

TAXATION SUBCOMMITTEE
HB 70

Rep. E. N. Dassinger, chairman of the subcommittee on HB 70, called the hearing to order at 7:00 p.m. in room 434 of the Capitol Building, January 17, 1977. Representatives Dassinger, Elmer Severson and Les Hirsch were present. The intent of HB 70 is to arrive at the same amount of tax revenue as is presently being received, but remove one step in the tax computation in order to make the taxpayer better able to understand how his taxes are figured, and to make for better administrative procedures.

Ray White, Montana Assessors Association, Bozeman, MT, advised that the use of so many percentages as is now done, makes a lot of work for assessors. The percentages used in the bill are assuming that all rules and regulations are correct. White recommends elimination of the whole classification system and putting everything into the same class, and let all properties pay the same whether it is used for paying bills or reducing debts such as LIDs. This has a lot to do with assessors as they have to run the percentages down.

Rep. Severson explained it is necessary to use the same kind of 100% figure on all products; you can't use retail value on one and wholesale on another. Rep. Dassinger advised HB 70 attempts to make appraised value and assessed values the same amount.

William Sternhagen, Anaconda Co., Helena, advised that HB 70 does change tax amounts, which it is not supposed to do.

Exhibit B shows the present classification system used by the department of revenue at the present time. It appears that to accomplish the intent of this bill more classifications will have to be added.

Jim Stephens, Montana Farmers Union, Great Falls, MT, proposed an amendment to HB 70 recommending grain at least be assessed at no more than 3.5% of its market value in class 5.

Chris Johansen, Montana Grain Elevator Association, Great Falls, opposes certain sections in the proposed bill. There are 200 grain elevators in Montana. Transportation makes problems in the amount of inventories that are shown at different times. They are very much concerned about their farmer patrons because of the large variation in grain prices even from day to day. In order to remain at the same tax, the rate should be at 3.5%.

State Senator Ed Smith questioned how an average price on grain could be arrived at since grain brings much less price in Montana because of transportation costs and protein content also makes a difference in the value of grain.

Dennis Burr, Department of Revenue, said the assessors make up and decide on values in October or November of each year by using USDA reports, taking the average and dividing by 12. It is assessed at 50% and grain is at 50%. This bill is trying to take figures down to where the legislature has some control over them instead of having rules and regulations set by the DOR or STAB.

The point of the bill is to tie into statute the 40-50-60% rates and rules, and not trying to change the rate of taxation. They want to plug HB 45 into this after classifications and rates are straightened out.

Johansen advised that if you use last years' average, you can't assess today on today's price. Mr. Sternhagen asked if this has anything to do with the average price of grain. Mr. White stated that it determines the percentage of what you are going to tax. The first year grain is not taxed because it has not been held for seven months, but it is taxed the next year it is held.

Rep. Dale Davis, Broadwater County, would like "livestock" deleted from page 3, line 15, and on page 5, lines 2 and 3, since livestock as well as grain is unduly taxed. Grain is still classified at 4.2% and livestock at 13.3%.

Ben Wake, Montana Department of Health and Environmental Sciences, Helena, advised their department will introduce legislation to clarify the language on class 7 tax classification for air pollution control equipment; specifically eliminating the word "reduce" and listing eligible air pollution control equipment.

Mr. Sternhagen advised class 7 increases to 4.2% from 2.8% in HB 70 and should be changed back into the bill at 2.8%. Pollution control facilities are in class 7 and should be changed so that it shows the previous 2.8% rate.

Dennis Burr advised that some things are different in HB 70 from the actual taxation before this bill was drafted. The bill amends a lot of sections in Title 84 and other parts of the statutes - its purpose is to get rid of administrative practices that have grown up from the department of revenue and the state board of equalization. The title of the bill does not talk about a lot of what is in the body of the bill and this must be corrected. Title 84 contains 11 different classes of tax. By using the simpler method of market value times the rate equals taxes, the taxpayer can understand his tax.

The bill doesn't try to raise the tax on grains and it won't allow a lowering of the tax either. Intent of the bill is to simply spell out market value and rate that assessors should be using to figure taxes. This bill would put this into statute instead of allowing the DOR or STAB to do it as they see fit. Some problems exist in class 5 property as it will allow reduction of land taxes. Page 6, line 1 may be an area in which a new class is in order. Page 7, lines 13-16, sections (b)(c)(d) are currently taxed at 2.8%; this bill will make this at 4.2%, doubling the tax on that class of property; a new class may be needed.


