

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 23, 1977

The fiftieth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building at 8:10 a.m.

Roll Call: Roll Call found all of the members present.

The following witnesses were present:

|                  |                          |
|------------------|--------------------------|
| Carter Picotte   | Mont.-Dak. Utilities     |
| Edward Nelson    | Mont. Taxpayers Assoc.   |
| Bill Sternhagen  | Anaconda                 |
| Bob Gannon       | Montana POWER            |
| Don Allen        | Don Allen                |
| Gregg L. McCurdy | Mont. Assoc. of Counties |
| Rod Gudgel       | MNHA & MSPA              |
| Tom Winsor       | Mont. C. of C.           |

CONSIDERATION OF HOUSE BILL 773: Rep Huennekins said his bill called for creation of a revenue oversight committee and he felt it necessary to have a functioning committee so there is closer liaison with the Department of Revenue and the Legislature. He thought the Legislature could exert continued oversight on the tax situation in the state, as he believed tax was one of the most complex of the subjects the Legislature faces each session. He proposed people on the committee should have some background of experience with taxation problems.

The Chairman asked for other proponents and Mr. Groff of the D.R. said they were in full support of the bill and agree that something should be done along this line. Mr. Gudgel also spoke in support of the bill. There were no opponents present and Rep. Huennekins closed, adding although the bill specified an 8-man committee, he felt a 12-man committee might be better as there are so many problems to be handled.

The committee than asked a number of questiona and it was pointed out if the bill should be passed the effective date would have to be changed so the committee could be selected and could begin work immediately. It was also mentioned that the Taxation Committee had set up such a committee in another bill and Rep. Huennekins felt the committee referred to in his bill could do both jobs.

Following this discussion, the hearing on HB773 was closed.

CONSIDERATION OF HOUSE BILL 50: This bill had once been heard in committee but had been taken back for further discussion and/or amendments. It was thought possible that if this could be worked out, adoption of legislation contained in HB50 might preclude a special session of the Legislature in November.

Sen. Fasbender discussed the amendments to the bill which indicated the D.R. could apply 1/2 of the reappraised value to state tax base. He cited figures which indicated those who were presently paying at 30% of assessed value would experience a decline, whereas those who were paying less would have a raise in their taxes. His amendments were contained in Exh. #1.

Mr. Burr of the D.R. further explained, saying there were several problems, one that the reappraisal program would not go on at all because of resistance, and two, because of the danger that local governments will not reduce mill levies even though tax bases would increase. He thought Sen. Fasbender's amendments might solve the problem.

The Chairman asked for comments on the bill and Mr. Nelson stated they have been supportive of this bill but did have some comments. He said under the previous proposals a considerable amount of revenue would be raised and wondered about the desired % of increase.

A discussion continued on the total revenues that would be realized at 12% of current appraised value as compared to 7.5% on market values. Mr. Burr stated the D.R. is not going all the way to market value under the new appraisals; they will still be below '78 market prices.

Following, the committee asked a number of questions of the witnesses and it was mentioned that it was doubtful if mill levies would go down, despite increased valuation, as much as they would be going up. Sen. Norman asked for a statewide average % increase figure, on the basis of the figures and formulae that had been discussed previously. It was mentioned that the percentage of increase could be set wherever was desired, 5 or 6%, per year, and this could be adjusted up or down. It was stated that counties could then spend more money so there should be an upper limit so they could not increase their spending because of the increased valuation. They agreed there would be problems in seeing that county and city governments didn't abuse the increase in valuations.

Chairman Mathers then closed the hearing on HB50 in order that HB70 be heard.

CONSIDERATION OF HOUSE BILL 70: Rep. Fabrega distributed Exh. #2, and said this bill was the result of the Interim Committee on Taxation and said they had attempted to get the effective rates based on today's market values, rather than on old values adopted so many years ago. They found it most difficult to reclassify properties but felt this bill gets a step closer from market value to reappraisal value.

3-3/23

Chairman Mathers asked for other proponents or opponents and Mr. Gannon distributed Exh. #3, an amendment that specified inclusion of certain equipment of his company to be included in that property classification. Mr. McCurdy stated his opposition, although it was not on the overall concept of the bill. He agreed with the concept but would like a small amendment dealing with the effective date so it would go into effect the same time as the reappraisal program. He thought there was some question about the tax rates and whether they will return the amount of revenue.

