILY RESIDENCES

1. 1F-1 Sub Standard, single family residence.
2. 1F-2 Poor Grade, single family residence.
3. 1F-3 Fair Grade, single family residence.
4. 1F-4 Slightly below average, single family residence.
5. 1F-5 Average, single family residence.
6. 1F-6 Good, single family residence.
7. 1F-7 Very Good, single family residence.
8. 1F-8 Excellent, single family residence.

Source: Property Assessment Division - The 1982 Montana Appraisal Manual

### Illustration 20

As the manual notes "grading would be a relatively simple process if all houses were built to conform to the base specifications outlined in the 1982 Montana Appraisal Manual." Appraisers, however, routinely adjust for this discrepancy by applying a higher or lower physical depreciation percentage or by applying a grade variation. A grade variation consists of adjusting the grade of a house by a percentage factor to acknowledge slight differences between houses in the same grade classification.

During our visits to county offices we noted some inconsistencies between counties in the methods and procedures used to: 1) figure depreciation; 2) adjust for grade variations; 3) determine land values; and 4) compute manual commercial property valuations. For example, appraisal staff in one county use a maximum of 40 percent for physical depreciation unless it can be documented that a higher depreciation percentage is warranted. In other counties depreciation percentages in the 70 to 80 percent range are commonly used on older residences. The following pictures illustrate some differences in the amounts of physical depreciation applied to "similar" houses in different counties.