Page 15 involves agricultural land. It is listed at 12% of current value and the current practice is 12%, so it should be changed to 30% to maintain the same value of taxation as is presently in force. Page 21 - the 2 mill levy for volunteer fire departments used to be on the assessed value and is now being changed to the taxable value. The constitution levy on livestock is 6 mills and 12 is levied. This should be checked. Assessed value is higher than taxable value. Page 30, line 22 has the same type of mill levy change. This will have to be worked out with the Council.

John Lahr, Montana Power Co., Helena, advised that in looking at 10 counties with class 2 property, they see an increase to them of \$2 million in taxes annually. Class 7 shows an increase annually of \$57,000. Class 4, see a decrease annually of \$2.3 million of actual taxes. So under this classification, we would have an annual net decrease of about \$325,000 which is not the intent of the bill. He wants a copy of the new figures suggested by the subcommittee, Exhibit A, and they will see how the figures stand with them. He recommends working from an amended bill containing the proposed changes.

Other persons attending this subcommittee hearing were Gregg L. McCurdy, MACo, see his witness sheet asking for a simple, understandable method of figuring taxes; D. Eamon, suggested amending HB 70; Rod Hanson, Montana Association Utilities, is opposed to increasing taxes in codification legislation; Wilber Anderson, Vigilante Electric Cooperative, Dillon, MT, recommends amending; Paul D. Hodge, Moccasin, MT; E. W. Nelson, Montana Taxpayers Association, Helena, recommends amending; Gene Phillips, Pacific Power & Light Co., Kalispell, recommends amending HB 70.

Another meeting will be scheduled after figures proposed have been studied by interested parties and the Council.

Subcommittee hearing adjourned at 9:45 p.m.



REP. E. N. DASSINGER, CHAIRMAN
Subcommittee on HB 70

CLASS	PROPERTY	BASIS OF ASSESSMENT	SUBCOMMITTEE PROPOSED TAX RATE	HB 70 TAX RATE	EFFECTIVE TAX RATE
1	Right of entry	Market	100	100	100
2	Annual net proceeds of all mines, with certain exceptions	Net proceeds	100	100	100
3	Annual gross of strip coal mines	Gross proceeds	45	45	45
4	Annual gross proceeds of underground coal mines	Gross proceeds	33 1/3	33 1/3	33 1/3
5	Moneyed capital & bank shares	Book value	30, 7	30, 7	30, 7
6	Agricultural land	Productive capacity	30	30	30
7	Centrally assessed utilities All other property Trucks in excess of 24 GVW	Market value Market value Market value	16 16 16	16 16 13	16 16 16
8	All agricultural and other tools, implements, and machinery; gas and other engines & boilers; and threshing machines & outfits except large farm machinery & tools & implements included in classes 12 & 14	Market value	13	13	14
9	Automobiles, motor trucks, and other power-driven cars & vehicles of all kinds except mobile homes & large trucks and property in class 10 Livestock, poultry, and unprocessed products of both Commercial furniture & fixtures	Market value Market value Market value	13.3 13.3 13.3	13 13 13	13.3 13.3 13.3
10	Ski lift equipment (personal prop.) Mining & Mfg. machinery & supplies Oil & Gas field equipment machinery and supplies Camper trailer Truck camper	Market value Market value Market value Market value Market value	12 12 12 12 12	13 12 12 13 13	12 12 12 12 12

CLASS	PROPERTY	BASIS OF ASSESSMENT	SUBCOMMITTEE		
			PROPOSED TAX RATE	HB 70 TAX RATE	EFFECTIVE TAX RATE
12	Boats Motorcycles Airplanes Large farm machinery	Market value Market value Market value Market value	11 11 11 11	13 13 13 13	11.6 11 11 11
13	Incremental increase in the value of real estate produced by re- pairing, maintaining, or improv- ing existing improvements	Market value	2.4-12	2.4-12	2.4-12
14	All property of rural electrical & telephone companies Tools & repair equipment	Market value Market value	8 8	13 13	8 8
15	Any improvement on real property, a trailer affixed to land, or a mobile home & appurtenant land owned by widows, etc. A capital investment in a building for an energy conservation pur- pose, to the extent provided under 84-7403	Market value Market value	6 6	6 6	6 6
16	Business inventories A capital investment in a recognized nonfossil form of energy genera- tion, to the extent provided under 84-7403	"Dealer's cost?" Market value	4.2 4.2	4.2 4.2	4.2 4.2
17	Unprocessed agricultural products	Market value	3.5	4.2	3.5
18	The dwelling house & the lot of 100% disabled veteran All property used & owned by co- operative rural electrical & cooperative rural telephone associations Air pollution control equipment New industrial equipment	Market value Market value Market value Market value Market value Market value Market value	2.8 2.8 2.8 2.8 2.8 2.8 2.8	4.2 4.2 4.2 4.2 4.2 4.2 4.2	2.8 2.8-4.6 2.8-4.2