Mr. Picotte said he also had an amendment, Exh. #4, which he introduced to the committee. Mr. Sternhagen spoke next and gave his support to the bill. Mr. Nelson also said he supported the concept of the bill. Mr. Cadby also introduced an amendment to the bill, see Exh. #5. Rep. Fabrega had another amendment to propose, see Exh. #6, changing the mill or assessed valuation from 1 mill to 3. Due to lengthy testimony the Chairman said he would close the hearing for the morning and the committee would resume discussion of the two bills HB50 and 70 at 12:30 p.m., today.

DISPOSITION: Sen. Towe Moved SB446, the Committee's bill on Pre-Payment Penalties, Do Pass. Sen. Watt seconded the motion and the motion carried.

Following disposition of this bill, the meeting adjourned.

*W. Mathers*  
WILLIAM MATHERS

CHAIRMAN

## ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 3/23/17

SENATE *TAXATION* COMMITTEE

BILL NO. 773

VISITORS' REGISTER

DATE 3/23/77

SEN. BILL -446

| NAME             | REPRESENTING             | BILL #     | (check one)<br>SUPPORT | OPPOSE |
|------------------|--------------------------|------------|------------------------|--------|
| Carter Picotte   | Mont. Dak. Util.         | HB 70      | ✓                      |        |
| Edward W. Nelson | Mont. Taxpayers Assoc.   | HB 50 & 70 |                        |        |
| Bill Sternagin   | Acadonida                | "          | ✓                      |        |
| Bob Benson       | Montana Power            | HB 70      | ✓ (amendment)          |        |
| Don J. Oll       | Don J. Oll               | HB 70      | ✗                      |        |
| Gregg L. Caudy   | Montana Open of Counties | HB 37      | ✗                      | ✓      |
| Bob Judge        | MNHA & MSPA              | HB 223     | ✗                      |        |
| Tim Bicksie      | Montana Ref C            | HB 55      | ✓                      |        |

Ex. 1  
1/10/81

- 1) Amend the title on line 12 starting with "AN ACT . . ." by striking the balance of line 12 and lines 13, 14, 15 and 16 and inserting in lieu thereof "AN ACT TO MITIGATE THE TAX INCREASE ON REAL PROPERTY AND IMPROVEMENTS WHICH RESULTS FROM REVALUATION BY PROVIDING FOR A REDUCTION IN THE CLASSIFICATION PERCENTAGE AND PERMITTING TAXING JURISDICTIONS WHICH EXPERIENCE A REDUCTION IN TAXABLE VALUE TO INCREASE BUDGETS BY 5 PERCENT."
- 2) Amend section 1 on page 2, line 4 by striking the last sentence and inserting in lieu thereof "The legislature therefore finds that it is in the best interest of the people of Montana that the taxable value of real property and improvements be adjusted prior to the utilization of such appraisals."
- 3) Amend section 2 on page 2, line 10 by striking the section in its entirety and inserting in lieu thereof: "Section 2. Taxable percentages assigned to class 4 real property and improvements and class 5 dwellings of disabled veterans shall be adjusted by the department of revenue in the following manner:
  - 1) the percent classification in 84-302 for the specified class 4 and 5 property shall be reduced in proportion to half of the increase in percentage terms of the value of real property and improvements which is the result of revaluations pursuant to 84-429.14.
  - 2) In a county which experiences a reduction in taxable value

TAX RATES IN HB70

✓  
X

| <u>Class Under<br/>Amended HB 70</u> | <u>Property</u>   | <u>Effective<br/>Tax Rate</u> | <u>Amended HB 70<br/>Tax Rate</u> |
|--------------------------------------|---|-------------------------------|-----------------------------------|
| 1                                    | Right of entry  | 100                           | 100                               |
| 2                                    | Annual net proceeds of all mines,<br>with certain exceptions  | 100                           | 100                               |
| 3                                    | Annual gross of strip coal mines  | 45                            | 45                                |
| 4                                    | Annual gross proceeds of under-<br>ground coal mines  | 33 1/3                        | 33 1/3                            |
| 5                                    | Moneyed capital & bank shares   | 30, 7                         | 30, 7                             |
| 6                                    | Agricultural land   | 30                            | 30                                |
| 7                                    | Centrally assessed utilities  | 16                            | 16                                |
|                                      | All other property  | 16                            | 16                                |
|                                      | Trucks in excess of 24 GVW  | 16                            | 16                                |
| 8                                    | All agricultural and other tools,<br>implements, and machinery; gas<br>and other engines & boilers; and<br>threshing machines & outfits ex-<br>cept large farm machinery &<br>tools & implements included in<br>classes 12 and 14 | 14                            | 13                                |
| 9                                    | Automobiles, motor trucks, and<br>other power-driven cars & ve-<br>hicles of all kinds except<br>mobile homes & large trucks<br>and property in class 10  | 13.3                          | 13.3                              |
|                                      | Livestock, poultry, and unpro-<br>cessed products of both   | 13.3                          | 13.3                              |
|                                      | Commercial furniture & fixtures   | 13.3                          | 13.3                              |
| 10                                   | Ski lift equipment (personal prop.)   | 12                            | 12                                |
|                                      | Mining & Mfg. machinery & supplies  | 12                            | 12                                |
|                                      | Oil & Gas field equipment machinery<br>and supplies   | 12                            | 12                                |
|                                      | Camper trailer  | 12                            | 12                                |
|                                      | Truck camper  | 12                            | 12                                |
| 11                                   | Real estate & improvements  | 12                            | 12                                |
| 12                                   | Boats   | 11.6                          | 11                                |
|                                      | Motorcycles   | 11                            | 11                                |
|                                      | Airplanes   | 11                            | 11                                |
|                                      | Large farm machinery  | 11                            | 11                                |