RESIDENTIAL PROPERTY COMPARISONS

COUNTY A

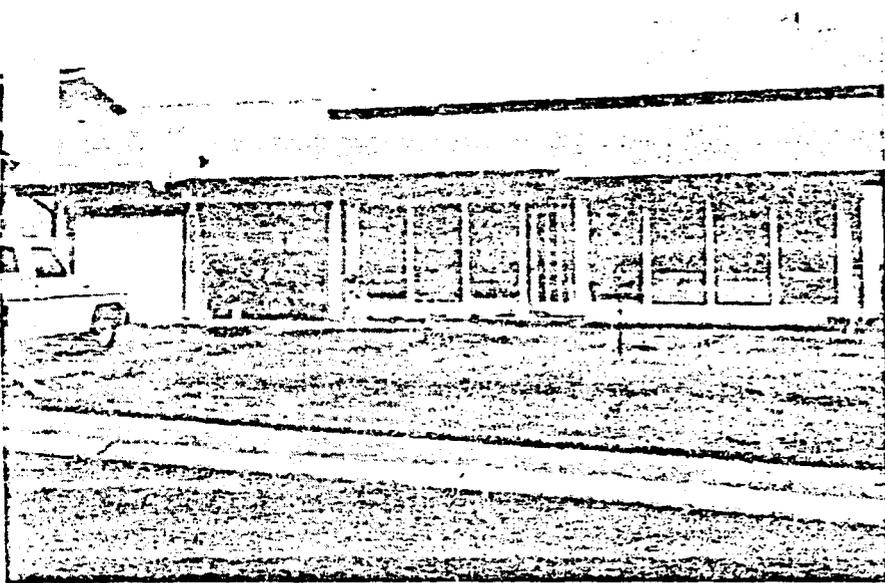
Built in 1983

Typical/average  
construction

Quality Grade:  
1F6 Good

Physical  
Depreciation: 11%

1986 appraised  
value: \$52,915



COUNTY B

Built in 1983

Typical/average  
construction

Quality grade:  
1F5 Average

Physical  
Depreciation: 1%

1986 appraised  
value: \$55,042

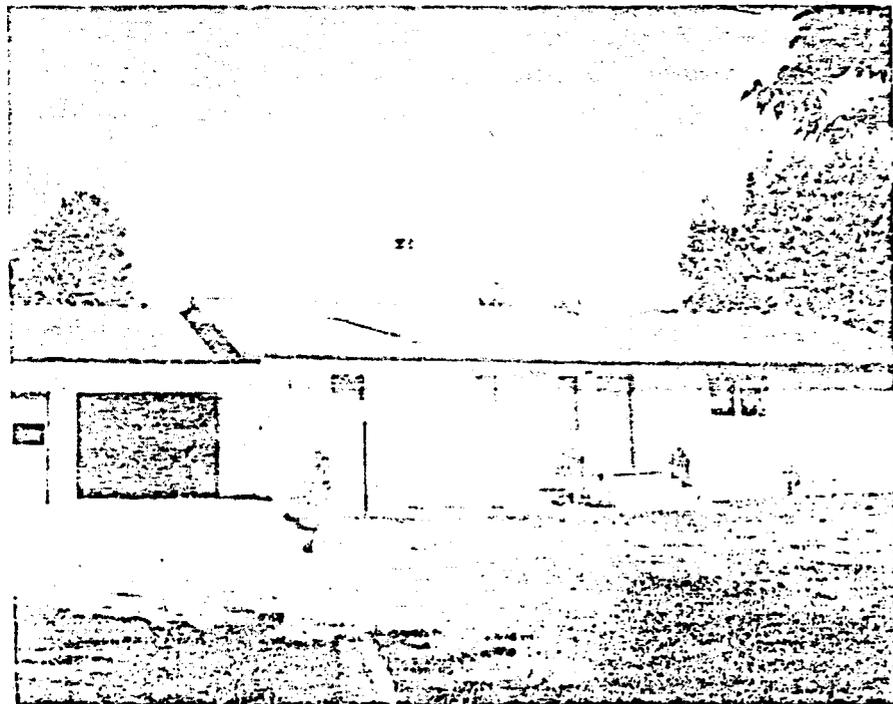


Illustration 21

RESIDENTIAL PROPERTY COMPARISONS

COUNTY C

Built in 1900

Typical/average  
construction

Quality grade:  
1F3 Fair

Physical  
Depreciation: 35%

1986 appraised  
value: \$21,789



COUNTY D

Built in 1900

Typical/average  
construction

Quality grade:  
1F6 Good

Physical  
Depreciation: 80%

1986 appraised  
value: \$24,376

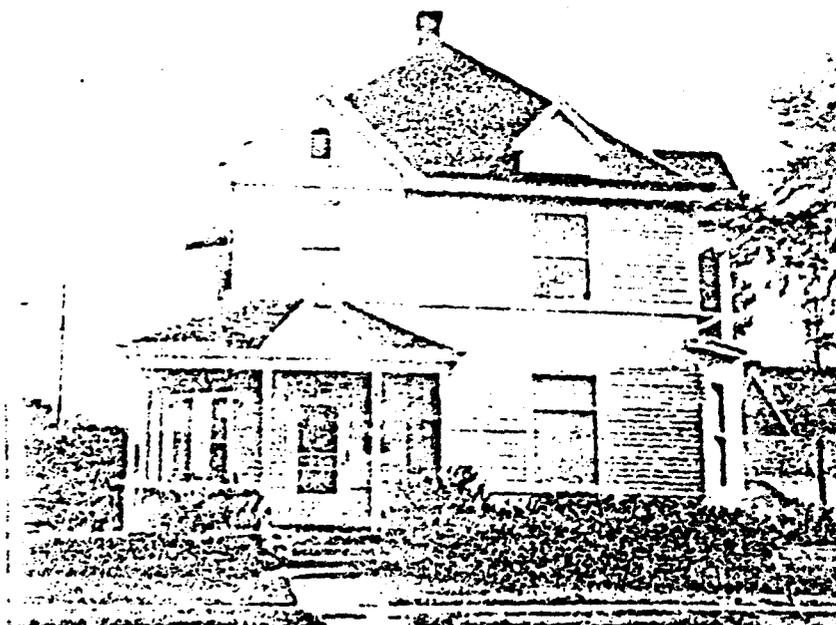


Illustration 22

technique to estimate lot values. We found a subdivision in that county where lots of various sizes were all priced at \$9,000 using the statistical technique. In another county an appraiser valued land at \$7,000 a lot in a particular subdivision even though market data showed land sales from \$10,000 to \$13,000 per lot. The property value was computed per front foot based on sales data.

We also reviewed appraisal methods used by the division to value commercial properties. To ensure the processing of commercial property information was accurate, four commercial properties were valued using the Marshall Valuation Service's computer as well as manually. These properties were selected at random by a county appraisal supervisor and were valued by us, a certified division appraiser, and area managers. A comparison was made of the results and we found the valuations varied and the division appraiser's valuations did not agree with the Marshall Valuation automated results in any of the four cases. The following table shows a comparison of computer generated Marshall system valuations with the manual valuations. (The Marshall Computer System is discussed further on page 82.)

COMPARISON OF MARKET VALUATIONS FOR  
SELECTED COMMERCIAL PROPERTIES

<u>Property</u>	<u>Marshall System Valuation</u>	<u>Division Appraisers' Manual Valuation</u>	<u>Area Managers' Manual Valuation</u>
A	\$ 65,051	\$ 56,223	\$ 65,480
B	133,142	149,831	135,782
C	156,950*	199,969	199,952
D	11,265	6,922	11,485

\*According to division officials the Marshall Computer System does not figure an interior finish construction which would have added about \$43,150 to the Marshall System Valuation.

Source: Compiled by the Office of the Legislative Auditor

Illustration 23

Two different methods were used by the division appraiser and the area managers to compute the manual valuations. Depending on the method selected, the manual valuations could vary as the previous illustration shows.

Management control of appraisal activities between counties appears to be lacking, causing inconsistency in practices. Division officials noted plans to conduct audits of one-fourth of the appraisal and assessment offices annually and do more supervisory review during the reappraisal cycle started January 1986. Increased supervisory activity by the division and an increased audit function would provide some assurance the valuation process is uniformly applied. The increased supervisory and audit activity would also address the inconsistency of property valuation between counties and limit the potential for inconsistencies within a county.

#### RECOMMENDATION #1

WE RECOMMEND THE DIVISION INCREASE SUPERVISORY AND AUDIT REVIEW OF COUNTY OFFICES.

#### DIVISION COMMUNICATION WITH COUNTY STAFF

Our audit work and questionnaire responses indicated division communication on policies and procedures and timeliness of responses to county staff requests for information were not adequate. We found county staff were concerned with the clarity and frequency of changes of division policies and procedures. For example, policy changes during the reappraisal cycle included procedures for valuing aircraft, boat licensing, and assessment notification policies. Interpretation problems concerning mobile home valuation and appraisal of nonproductive parcels of land less than 20 acres in size have also occurred.

Problems with policy changes and interpretation can result in additional work for county staff. For example, county staff noted the division sends them property data processing printouts with no instructions. During our field visits, county appraisal staff and county tax appeal board members noted little direct communication

from the division on how to proceed on tax appeals related to nonproductive parcels of land less than 20 acres in size. (The June 1986 Special Session passed Senate Bill 20 which changed eligibility requirements for agricultural land classification.)

County appraisers and assessors also indicated the division was untimely in responding to their requests for information. Eight of the twelve counties visited cited examples of requests for clarification going unanswered and delays in receiving division valuations, appraisal manuals, and valuation rolls. For example, 25 percent of county assessors responding to our survey questionnaire indicated that the division did not return phone calls.

Questionnaire results indicated that 75 percent of the assessor offices and 28 percent of appraiser offices believed communication between the division and the counties needs improvement. County staff suggested that more direct and timely communication is needed.

