

TAXATION COMMITTEE
45TH LEGISLATURE

The Taxation Committee was called to order at 8:00 a.m., March 22, 1977, in Room #434, Capitol Building, by Chairman Rep. Herb Huennekens. All members were present, except Rep. Robert Sivertsen who was excused. Bills to be heard were SB 121, 252, and 352.

Senator Jean A. Turnage, District #13, Lake County, sponsor of Senate Bill 252, said this bill was introduced at the request of the Montana Railroad Association and changes the date from the first day of April to April 15 by

SENATE BILL which the railroads must furnish assessment statements to the
252 Department of Revenue. Both the railroads and the department
 feel this will assist the department of revenue.

There were no opponents.

Rep. Dassinger raised the question of whether the railroads have time to take care of this. Sen. Turnage said this gives them 15 more days. The department and railroads feel it will give both the railroads and the department more time.

Senator John E. Manley, District #14, Powell County, chief sponsor of SB 121, said this bill is for the purpose of submitting an amendment to Article 9 of the Montana Constitution to return the property tax assessment to a joint state-county taxation commission at the next election. This bill

SENATE BILL provides an amendment to the Constitution to be offered to
121 voters in 1978. This amendment would provide that a joint
 state-county taxation commission rather than the Department
 of Revenue would appraise, assess, and equalize property in
the state.

The counties, county assessors and some local input into the assessment and valuation of their county property is what the people want. The Montana department of revenue has taken this prerogative away from the county assessors who are elected by the local people, and in most cases they feel it should be put up to the voters to say whether this is acceptable, and we feel the local people should have some local evaluation and input into this work.

Senator Ed B. Smith, District #1, Sheridan County, co-sponsor of SB 121, said this will be a referendum on the ballot to let the people decide in the next election if they want to have more say in the administration of their property tax. Have had complaints with the state DOR. We do need local control of the property tax assessment and administration and believe in equalization of the taxes from county to county, which has not always been so.

It will be the next Legislature that will set up this commission as this is just a resolution. Two of the counties took the DOR to court in opposition to the way the DOR was taking the property tax assessment piecemeal. You can not always be sure what a state agency will do when it is so far removed from the local area. Lot values increased ten times. One fellow put up a steel building and they assessed the building at \$2,000 more than it cost to put up the building. He

contacted the DOR and they said they didn't know if it was fair, but that was the way they were going to do it. Can't expect the little fellow to go through the local tax appeal board and then come to Helena to the state tax appeal board. Banks are taking the DOR to court. I am sure that you all recognize that when the reappraisal is finished, the state tax appeal board will not be able to handle all the protests. The state tax appeal board financing has been cut and they could end up with a backlog of lawsuits. Sen. Smith left two letters from Yellowstone County Commissioners, Leo Kamp, Chairman, and Duane Christensen in support of SB 121.

Floyd Irion, President of the Committee for Local Control of Taxation, Broadus, MT, supports SB 121. It would be real good to have the taxation system under total state control, but the principle is what breaks it down. The principle of having the state come in and say this is the way your taxes are going to be, is very detrimental. He thinks the people want to be able to walk into the local assessor's office and confront him face to face. They don't feel secure the way it is. They want to be able to go to someone with authority and say "How come?" No matter how good the intentions of the state DOR, the people are not going to totally accept the way the state department has done. People feel everything that comes out of the state does not understand local problems. If they could have some part in this, it would be much more acceptable to them.

The state feels they should have authority to go ahead with reclassification laws. Mr. Irion thinks we can take care of ourselves in Montana and we should be allowed to do so, and the federal government should attend to the affairs in Washington. The Governor had forums around the state continually talking about bringing the government to the people. If we really think the government should be brought closer to the people, we have an opportunity here to do so. This amendment is wanted. It is a drastic change, but will bring about reasonable change by some reasonable amount of local input. It won't cause a total massive change in assessment. This will not affect the school foundation program as what comes from property tax is practically nil.

After three years under total state control, they haven't been able to iron out the problems, and if in two more years, they can't get them ironed out, then we, as elected officials, should have the opportunity to do things ourselves. If the state DOR gets things straightened out in the next two years, we should have the mechanism ready so people can vote on this. Legislators can do their part by allowing this to be voted on in two more years. Testimony is attached.

George W. Sager, Gallatin County Commissioner, Bozeman, said the county electorate despise working with state agencies as they have to do with our present appraisal and assessment procedures. Will have lawsuits after lawsuits, budget problems, taxes paid under protest, because they want to work with people at home. The assessor is mandated and regulated by the state so he can't work the way he should. Had an opportunity to vote down a RID because of local control. He supports SB 121.