|    |   |        |        |
|----|---|--------|--------|
| 13 | Incremental increase in the value of real estate produced by repairing, maintaining, or improving existing improvements | 2.4-12 | 2.4-12 |
| 14 | All property of rural electrical & telephone companies  | 8      | 8      |
|    | Tools & repair equipment  | 8      | 8      |
| 15 | Any improvement on real property, a trailer affixed to land, or a mobile home & appurtenant land owned by widows, etc.  | 6      | 6      |
|    | A capital investment in a building for an energy conservation purpose, to the extent provided under 84-7403             | 6      | 6      |
| 16 | Business inventories  | 4.2    | 4.2    |
|    | Mobile machines used in new industry  | 4.2    | 4.2    |
| 17 | Unprocessed agricultural products   | 3.5    | 3.5    |
| 18 | The dwelling house & the lot of 100% disabled veteran   | 2.8    | 2.8    |
|    | All property used & owned by cooperative rural electrical & cooperative rural telephone associations                    | 2.8    | 2.8    |
|    | Air pollution control equipment   | 2.8    | 2.8    |
|    | New industrial equipment, except mobile machinery   | 2.8    | 2.8    |
|    | A capital investment in a recognized nonfossil form of energy generation, to the extent provided under 84-7403          | 2.8    | 2.8    |

HOUSE BILL 70, third reading.

1. Amend page 22, line 19, 20 and 21

Following: "transformers"

Strike: Remainder of line 19 and line 20 and 21 in their entirety

Insert: ", meters, and substation equipment and natural gas regulators, meters, and compressors owned by centrally assessed utilities."

4/3

*if it  
Picks it  
M.D.*

HOUSE BILL NO. 70

1. Amend page 18, Section 9, 84-301.9, line 18.

Following: "tools"

Strike: "and implements included in Class 14;"

Insert: ", implements and machinery included in Class 14;"

2. Amend page 22, Section 15, 84-301.15, line 19.

Strike: lines 19 through 21 in their entirety

Insert: "(c) electric transformers and meters and gas regulators and meters that are not part of the single and continuous property of a utility that is centrally assessed; and, electric light and power substation machinery, compressor station machinery, measuring and regulating station equipment, and tools used in the repair and maintenance of the property included in this subsection."

*S. H. D.*  
Amend House Bill 70, Third Reading copy, page 17, line 8,  
by striking all of the material from line 8 through and  
including line 12, being subparagraph "(5)" and inserting  
the following:

"(5) Class five property is taxed at 30  
percent of its value as shown on the books of  
the bank and not represented by surplus; seven  
percent on that portion represented by a surplus  
as shown on the books of the bank; and provided  
that on that portion of any such surplus which  
is over and above the amount represented by the  
stated capital of the bank, the excess shall be  
subject to tax at 30 percent."

AMENDMENTS TO HB70

PROPOSED BY REPRESENTATIVE FABREGA

16

1. Amend page 110, section 60, line 5

Following: line 4

Strike: "1 mill"

Insert: "3 mills"

MONTANA ASSOCIATION OF COUNTIES

1014 E. 25TH AV. HELENA MONTANA 59601 (406) 442-7201

regg L. McCurdy  
ir. of Governmental Affairs

Exh. # 7

HOUSE BILL 70

March 23, 1977

Desired Amendment:

Page 123, Line 18, Insert:

Section 71. Effective Date. This act is effective on June 30, 1978 or for the fiscal year immediately following completion of the statewide reappraisal of property conducted under the provisions of Chapter 294, Laws of 1975 if such reappraisal is not completed and acted upon by the 45th Legislature prior to December 31, 1977.

Reinsert Section 71 as Section 72.