A division official indicated a lack of staff, time, and resources have prohibited the division from obtaining input from county staff pertaining to policy changes. The official noted frequent legislative changes, Administrative Procedure Act requirements, and a lack of electronic communication capability, which would allow messages and data to be transmitted between the division and county offices more efficiently, have contributed to the communication problems. The official noted that every legislative session since 1981 and most special sessions have made significant changes to Montana's property assessment and appraisal system. Property classes have been added and deleted; tax rates for classes of property have been changed; methods of valuing property have been significantly altered; and properties have been exempted, placed on a fee basis, and fees adjusted.

With these types of changes, effective communication becomes even more important to the completion of property valuation activities. County staff are regularly in contact with the public regarding property valuation issues. When procedural errors due to poor communication occur, it can affect the taxpayer's perception of the equity and accuracy of property valuation and reappraisal efforts.

NUMBER OF IMPROVEMENTS PER DAY PER APPRAISER BY COUNTY  
NECESSARY TO COMPLETE REAPPRAISAL DURING FIVE-YEAR CYCLE

	A	B	C	D
	Improvements	Number of Appraisers	Number of Parcels Per Appraiser (A/B)	Cycle Parcels Per Day (C/D)***
Beaverhead	6,080	1	6,080	5.07
Big Horn	4,392	1	4,392	3.82
Blaine	3,510	1	3,510	2.92
Broadwater	2,140	1	2,140	1.78
Carbon	8,041	1	8,041	6.70
Carter	1,370	1	1,370	1.14
Cascade	40,699	9	4,522	3.76
Chouteau	5,878	1	5,878	4.89
Custer	6,776	2	3,388	2.82
Daniels	2,745	1	2,745	2.28
Dawson	6,716	2	3,358	2.79
Deer Lodge	6,286	1	6,286	5.23
Fullon	2,411	1	2,411	2.00
Fergus	9,089	2	4,545	3.77
Flathead	19,107	7	5,587	4.65
Gallatin	27,479	6	4,580	3.81
Garfield	1,432	1	1,432	1.19
Glacier	4,960	1	4,960	4.13
Golden Valley	1,502	1	1,502	1.25
Granite	4,146	1	4,146	3.45
Hill	10,763	3	3,588	2.97
Jefferson	7,053	1	7,053	5.87
Judith Basin	2,957	1	2,957	2.46
Lake	16,978	3	5,659	4.71
Lewis and Clark	15,087	5	5,617	4.68
Liberty	1,743	1	1,743	1.45
Lincoln	20,179	2	10,190	8.49
Madison	9,152	1	9,152	7.62
McGone	2,236	1	2,236	1.86
Meagher	2,726	1	2,726	2.27
Mineral	3,266	1	3,266	2.72
Missoula	19,871	8	4,968	4.15
Musselshell	4,775	1	4,775	3.97
Park **	8,677	2	5,362	4.48
Petroleum	509	1	509	0.42
Phillips	3,944	1	3,944	3.28
Pondera	4,256	1	4,256	3.54
Power River	1,543	1	1,543	1.28
Powell	4,354	1	4,354	3.62
Prairie	1,526	1	1,526	1.27
Ravalli	19,694	3	6,565	5.47
Richland	6,935	2	3,468	2.89
Roosevelt	5,556	1	5,556	4.63
Rosebud	5,360	1	5,360	4.51
Sanders	8,090	1	8,090	6.74
Sheridan	4,270	1	4,270	3.55
Silver Bow	23,577	6	3,929	3.27
Stillwater	4,400	1	4,400	3.71
Sweet Grass**	2,067	0	-	-
Teton	4,533	1	4,533	3.77
Toole	4,674	1	4,674	3.89
Treasure	509	1	509	0.42
Valley	8,024	2	4,012	3.35
Wheatland	1,848	1	1,848	1.54
Wibaux	956	1	956	0.79
Yellowstone	6,111	10	611.1	5.09
Total/Average	521,390	112	4,660***	3.88***

\*Based on 240 days per year multiplied by the 5-year reappraisal cycle (240 X 5 = 1,200). The 240 days is an estimate based on days off for vacation, sick leave, etc.

\*\*Park County appraisal staff complete real property appraisals in both Park and Sweet Grass Counties.

\*\*\*these figures represent averages.

Source: Compiled by the Office of the Legislative Auditor

Illustration 29

Table 1  
State Expenditures Relating to Property Tax Functions  
Fiscal Years 1973 through 1986

Fiscal Year	Property Assessment			State Tax - Appeal Board
	General Fund	Other Funds	Total Funds	General Fund
1973	\$ 211,901	\$ -0-	\$ 211,901	\$ -0-
1974	940,570	2,927,519	3,868,089	141,517
1975	5,512,446	320,247	5,832,693	171,736
1976	6,618,614	48,986	6,667,600	181,506
1977	6,771,955	251,172	7,023,127	181,486
1978	7,660,394	438,547	8,098,941	172,958
1979	6,703,697	366,207	7,069,904	239,308
1980	6,863,339	282,778	7,146,117	238,742
1981	7,362,774	52,378	7,415,152	248,103
1982	23,467,308	-0-	23,467,308	255,960
1983	24,879,500	-0-	24,879,500	255,086
1984	10,494,852	-0-	10,494,852	291,059
1985	11,121,733	9,000	11,130,733	295,575
1986	11,563,146	25,000	11,588,146	320,338
<b>Total</b>	<b>\$130,172,229</b>	<b>\$4,721,834</b>	<b>\$134,894,063</b>	<b>\$2,993,374</b>

## Panel OKs tax-appeal funds

3-16-87

By The Associated Press

Heeding predictions of a continued growth in property tax appeals, the House Appropriations Committee today agreed to pump an extra \$273,000 into the county appeals boards to handle the influx of cases over the next two years.