Ray White, Gallatin County Assessor, Bozeman, supports SB 121, and says he is as close to the taxpayers as anyone in the county. This is local money for local expenditures, local schools, local government. He had a value established in July, but by August and September it was gone. In years previous to 1974, when

counties were running their own assessing and appraising the protested taxes ran from \$3,507 down to \$415. In 1974, the first year the new appraisals and rules established out of Helena went into effect, they were \$159,407, \$107,829, and \$124,258. The number of appeals in 1973 was 19; in 1974, 44; in 1975, 1085; in 1976, 1290. There are 75 protests pending for this June hearing. The complete board ran out two years ago. In 1975 their books were grand totalled three times; were many court orders. It has been said people in Gallatin County are going to the appeal board. All kinds of people are going to the appeal board. The county has lost a great deal of money. \$163,715 has been refunded to the farmers because they were overappraised. Schools still haven't returned money. The county will soon be registering warrants. This bill has been amended, but it is better than it ever was. He has listened to the people and urges do pass SB 121.

Priest Tully, Yellowstone County, said the problem before was that the State Board of Equalization had the same authority by law as the DOR, but unfortunately it didn't use its authority. County Assessors wouldn't abide by guidelines and so something had to be done. When he testified before the Senate, he was ambivalent, but since then he has decided there are problems with the DOR. Yellowstone County people are not getting paid enough to keep their personnel. There is an inequity in salaries. Also there is a problem with the new state agency. The DOR has taken too much onto itself; they should have assigned guidelines and policies. He believes as elected officials, they are responsible to their constituency. Recommends a do pass on this bill.

P. E. Peres, Chouteau County Commissioner for 14 years, Fort Benton, thinks the state has almost taken control away from them. He feels they are responsible as commissioners to John Q. Public and they should have the right to say if this should come back under county control or stay with the state department.

Kenneth C. Morrow, Chouteau Co. Property Owners Association, Fort Benton, supports SB 121. See testimony attached.

May Jenkins, County Treasurer from Yellowstone County, spoke on behalf of the Montana County Treasurers who give their full support to SB 121. They have had to make many refunds and feel if the control could come back to the county assessors, they could work this problem out locally. She urges support of SB 121.

Bill Asher, Agricultural Preservation Association, Manhattan, stated the APA is in support of SB 121, and they wish to be recorded as in support.

OPPONENTS:

Mantz Hutchinson, state DOR, feels people have already voted on this once. It is one of the major things in the Constitution for which the people voted. This question has come before the people at least twice and it has been rejected. Some people say it is a horrendous job to come to Helena. There are county tax appeal boards at the county level and this bill won't change that procedure. Comments about the banks' court case has nothing to do with this. Chouteau County has new values figured on their property. He thinks the big controversy now is over the reappraisal. If you return this to the local level, you return to local discrimination and favoritism. Big corporations are the only ones that have appealed.

Senator Manley stated there are no large corporations involved unless you want to call him one in his ranching operation, one which is very different from a large corporation. There will be about 200 people represented and hope they will all be here tomorrow who are paying their taxes under protest and there is not a large corporation among them. They have created an organization to fight this problem. This problem is not with banks or corporations, it is you and me and the little guy who wants to go back to the courthouse and meet with a regular county program. People you know. This resolution will give that back. It is not only large corporations that are paying their taxes under protest, and going to the county appeal board; and it is just not working out. Just wants to put this back on the ballot and let the people decide. This is not doing anything wrong.

Sen. Ed Smith advised that the banks can take on the DOR and maybe win the case. Prior to this, they had to do this in each county, but now they only have to do it in one place. Little people cannot afford to come to Helena because it is too expensive and there is no way that tax appeal boards are going to be able to handle all the cases that will be filed. The governor appoints the board. Have to have local control otherwise it is taxation without representation.

He said the DOR had planned to introduce a letter so that they could appoint all county assessors, but because of the heat, that legislation was not introduced. This would really cause big problems. There isn't a better way to have equalization in Montana and the people should be given the opportunity to make the decision as to whether they want to change the Constitution and turn the authority back to local control.

Rep. Huennekens thinks the proposal for a constitutional amendment needs some technical work. Do you envision a board consisting of personnel that would have equalized representation? Will this commission replace the appeal boards? Sen. Smith said once a state-wide equalization program is set this will. It will take a lot of input to arrive at equalization. This commission will say how the DOR works only until equalization is arrived at.

Rep. Dassinger asked Mr. Iron if he was familiar that the 40 mills tax on the entire property in the state goes to the state school foundation? If one county is undervalued, another has to make up the difference. The county has absolutely no say. What we are after is a state commission made up of qualified representatives to make sure that we will have statewide equalization.

The question of why tax appeal decisions affect the whole state, they should be fought in each county was raised. Senator Smith said the banks took the DOR to court by filing with the state tax appeal board, otherwise they would have had to file a case in each county. Since this is handled in the state DOR in Helena, this affects every area. Previously, the county appeal board came to the DOR.

