

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION**

COMMITTEE ON PROPERTY TAX

Call to Order: By **REP. BEN COHEN, CHAIR**, on July 14, 1992, at
3:25 p.m.

ROLL CALL

Members Present:

Rep. Ben Cohen, Vice-Chairman (D)
Rep. Ed Dolezal (D)
Rep. Russell Fagg (R)
Rep. Ed McCaffree (D)
Rep. Mark O'Keefe (D)
Rep. Fred Thomas (R)
Rep. Dave Wanzenried (D)

Members Excused:

Rep. Orval Ellison (R)
Rep. Dan Harrington (D)
Rep. Ted Schye (D)

Staff Present: Lee Heiman, Legislative Council
Billie Jean Hill, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

HEARING ON HB 52

Ken Morrison, Administrator, Property Assessment Division, Department of Revenue (DOR), said HB 52 places the new property tax values determined during the recent reappraisal cycle on the tax rolls for the 1993 tax year instead of the 1994 tax year.

The first issue raised is one of equity. Does the Legislature want to put all of the essential value on property for tax purposes in one year or does it want to split it? This question must be answered. Other issues are the confusion of multiple assessment notices on property being sent in the same year and the ratio-setting program. The State Tax Appeal Board found problems with SB No. 412 which changed the ratio-setting program after the Supreme Court found problems with it. The ratio-setting program continues into 1993. The question is whether the Legislature wants to eliminate it now and reduce the risks of litigation.

Questions from the Committee:

REPRESENTATIVE DAVE WANZENRIED said that the DOR lobbied very heavily for HB 52. He asked why there is a problem with the multiple assessment notices now. **Mr. Morrison** said DOR was aware of the multiple assessment notices but did not realize that there may be a problem with them. **REP. WANZENRIED** asked how important is it to eliminate the ratio-setting program in terms of the Tax Appeals Board. **Mr. Morrison** said it would be a good idea to reduce the risk on the ratio-setting program so that DOR does not have to go back another year to change the ratios.

Dave Woodgerd, Chief Legal Counsel, DOR, said DOR lost 2 to 1 at the State Tax Appeal Board. When it goes to the Supreme Court, the best argument DOR has is that it has a plan to eliminate the adjustments and go to a three-year reappraisal cycle. HB 412 will accomplish this. **Mr. Woodgerd** provided proposed amendments to HB 52 which would put DOR in the position it wants to be in one year sooner without making major adjustments. **EXHIBIT 1**

REPRESENTATIVE FRED THOMAS asked why splitting the sales adjustment cycle over a three-year period is more beneficial than the current one-year period. **Mr. Morrison** said because DOR is no longer doing adjustments based on sales ratio studies.

REPRESENTATIVE MARK O'KEEFE said that HB 52 reduces part of the functions of the DOR. He asked if it brings revenue into the state. **Mr. Morrison** said HB 52 does not bring revenue to the state but it does assist in reducing costs.

CHAIRMAN COHEN asked what impact HB 52 would have on the reappraisals of property in Flathead County. **Mr. Morrison** said there was a ratio study adjustment done in 1992 on property in the rural Flathead County. Current law states, if there is a ratio study adjustment causing increasing value in an area in 1992, DOR will use the reappraised values in 1993 to compute the taxes. DOR will use rural Flathead Valley's reappraisal values to compute the 1993 taxes. Other areas in the Flathead Valley have not had a ratio study adjustment. Those areas will use whatever adjustment the ratio study showed in 1992. All areas will use the reappraisal values in 1994.

CHAIRMAN COHEN referred to the amendments. **See Exhibit 1** He said that he is opposed to any further extensions for either agricultural land or timber land. He asked if there was any reason why these extensions couldn't wait until the 1993 Regular Session. **Mr. Morrison** said he was not aware of any. The extension on timber land is just a clarification. DOR believes that statutes already have the 1994 date in them. As long as the amendment was made for agricultural land, DOR felt clarification should be made for timber land at the same time. The agricultural community felt that if HB 42 were adopted, the

report from the Ag-Advisory Committee would not have an opportunity to be heard by the next Legislature. They wanted to see something attached to HB 42 to put their minds at ease. This is the purpose of the amendment

NO ACTION WAS TAKEN ON HB 42.

HEARING ON HB 57

CHAIRMAN COHEN said HB 57 clarifies that an objection to a property tax classification or appraisal must first be heard by the DOR. It also revises the process by which the Department handles an objection. It is a good idea for taxpayers to talk to their appraiser before they file an appeal to the County Tax Appeal Board.

Ken Morrison, Administrator, Property Assessment Division, Department of Revenue (DOR), said HB 57 was introduced to hold down costs. The current appeal's procedure is that taxpayers come to the DOR and have it review the appeals. If the taxpayers are uncomfortable with the decision, they would go to the County Tax Appeal Board then to the State Tax Appeal Board. If the taxpayer still does not like the decisions made, they may then take the appeal to court. The problem lies in whether a taxpayer goes to the Department or the County Board first. HB 57 is an interpretation of the statute. The State Tax Appeal Board suggested that an appeal needed to be filed at the same time a request for review is filed.

Questions from the Committee:

REP. WANZENRIED referred to p. 2 of HB 57. He asked what striking "county assessor" and adding "department" would do. **Mr. Morrison** said when the bill was drafted, DOR just inserted "department" wherever there was the words "county assessor" or "county appraiser". The DOR is responsible for sending out the assessment notices. He did not think these changes would make that much difference.

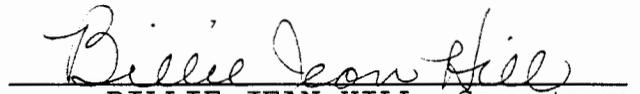
REP. ED DOLEZAL asked what would happen if no action were taken on the bill until the 1993 Regular Session. **Mr. Morrison** said DOR is looking for cost savings.

NO ACTION WAS TAKEN ON HB 57.

ADJOURNMENT

Adjournment: 4:00 P.M.


BEN COHEN, Chair


BILLIE JEAN HILL, Secretary

BC/BJH

HOUSE OF REPRESENTATIVES
PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE

July 14, 1992

NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIR	✓		
REP. ED DOLEZAL	✓		
REP. ORVAL ELLISON		✓	
REP. RUSSELL FAGG	✓		
REP. DAVID HOFFMAN	✓		
REP. ED MCCAFFREE	✓		
REP. MARK O'KEEFE	✓		
REP. TED SCHYE		✓	
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		
REP. DAN HARRINGTON, CHAIRMAN		✓	

EXHIBIT 1
DATE 7-14-92
HB 52 special session
Property Tax Committee

AMENDMENTS

House Bill 52
Introduced Version

1. Title, line 8

Following: "1994 TAX YEAR"

Insert: ", AND PROVIDING AN EXTENSION OF THE REAPPRAISAL CYCLE FOR CLASS THREE - AGRICULTURAL LAND AND CLASS TEN - FOREST LAND WHICH REAPPRAISED VALUES SHALL BE PLACED ON THE TAX ROLLS IN THE YEAR FOLLOWING COMPLETION OF THE REAPPRAISAL CYCLE"

2. Page 12

Following: line 12

Insert: New Section. Section 7. Extension of Reappraisal Cycle for Class 3 and 10 land. Notwithstanding any other provision of this code the reappraisal cycle for class 3 and 10 land commencing January 1, 1986 shall be extended to December 31, 1993. The new values determined during this period must be placed on the tax rolls in the year immediately following the completion of the revaluation cycle for class 3 and 10 land.

Renumber: subsequent sections