The move eliminated what had been a proposed 2 percent general fund decrease in the budget for the State Tax Appeal Board and its county counterparts. The recommended spending would be the same as that called for in the governor's executive budget about \$900,000 for the biennium.

Robert Raundal, state board chairman, said the county panels cannot possibly process all the 15,000 expected appeals this year with the smaller budget proposed by the appropriations subcommittee.

In other action on the Depart-

ment of Administration's budget, the committee added about \$84,000 to allow the accounting division to deal with alterations in the state's bookkeeping system. Rep. Dorothy Bradley, D-Bozeman, had requested the increase, noting that the Legislature has added requirements to the system.

After approving that additional money, the committee then removed an almost identical amount — \$83,000 — that funds two members of a support staff for the accounting system. Department Director Ellen Feaver said positions targeted involve the people who do programming work on the computerized system.

The committee delayed action on a proposal by Rep. Dennis Rehberg, R-Billings, to transfer \$327,000 from three special funds within the departments.

PROPERTY ASSESSMENT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	465.40	418.62	394.25	394.25	(24.37)
Personal Service	\$ 9,683,647	\$ 8,379,991	\$ 8,343,044	\$ 8,342,128	(17.63)
Operating Expense	1,661,658	1,709,303	1,511,608	1,416,316	(11.8)
Equipment	242,847	57,466	115,061	105,605	(26.45)
<b>Total Expenditures</b>	<b>\$11,588,152</b>	<b>\$10,146,760</b>	<b>\$9,969,713</b>	<b>\$9,909,249</b>	<b>(18.54)</b>
<b>Fund Sources</b>					
General Fund	\$11,563,152	\$10,146,760	\$9,969,713	\$9,904,249	(18.43)
State Special	25,000	-0-	-0-	-0-	(100.00)
<b>Total Funds</b>	<b>\$11,588,152</b>	<b>\$10,146,760</b>	<b>\$9,969,713</b>	<b>\$9,904,249</b>	<b>(18.54)</b>

The Property Assessment Division is responsible for performing all tasks necessary to secure a fair, just, and equitable valuation of all taxable property among counties, between different classes of property, and between individual taxpayers. Specific duties include reappraising all real property every five years, auditing taxable values to be sure they reflect market value, centrally assessing railroads, public utilities, and airlines, defending the department in tax appeals before county and state tax appeal boards and the courts, and conducting schools for assessors and appraisers.

The current level budget provides a 8.6 percent decrease in overall operating expenses caused by the personnel reduction for completing the reappraisal cycle and for the 5 percent and pay plan funding cuts. There is a 24.37 FTE reduction from the fiscal 1987 authorized level after the 5 percent and pay plan cuts to the 1988 biennium current level FTE.

Operating expenses are budgeted to decrease 12.1 percent as expenditures relating to the completion of the last reappraisal cycle are not continued into the 1989 biennium. Equipment expenditures are budgeted to decrease 26.5 percent in the 1989 biennium.

This division is funded from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

# Audit shows property tax reassessment unequal

By TOM COOK  
State Bureau

The state Revenue Department lacks the money and the manpower to meet its constitutional obligation to reassess property for tax purposes every five years and to ensure statewide equalization, according to a legislative audit released Tuesday night.

"This is clearly a mess," Rep. John Cobb, R-Augusta, said after the report was made to the Legislative Audit Committee. The audit showed many discrepancies in recent state property reappraisals including such instances as tracts of land being valued at \$39,000 when their actual worth was \$2,400.

"Basically you are saying that there isn't any statewide equalization," Cobb said.

The auditors recommended that all as-

## One legislative observer said the report will be like throwing gas on the fire of the property tax revolt begun last year with the initiative to abolish property taxes.

essment duties be placed under direct control of the Revenue Department.

"It appears as long as assessors remain elected officials there will continue to be inadequate organizations control," the audit stated.

Rep. Bruce Simon, R-Billings, said it appears that property taxpayers who complain about reappraisal mistakes are more likely to receive relief than similarly situated property owners who don't.

That doesn't happen in all cases, Deputy Auditor Joe Seipel said. "There is

Auditors were unable to estimate how many millions of dollars it would take to provide enough trained personnel to perform five-year reappraisals.

"The available information indicates the division, with current resources and present responsibilities, will not be able to adequately complete property reappraisal," the report states.

Simon said given the state's tight budget it is unlikely that the division will be given more money, and that consideration must be given to lengthening the five-year cycle.

There was also a lack of uniformity from county to county on the way appraisals were made, the report stated.

One legislative observer said the report will be like throwing gas on the fire of the property tax revolt begun last year with the initiative to abolish property taxes.

# PROPERTY TAX APPEAL FORM NUMBER 1

*(Read Instructions on back of Form before Completing)*

File this appeal with the county tax appeal board on or before the first Monday in June or within 15 days of the time you receive your Notice of Change in Valuation of real property or your Assessment List of personal property from the Department of Revenue. (For the purpose of a tax appeal, your notice of taxes due from your County Treasurer is not considered a notice of change or assessment.) Please see Instructions #1 & #2.

FOR COUNTY BOARD USE	
Date appeal filed: <u>5-22-84</u>	
C. B. Docket No.:	<u># 6</u>

(Please Type or Print)

NAME: Smith Farms Inc. PHONE NO. (H) 483-5484 (W) \_\_\_\_\_  
 If name shown on tax rolls is other than taxpayer's, please indicate above.

MAILING ADDRESS: Box HC 412 DAYMAR MT. 59219  
Street or Box No. City or Town ZIP

I hereby make application to the Sheephead County County Tax Appeal Board for adjustment in the appraised value of the following described property:  
 (The following Section must be completed in full to be considered.)