What would prevent the reoccurrence of discrimination and favoritism if this is returned to local control? There would be a commission set up of county assessors, county commissioners, and state DOR personnel who would be familiar with these matters and who are to effect state equalization of assessments that would blanket the whole state.

The proposed commission would have 9 members made up of county commissioners, county assessors and state DOR people already on the payroll. The next Legislature would make the decision on how they wanted this set up. People could feel they had representation that would effect equalization.

At present, using the 1972 index, a building purchased at a discount rate, would be taxed at its value as a building rather than on its purchase cost.

Hutchinson said every piece of property would have to be appraised in order to have equalization. Some will be at 5% and some at 95%. The equalization figure won't fit for all counties. If the State Board of Equalization had made the other 36 counties equalize their taxes after the first 20 had, there wouldn't be this problem now.

Senator Greg Jergeson, District #3, Blaine County, sponsor of SB 352, advised this bill provides for a 5-year income averaging for tax purposes for the state. It provides Montanans with more than \$3,000 averageable income as calculated for federal income tax purposes, may average their income for state income tax purposes. This bill applies to tax years beginning after 1977.

352

Mons Teigen, Montana Stockgrowers and Woolgrowers, Helena, supports SB 352. Agricultural income fluctuates and he believes the provisions contained in SB 352 will be a significant benefit to agriculture and he endorses this bill.

Alice Fryslie, Montana Cattlemen's Association, supports this bill.

Bill Asher, Agricultural Preservation Association, Manhattan, says they are in support of SB 352.

There were no opponents.

Rep. Fagg asked why was \$3,000 used? This figure is tied directly to the federal tax return in connection with income averaging.

The committee recessed to an executive session.

HOUSE BILL 630 - A great deal of discussion was had regarding how a planning process could be instigated under MELDA. Whether the governing body could do this on their own, or whether it required a petition and election by the persons involved before a planning fund could be requested and plans made for a local planning process to be drawn up. Conversely, if a governing body did not want to have a planning process, the voters could petition and vote, and if they approved, the governing body would be required to proceed with the planning process. This is a matter of equalizing rights of either faction.

Rep. Severson thinks there should be a vote in. The governing body could not then implement this without an election.

Rep. Huennekens said that without objection, a suspension of the rules for making amendments would be entertained. Rep. Williams so moved and there was no objection.

Any plan after it was developed would have to go to an election to see if it was the wish of the voters that it be implemented. Rep. Fagg advised that local people won't have to pay for a planning process if approved because they would apply for funds from some planning place that provides such funds.

Rep. Fagg made a motion to reject (c) on the present amendment and to reinsert b, c, h and i on page 90 of the reading copy. After discussion, this motion carried with Rep. Severson voting No.

Rep. Fabrega had made a substitute motion providing that a 15% negative vote provision be inserted in b and h. This motion failed.

Rep. Huennekens said that without objection, it would be acceptable to consider the amendments offered by Rep. Ramirez under suspended rules. There was no objection.

Rep. Fagg moved that amendment #2 of Rep. Ramirez' amendments which related to agriculture be adopted. Rep. Fagg further moved acceptance of amendment #3. These motions were unanimously adopted. Reps. Lien, Vincent, Hirsch were absent.

Rep. Fagg moved that amendment 4 be adopted. Rep. Severson voted No. Motion carried.

Rep. Fagg moved that HB 630 AS AMENDED be recommended DO PASS. Motion carried with Rep. Severson voting No.

Copy of approved amendments included in Standing Committee Reports in book #1.

SENATE BILL 118 - Rep. Williams moved to recommend SB 118 BE CONCURRED IN. He further moved that SB 118 be amended on page 3, line 15 and 16, following "June," strike: "OR WITHIN 15 DAYS OF RECEIPT OF NOTICE OF ASSESSMENT, CLASSIFICATION OR REAPPRAISAL,"

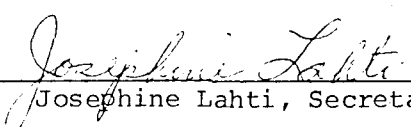
and amend page 3, section 3, lines 17, 18, 19, following: "therefor.", strike: "THE STATE TAX APPEAL BOARD MAY, FOR GOOD CAUSE, EXTEND THE DATE FOR FILING THE APPLICATION."

These amendments were unanimously approved.

Rep. Williams moved that SB 118 then be recommended AS AMENDED BE CONCURRED IN. Motion carried unanimously. Reps. Lien, Dassinger, Waldron, Hirsch, Gilligan were absent.

Meeting adjourned at 11:00 a.m.


REP. HERB HUENNEKENS, CHAIRMAN


Josephine Lahti, Secretary