

TAXATION COMMITTEE  
45TH LEGISLATURE

The Taxation Committee was called to order January 14, 1977, by chairman Rep. Herb Huennekens, at 8:00 a.m., in room 434 of the Capitol Building, Helena. All members were present.

Rep. Joe Brand, sponsor of HB 115, advised that this bill would not allow any taxes to be collected on reappraised land until all land reappraisals had been made and entered on assessment rolls. The bill provides for re-  
HOUSE BILL evaluation of land every five years. There were no opponents.

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Wm. Groff, DOR, said there might be a problem with this bill in connection with HB 50. Intent of this bill is to make all reappraised valuations become effective at the same time. Reappraised values have already been rolled back to the 1974 values, which in some cases raised taxes. Dennis Burr, DOR, recommends a 4-year cycle instead of 5 - believes this can be accomplished by the time the next Legislature convenes. The DOR throws out the top and bottom figures and use a middle figure when using reported sales prices as a factor in valuations. Full and true value is what a willing buyer will pay a willing seller. They would use the same manual with the same deviations for any four-year cycle. New construction or major alterations are picked up in the year they are built at current values without other reappraisal. No personal check is made on business equipment such as refrigerators or stoves. The department cannot look at federal income tax returns, but the same information is on the state income tax returns which are available for examination.

Rep. W. Jay Fabrega, sponsor of House Bill 50, explained this bill finds some property classifications would result in significant increases in taxable valuations and asks that the use of the reappraised valuations be suspended until the Legislature has met in a 1979 session. Mr.  
HOUSE BILL Fabrega explained there were several amendments he recommended  
50 to the committee, Exhibit A. This is a companion bill to HB 70.

S. Keith Anderson explained Exhibit B which gives the standing of the Montana Taxpayers Association on HB 50, the concept of which they generally approve. However, if Montana's valuation goes up 50%, the school funds will double, and the state Legislature won't have to fund schools since the taxpayers will be doing so - a burden of only property owners, which they don't approve. They recommend passage of HB 50 which would allow more time for reappraisal and delay imposition of the new values until the 1979 Legislature could see the whole reappraisal picture in its entirety.

W. A. Groff, Director of the Department of Revenue, supports the bill.

Tom Winsor, Montana Chamber of Commerce, stated that 89% of their membership is concerned with property taxation, the reappraisal process specifically. Think the reappraisal should be completed sooner in order for the next session to examine this matter in a more complete perspective.

Dennis Burr, DOR, advised there would be no problem in providing information on reappraisal, and they could advise in a month what is happening to values

in the counties and what proceeds might result. The implication is that re-appraisal will raise values 50%. Property tax is only one-half of the total taxable property in the state. His guess is that real estate will go up about 30%. More than 20% of the properties assessed were less than what is on the current tax rolls. The whole impact of reappraisal is changing the mix of who is paying the tax. Rep. Fabrega stated the cost of government will be shifting from one area to another, particularly in the high industrial areas. The mix is the important factor - it isn't just a question of mill levy adjustment. The adjustment is hard to figure without reappraisal figures.

Keith Anderson thinks worthy projects should be funded rather than spending money that might be available. Non-property tax sources also produce a lot of revenue income.

Winsor advised there would be adverse reaction to a special session posing special attention on property tax reform because it is a very touchy problem. It behooves anyone to have complete information before them before making any decisions.

Rep. Jack Uhde, sponsor of HB 107 by request of the DOR, advised this bill exempts rights of entry from property taxation. Valuations of rights of entry vary from \$7.50 to no tax, and very little revenue is collected by  
HOUSE BILL 107 the state and refunded to the county. The department of revenue feels the small amount of revenue received does not warrant the department's work of figuring the tax due, especially when the tax is refunded to the respective county from which it is derived. These rights are severed from mineral rights.

Gregg McCurdy, Montana Association of Counties, opposes the bill, stating that a number of counties object to this proposed deletion and want DOR to keep this tax on rights of entry on the tax rolls. Counties would lose \$1,486,088 of statewide taxable value.

Dennis Burr advised that it is almost impossible to find all the deeds and trace them down to present owners. The question of how to handle the rights of entry on property that has been divided several times is uncertain. He believes it is the county assessor's job, but since the DOR pays their salaries, it is really the department's expense. He feels it would be a very burdensome task and most complicated. He recommends the rerecording of reserved rights of entry by the owners. The question of taxing on the basis of a fee rather than on taxable value arose.

Rep. Elmer Severson at the request of the DOR, sponsored HB 108 which offers a change in time for notice of appeals of tax cases. Helen Peterson, State Tax  
HB 108 Appeal Department, wants county boards to notify the DOR rather than the county assessor or county treasurer, and wants the tax appeal date set earlier - suggested 15 days should be sufficient time in which to make up their minds whether to appeal tax assessments. She doesn't want to delay hearings too long and wants the time shortened to meet other deadlines.

The appeal process goes from the taxpayer to the county tax appeal board to the Department of Revenue to the State Tax Appeals Board, then to district court, and more time is needed in which to plan to hear the appeals.

Bob Randall, STAB, stated they try to make the hearings at the convenience of the taxpayer and they go to the counties to hold hearings. Large hearings are held in Helena. The county assessor or appraiser is the chief witness and so by going to county seats, and planning a schedule to do this, some cost to STAB is eliminated. A hearing could not be held until after 15 days' notice to the taxpayer and to DOR, and they feel this is too much time elapse. Propose a calendar day as being definition of day.

The DOR wants 20 days' notice so they will have time to see if they want to appeal to the district court.

The committee meeting adjourned and went into an executive session.

HOUSE BILL 98 - Rep. Fabrega moved that the proposed amendments, copy of which is attached, be accepted. Motion carried unanimously with Rep. Lien absent. Rep. Dassinger moved that the word "knowingly" be eliminated - vote was 12 to 3 in favor of the motion.

Rep. Fabrega moved to recommend House Bill 98 AS SO AMENDED DO PASS. Unanimous decision in favor of motion.

HOUSE BILL 107 - Rep. Jack Uhde recommends that HouseBill 107 be studied by an interim committee. This will be further considered later.

House Bill 108 was considered, but no action was taken.

A subcommittee was appointed for House Bill 50. Rep. Melvin Williams, chairman; Reps. Bertelsen, and Gilligan are to be the members.

The meeting adjourned at 11:00 a.m.

  
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REP. HERB HUENNEKENS, Chairman