### LEGAL DESCRIPTION OF PROPERTY:

City or town property: Lot(s) \_\_\_\_\_ Block(s) \_\_\_\_\_  
 \_\_\_\_\_ Addition or \_\_\_\_\_ Subdivision (Check one) \_\_\_\_\_ (Name)

Street Address: \_\_\_\_\_

Rural Property: No. of Acres 87c Section 31 Township 32 Range 58

	Appraised Value set by Department of Revenue	Appraised Value as Determined by Taxpayer	FOR USE BY COUNTY BOARD
Land .....			
Buildings .....	<u>\$11,712.00</u>	<u>\$6,800.00</u>	\$8,000.00
Personal Property <u>Mobile HOME</u>	<u>7483.00</u>	<u>\$2,500.00</u>	\$4,500.00

Reasons for appeal: Value appraised much higher than original cost. Depreciated value for income tax purposes. \$58,000.00 just a utility building used for cattle soft open front. Shook for a few months in winter.

Name of person who conducted your hearing, as provided in Sections 15-1-303 and 15-7-102, MCA. (See Instruction #2). \_\_\_\_\_

Signature of taxpayer: Smith Farms by Doug Smith Date: May 22, 1984

Printed name of person signing appeal: DOUG SMITH

TESTIMONY IN SUPPORT OF SB 36

PROPONENTS:

Marvin Barber, Montana Assissors' Association  
Giles Gregoirs, North Montana Stockgrowers' Association  
Lyle Quick, Commissioner, McCone County  
John Duncan, Duncan Ranch Company  
Lorna Frank, Montana Farm Bureau  
Ray White, Gallatin County Commissioner  
Don Jenni, Fergus County Farm Bureau  
Senator Larry Tveit, Senate District No. 11.  
John Rabenberg, Wolf Point Chamber of Commerce  
Julie Hacker, Missoula County Freeholders  
Gordon Morris, Montana Association of Counties  
Norman Nelson, Sheridan County, representing himself  
Kay Norenberg, WIFE  
Kenneth A. Coulter, Garfield County Commissioner  
Jo Brunner, Representing Montana Grains and Montana Cattlefeeders  
Robert Correa, Gallatin Agriculture Preservation Association  
David McMiller, Richland County Commissioner  
Art Nelson, Lavina, Montana  
Bill Barba, Polson, Montana  
John Allhands, Madison County Commissioner

OPPONENTS:

Don Peoples, Chief Executive, Butte-Silver Bow  
Greg Groepper, Administrator, Property Assessment Division, Department of Revenue  
Senator Eck, Senate District No. 40  
Eric Feaver, MEA  
Claire Wilken, Montana Appraisers Association  
Ed McHugh, Helena, MT, representing himself  
Sally Smith, Montana Appraisers' Association  
Ray Stubberud, Montana Appraisers' Association

February 21, 1987

Vote on Senator Eck's substitute motion that SB 36 DO NOT PASS,  
AS AMENDED:

IN FAVOR OF THE MOTION

Senator Neuman  
Senator Lybeck  
Senator Mazurek  
Senator Eck  
Senator Hirsch  
Senator Halligan

OPPOSED TO THE MOTION

Senator Crippen  
Senator Severson  
Senator Brown  
Senator Bishop  
Senator McCallum



Office of  
**COUNTY ASSESSOR**

**ARLETTA C. DERLETH**  
Gallatin County  
Bozeman, Mt. 59715

February 13, 1987

This letter is in response to the newspaper articles regarding the Legislative Audit and the Legislative Audit that was conducted on the Department of Revenue.

I am presently the Assessor of Gallatin County and one of those counties chosen for the audit conducted. When we were informed that a Legislative Audit would be performed on the Department of Revenue, I felt elated that finally Assessors would have an opportunity to state their point of view to that body of representatives, who we felt sure were not being informed of the Department of Revenue's actions and policies that were creating mass upheaval at the local level.

After reading the results of the audit, I feel that Assessors' concerns were not heard, and that the Department of Revenue had the final say, with the solution to those problem areas defined in the audit being, eliminate the office of Assessor as an elected official. This has been their goal for many years. The elimination of this office, as an elected position, would ultimately be one less voice to represent the people of Montana. I emphasized, during the audit, that as an elected official, Assessors have the responsibility to their constituents to administer an office efficiently, implementing the mandated Laws and Rules and Regulations in a courteous manner. Consistently, taxpayers are complaining about the treatment they receive from State Department of Revenue employees, and their attitudes. This attitude is one of the contributing factors to the disillusionment of state government that we are now experiencing. If a taxpayer does not like the reception they receive in the Assessor's Office statewide, those Assessors are vulnerable at the election polls, as they should be.

Assessors have been conveniently blamed for all the problems and errors that resulted from reappraisal. Instructions were given by the Department of Revenue and Area Managers, to get the values on the taxroll through downloading the values from the

computer in Helena to the local computers (don't check anything), just get it done and send out assessments. They felt it was the taxpayers responsibility to review the assessment for errors. My feeling was, "you put garbage in, you get garbage out." This was not an efficient or professional manner in which to treat the taxpayers or the county. This procedure would have also resulted in Gallatin County and the school districts setting their budgets on an erroneous value. I made the decision to check all values on an individual basis, resulting in a month and one half of taking home edit sheets and checking the information four hours each and every night. As a result of Senate Bill 20, which was enacted by special legislation in June, 1986, an additional workload was added. The Department of Revenue instructed my office, through Area Managers, that we were to return to agricultural value, only those parcels that were 20 acres or more. Any property that qualified by being contiguous and totaling 20 or more acres, was to be left alone and if taxpayers complained, handle them on a one to one basis, correcting only those who complained. This was not the intent of the Law. I was then put in the position of either complying with Senate Bill 20 or statutorily establishing a value for the County by the second Monday in August. With the approval of the Gallatin County Commissioners, the decision was made to manually edit all property owners in Gallatin County to determine if they qualified for Senate Bill 20, being contiguous and totalling 20 or more acres. We felt that the Law mandated this and the best interests of the taxpayer were being considered by insuring a correct tax statement, even though that bill was mailed late. This was not the responsibility of the Assessor, but was necessitated because of the lack of direction by the Department of Revenue to local appraisers to comply totally with Senate Bill 20. The "Tax Assessment Mess" was created by the Department of Revenues lack of communication with local offices. The whole reappraisal was implemented by the Department of Revenue on the computer in Helena. No input was solicited from individual counties as to the format each county needed to insure matching of existing taxrolls in each county; therefore approximately 40% was not compatible, that 40% had to be manually figured on a one to one basis to insure a correct assessment. Now we have been instructed to edit all of the Department of Revenue records and correct them so a mirror image of our county record exists on the state computer. If the effort had been made to do this initially, we would not have to re-edit 25,000 parcels.

The Assessors are mandated with the responsibility of posting the real estate values, as they are submitted by the Appraiser, to the assessment taxroll. The discrepancies in values of lots, are not created in the Assessors office (due to Assessors discretion) but in fact are derived in the Appraisers office, which is under the direct control and supervision of the Department of Revenue. The discrepancies are due to the Appraiser's discretion in depreciation factors, which was stated in the audit. Incorrect

information submitted on transmittal forms to the Department of Revenue, is one of the major causes of error in valuations.

Another concern I have, is the lack of concern the Department of Revenue has for maintaining local records. With the implementation of more control at the State level, we inevitably decrease local governments function in the whole taxation process. Local government has a definite interest in tax assessment and should have more voice in procedures. With the lack of staff, and the paper work imposed on the assessors and appraisers requiring the constant editing of state records, the major function of those offices (which is assessing and appraising all personal and real property) has suffered greatly.

In conclusion, I urge you to consider voting for that legislation proposed to return control of the Assessor and the Appraisal Offices to the local governing bodies, with the Department of Revenue responsible for establishing the schedules and depreciation tables to be used statewide for equalization, not administering those local offices. I feel the majority of Assessors have been responsible elected officials and have done a good job in representing their constituents.

Thank you for your time and consideration.

Sincerely,

Arletta C. Derieth  
Gallatin County Assessor

3212 8th Avenue North  
Great Falls, Montana 59401

I am writing you this letter regarding the information about the dictatorial actions of the so-called audit team. LaFeaver had sent the team to take over the Cascade County Assessor and Appraisal offices.

They have completely taken over the offices, ignoring the elected official Mr. Charles Nebel and they assign duties without his consent or his consideration. In addition, employees of both offices are so on edge that they complain of headaches and nervous upset.

I am enclosing a letter that this team sent to all employees restricting the use of our seven (7) telephones which we have in the office to serve the tax-paying public. I am also sending you a clipping from the Great Falls Tribune in response to the telephone letter.

The letter has also upset the County Commissioners, as they said the State team had no right to tell the switchboard operator how to route the phone calls through.

The County Attorney states it is a very unfair way to treat the employees, as well as the taxpayers who have been getting service for the past twenty-four years.

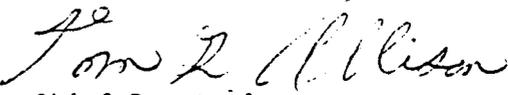
The District Supervisor told Paul Pistoria that there was no problem in Cascade County, so why are they bothering our employees?

When the Assessor's offices were run by the County Assessor and their Chief Deputy, we did not need or have a District Supervisor and 30 to 40 people in the Department of Revenue office in Helena to run the job a great cost to the taxpayers. We had five or six members of the State Board of Equalization to help or advise and it was not dictatorial, as it is now, and the Board respected the taxpayer. And we did not have a big computer expense as we have our own computer. This is a double expense to the taxpayer.

We urge you to support "Big Ed Smith's" Senate Bill 36 to put the Assessors and Appraisers back to the counties.

Thank you for your support. I remain

Sincerely yours,

  
Chief Deputy Assessor  
Cascade County

GENERAL MILLS, INC. • EXECUTIVE OFFICES • 9200 Wayzata Boulevard • Minneapolis, Minnesota

LAWRENCE H. SAWYER  
Director  
State Government Relations  
& Civic Affairs

January 16, 1987

Mr. Brett A. Boedecker  
Montana Forward Coalition  
100 1/2 So. Merrill  
P.O. Box 777  
Glendive, MT 59330

Dear Mr. Boedecker:

I'm sorry that General Mills will not be available to testify before the Montana House Tax Committee in Helena on January 19. Please convey to the committee that Montana's unstable property tax system has led us to postpone any decision concerning renovation of our Great Falls Flour Mill.

The mill we operate in Great Falls has been in operation since 1893. Without exception, those who managed the mill for General Mills have stated that Great Falls is a fantastic place to live and raise a family. We encourage Montana to adopt a stable, predictable tax system based on an equitable distribution of burden between property sales and income taxes. If this were to happen, Montana citizens can be assured that we will renew our commitment to Great Falls including continued renovation of our plant.

Sincerely,



Larry Sawyer

LS:dms

February 19, 1987

Senator Ed Smith  
Capitol Station  
Helena, Montana 59620

Dear Senator Smith:

This is a letter in reply to our discussion yesterday concerning property appraisals.

We bought our house in July, 1987. I received a G. I. Loan which required an appraisal. Tabberachi of Cut Bank made the appraisal, and the appraisal was \$50,000; current market value!

We paid \$49,900 for the house. The State of Montana reappraised the house the same week, but that appraisal was \$104,000. I would sell the house to the State of Montana for \$104,000, if I could, but I can't.

I feel the reappraisal is more than double the actual value of our home.

Sincerely,



Doug Abelin  
205 2nd Ave. So. East  
Cut Bank, MT 59427

Lee Witte called and said that he had built a shed using poles, used tin and scrap materials. Using the going wages for carpenters, the amount per square foot was \$2.30. The Department of Revenue quoted figures out of the "Manual". The "Manual" said the amount was \$7.41, and the state employee said, "That (\$7.41) was the amount it was going to be..."

# TRIB Readers' opinions

## Work together?

"Can irrigators and Chester area people build Tiber hydro plant?" This was the question asked in the Chester newspaper in December and was suggested again in Helena last week by the long-range planning committee that oversees the coal tax trust fund.

The irrigators plan to sell bonds to finance the construction of a 12-megawatt plant at Tiber Dam. The money would come from the private sector with the trust fund serving as a loan guarantee by the state.

In order to get this guarantee, they need to obtain a license from the Federal Energy Regulatory Commission, negotiate a profitable power sale contract and maintain a reserve fund. The plant would cost about \$18 million but another \$6 to \$8 million in bonds would be sold to cover the reserve and debt service during construction.

The Hi-Line Sportsmen's Club at Chester would like to develop a cold water blue ribbon trout stream below the dam. The irrigators have revised their design to meet that requirement.

The first peace feeler went out two years ago when a director from an irrigation district near Chinook stated, before a Senate committee in Helena, that the irrigators would consider marriage with Chester. Again last month, another Chester area senator was told in Helena that the irrigators have no objection to working with Chester, but that we do not wish to take part in a plan that sends many millions of dollars of profit out of the state into the pockets of New York investors.

The Milk River people were given a right to a portion of the water in Tiber nearly 30 years ago but cannot afford the cost of bringing it to their valley. This project could make it possible. The Chester people have many legitimate concerns since it is located in their county and they need supplemental income to operate their local governments.

This is a Montana resource that can be developed by our own people for the benefit of our areas and our state in general. Perhaps the time has come to get on with it.

JOHN G. OVERCAST, Chinook

## State is responsible

A year ago, while working in the assessor's office, I submitted a letter to the editor stating problems that were going to occur with the reappraisal program. Assessor Charlie Nebel was criticized for allowing one of his employees to submit such information, all of which turned out to be true.

In January of 1986 when the first state computerized runs were received, the assessor's office notified state officials there were hundreds of errors in the computations. Finally, six weeks later, the Department of Revenue admitted there were mistakes and issued a new run.

This, of course, delayed the mailing of the assessments for which the assessor's office was blamed. Also the assessor was criticized for the type of notice sent to property owners. However, this form had been used for many years without any previous objections.

One would think, that with 56 counties, the state would have a standard form to be used by all assessors, but as Mr. Groepper says, "it is easy to be critical."

After the assessment notices were mailed in 1986, the assessor's office continued to receive innumerable corrections of property values, and this is still going on today — yet the inference from the Department of Revenue is that the appraisal office is doing a fine job and most of the problems originate in the assessor's office.

I have to agree with most of the statements of John Kenny, although I do not feel that personnel changes are in order at this time. Groepper and others at the state level should admit that they have been somewhat remiss in the past in handling the problems that exist between the state, assessor and appraisal offices.

In a recent survey, over 70 percent of the assessor's offices wanted to return to county supervision. Why? Errors are made in all offices, so instead of pointing the finger and making a lot of accusations, let's hope that the current steps being taken by the state to correlate the activities will prove beneficial to the public and the counties involved.

BILL STERLING, 4001 Oxbow Road

## State wastes money

When a tax was added to cigarettes about 1946 to pay we veterans a bonus which is still in existence, all we hear is what can we tax next. They have a tax on cats, dogs, everything except gorillas. Instead of looking for new taxes, why not look to see where our tax dollars are going?

Here is one example. We elected Charles Nebel our assessor. He has a small staff and they are doing a fine job as long as the bureaucrats leave them alone. Some time ago the governor sent seven nice big bureaucrats to move in the assessor's office for no apparent reason. They act more like dictators than assessors. All they have been doing is creating havoc in the office.

How many counties they have moved into I do not know, but I'm certain the governor has enough pals in need of a easy job that eventually they will eventually cover the entire state.

Also, in Helena an appraiser office was opened. Why, I do not know. They employ an even 50 people. I walked all through their offices one day posing as a state employee and counted the faces. I could only find 32. The rest must of been in the lavatory or home sick. They could even be out driving around as the weather was lovely. These people also cost you money with their salary and expense account. This is just one of the many ways the state is wasting your money. There are many more.

PAUL A. GIES, Monarch

3-25-87  
SB 36

PROPOSED AMENDMENTS  
SENATE BILL 36 (Third reading - blue)

1. Page 2, following line 14.

Insert: "The commission must be comprised of the following members:

- (i) one county commissioner;
- (ii) one city commissioner or city alderman; and
- (iii) five public members, including:
  - (A) one representative of a Montana educational organization;
  - (B) one farmer or rancher;
  - (C) one person involved in business or industry;
  - (D) one homeowner; and
  - (E) one other property owner."

7072d/C:JEANNE\WP:jj

SENATE BILL 36  
 ASSISTANCE PROVIDED COUNTIES BY DOR  
 TO COMPLETE REAPPRAISAL\*

#5  
 325-87

REAPPRAISAL ASSISTANCE

	<u>FTE</u>	<u>WEEKS WORKED</u>
Beaverhead	3	3.2
Big Horn	5	32
Blaine	10	65.2
Broadwater	2	3
Carbon	21	204
Carter	2	1
Cascade	5	17
Chouteau	2	1.4
Custer	4	13
Daniels	0	0
Dawson	0	0
Deer Lodge	17	50.2
Fallon	1	7
Fergus	6	38.4
Flathead	38	1,008.2
Gallatin	10	69.2
Garfield	1	11
Glacier	2	.2
Golden Valley	1	1
Granite	2	8
Hill	2	.2
Jefferson	6	8
Judith Basin	1	.5
Lake	31	198
Lewis & Clark	10	69.4
Liberty	2	.2
Lincoln	14	191.2
Madison	20	129.6
McCone	2	2
Meagher	1	3
Mineral	4	17
Missoula	7	52
Musselshell	4	9
Park	3	8
Petroleum	0	0
Phillips	0	0
Pondera	1	.2
Powder River	2	2
Powell	6	13.6
Prairie	0	0
Ravalli	8	37.2
Richland	12	237
Roosevelt	18	330
Rosebud	4	117.4
Sanders	3	122
Sheridan	1	6
Silver Bow	6	31
Stillwater	4	78.7
Sweet Grass	1	2
Teton	9	31.2
Toole	0	0
Treasure	5	14.5
Valley	14	154
Wheatland	1	.5
Wibaux	0	0
Yellowstone	47	504.6
Total	381	3,903.0

\*Help was provided in these counties where completing reappraisal was behind schedule. The increasing workload in specific counties will continue to require an ongoing level of assistance from other counties. A portion of the assistance was required to complete the reclassification of timber land and agricultural land.

25-87  
1/1/87

3-25-87  
#6  
SB 150  
[REDACTED]  
BILL NO. SB-150

SENATE BILL 150

THE REALTY TRANSFER ACT WAS PASSED BY THE LEGISLATURE IN 1975. THIS ACT REQUIRES THAT THE BUYER OR SELLER OF REAL ESTATE FILL OUT A FORM WHICH TELLS THE DEPARTMENT OF REVENUE THE SALE PRICE OF THE PROPERTY. THE PURPOSE OF THE ACT IS IN 15-7-302. IT SAYS "THE PURPOSE OF THIS PART IS TO OBTAIN SALES PRICE DATA NECESSARY TO THE DETERMINATION OF STATEWIDE LEVELS AND UNIFORMITY OF REAL ESTATE ASSESSMENTS BY THE MOST EFFICIENT, ECONOMICAL AND RELIABLE METHOD."

THE DEPARTMENT OF REVENUE HAS BEEN COLLECTING THIS INFORMATION FOR YEARS AND HAS USED IT IN SETTING THE VALUE OF PROPERTY. THE DEPARTMENT HAS NOT PUBLISHED ANY REPORTS SINCE 1980 TELLING THE PUBLIC WHAT THE LEVEL OF ASSESSMENT IS.

THE FIRST PART OF SENATE BILL 150 REQUIRES THE DEPARTMENT TO PUBLISH A SALES-ASSESSMENT RATIO STUDY EVERY YEAR. THIS IS THE ONLY WAY THE LEGISLATURE AND THE PUBLIC CAN TELL IF ASSESSMENTS ARE FAIR AND UNIFORM ACROSS THE STATE.

A SALES-ASSESSMENT RATIO STUDY COMPARES THE SALE PRICE OF PROPERTY TO THE ASSESSED VALUE USED BY THE DEPARTMENT OF REVENUE. IF THE SALES-ASSESSMENT RATIO IS 80%, IT MEANS ASSESSMENTS ARE 80% OF SALES PRICE. THE STUDY WILL SHOW IF ASSESSMENT LEVELS ARE UNIFORM IN EACH COUNTY OF THE STATE.

THE SECOND PART OF SENATE BILL 150 REQUIRES THE DEPARTMENT OF REVENUE TO PROVIDE COMPARABLE SALES INFORMATION TO A TAXPAYER WHO APPEALS HIS ASSESSMENT. THE MONTANA SUPREME COURT LISTED THE INFORMATION THAT A TAXPAYER MUST PRESENT TO A TAX APPEAL BOARD IN THE COUNTRYSIDE VILLAGE CASE IN 1980. THE COURT SAID A TAXPAYER MUST SHOW THE ASSESSED AND SALES VALUE OF SEVERAL PROPERTIES COMPARABLE TO HIS

AND HE MUST SHOW THAT THE ASSESSMENT LEVEL OF HIS PROPERTY IS HIGHER THAN THE OTHERS, THUS CAUSING DISCRIMINATION.

THE DEPARTMENT OF REVENUE IS THE CUSTODIAN OF ALL SALES INFORMATION IN THE STATE. SINCE THIS INFORMATION IS PROVIDED BY THE TAXPAYER, IT IS ONLY FAIR THAT THE DEPARTMENT BE REQUIRED TO SHARE THIS INFORMATION WITH THE PUBLIC FOR THEIR USE IN DETERMINING WHETHER THEY ARE BEING ASSESSED FAIRLY BY THE DEPARTMENT OF REVENUE.

1/27/86

SENATE TAXATION  
EXHIBIT NO. 2  
DATE 1-29-87  
BILL NO. SB-150

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. SB 36

DATE March 25, 1987

SPONSOR Smith

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
GRACE GREENBERG	HELENA		X
Chris Lecce	Hamilton		X
Maurin Barber	Mt. assessors assoc	X	
Wells Teigey	Mt. Stockgrowers		
Wally Allen	Bozalis County		
Larna Frank	Mt. Farm Bureau	X	
John Yantow	City of Billings		X
Gordon Morris	M.A.C.O.	X	
Bill Meyer	N/A	X	
J. Brunner	Young, Callahan, Callahan	X	
Bob CORREA	Boz. Chamber of Com	X	
Duane McKinney	Rosebud County Res		X
Florence Young	Brookings Co	X	
Edith Wright	Gallatin Co	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.











