

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

April 8, 1977

The sixty-fifth meeting of the committee was called to order on the above date by Chairman Mathers in Room 415 of the Capitol Building.

ROLL CALL: Roll call found Sens. Healy and Manning excused.

The following witnesses were present:

Homer K. Langley	Self
Tom Winsor	Mont. C of C
Bill Asher	Agri. Preserv. Assoc.
Gordon Darlington	"
Vernon L. Westlake	"
Larry W. Moran	"
A.S. Hansen	Mont. Tech. Council
Barbara Van Cleve	Sweet Grass Co. Preserv. Assoc.
Sen. Pete Story	Dist. 37
Spike Van Cleve	Sweet Grass Co. Preserv. Assoc.
Tom Kaufman	Kaufman, Inc.
Al Rambo	Cascade Supply
Jim Woodahl	Self
Rod Wilson	Blgs. Ch. of Comm.
Jim Burnett	Self
Ward Shanahan	Dreyer, Inc.
Gorham Swanberg	Self
Larry Huss	Mont. Contractors Assoc.

CONSIDERATION OF HB 630: Rep. Fagg said he had been before the committee with his bill before and would again show the slides which he felt more thoroughly explained it. As he showed his numerous slides he explained how the legislation would affect areas ready to undergo influx of industry, resultant new business sections, residential and the affect this growth has on the surrounding agricultural land. Through tax incentives industry and business would be encouraged to build on non-productive land leaving agricultural land in production.

His presentation addressed the problem of Agricultural land kept in production through classifications from 10 to 25 years and in so contracting, receive tax breaks; Recreational; Residential, where city services would be higher the further from the urban center the residences are built. The bill also addressed the current ad valorem tax system, where remodeling, improvements added to a home would not raise the taxes the first year, but instead would be added on over a period of time. Commercial properties would also receive tax breaks if constructed on other than prime agricultural land.

Rep. Fagg said he felt something should be done to stimulate construction and it seem the only variable to be worked with are taxes.

Other proponents of the bill included Mr. Mizner who said he had met with Rep. Fagg and worked with the Department of Revenue, planning department, and felt the bill needed to be amended but now many of these changes had been incorporated into the bill. He said the bill applies to Class 1 and 2 cities and people can get out of it if they wish, through a vote. Mr. Woodahl spoke as a proponent next and read a letter from a man who plans construction in Butte. The letter, Exh. #1, stated construction would begin provided such tax incentives (as are in HB630) might be possible. Mr. Tawney said he would like to emphasize 4 problems they are most concerned about: 1, implementation; 2, the bill will have impact on causes of inflation on costs of services in the core areas; 3, energy is a very important issue, and posed the question of the problems if building continues on the outskirts of a city; and 4, he felt that agricultural land should not be cut out completely as this is a definite part of the bill. He said he supported the amendment of voting in on the planning and if they want out the people can get out, their their vote. Mr. Hansen also gave his support of the bill and any concept that would tend to reduce the decay in the cities.

Mr. Kaufman said that several years ago they began work in Great Falls under the concept of Melda and now that it is amended it is much improved. Mr. Rambo said the city is in need of the help that will be available under this bill. Mr. Wilson said he approved of the amendment that Rep. Fagg had brought in, that of having voluntary vote-in so people can get in and out. He felt this act was important to the cities that are still growing and having problems in development. He also felt it important to protect prime agricultural land and yet important too, to promote growth. Rep. Fagg then said there are a number of amendments that have been introduced. Mr. Shanahan also introduced amendments, see Exh. #3, also attached.

Appearing as neutrals were Mr. Winsor who read from a prepared statement, see Exh. #6. He presented a number of amendments which are contained in Exh. #4. He stated if the amendments are incorporated into the bill, the Chamber could support passage of the bill. If not, he said he had been instructed to oppose passage of the bill. Mr. Swanberg also presented several amendments to the bill, see Exh. 5 (a) and (b) attached. Mr. Huss stated he neither supported nor opposed the bill but said he did have several problems with it.

The Chairman timed the proponents of the bill, including presentation time of Rep. Fagg, in order to grant as much time to the opponents and first to speak was Sen. Story who presented his formal statement in Exh. #7. He gave his objections to the bill and said he felt cities, although they had problems, must do more to solve these problems by themselves. He had city maps of Billings, Livingston, Laurel, Bozeman and Helena to illustrate that the cities grew along the railroads and highways, rather than planners mapping the cities out according to efficient location of the city services, etc. He said HB630 most importantly fails to be cognizant of the human factor in their 'packaging' of new cities or developments. He decried the intent of the bill to 'lock in' a far-

mer or rancher who contracts his land under the terms of the bill wherein the lands are classified and then taxes rated following these classifications. He said there were many problems yet with HB630 and did not believe it possible to solve in 10 days what could not be done in the last 810 days, to make the bill mechanically workable.

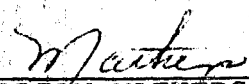
The next opponent of the bill was Mr. Langley, Park County assessor, but representing himself. He said he felt the bill was too restrictive on property owners and thought zoning is probably a very necessary process in the state but does not believe this is the way to put on confiscatory taxes. He said it does not take into consideration the other towns in the state, and the bill forces the rural landowner into a 10-15-25 year use of the land. Economic conditions change and those landowners cannot foresee what will be next year's need of their land. Mr. Asher of the APA introduced Mr. Moran, attorney for the group, who said he agreed there are problems within the cities and he further felt that there are problems of inequities in the tax situation in the state. However, he continued, he felt this bill goes beyond this, as he believed possibly 50% of all revenues in Montana would be affected by this legislation. He said he thought the bill gets at a city problem by balancing out taxes on detriment cause vs. benefit cause. He also thought growth should get a handle on its own cause and felt inflation was a major cause of present growth problems.

Mrs. Van Cleeve said she felt the cities should do their own planning and that it was not the business of the Legislature to lock in agriculture with city problems. Mr. Van Cleeve said he too felt the bill would be good for the cities but would hurt agriculture. Rep. Burnett stated his opposition of the bill as well and said it had been amended in the House so extensively that it would be impossible for the committee to get a good handle on the bill. Rep. Severtson also stated his opposition to the bill and endorsed Sen. Story's testimony on the bill. Mr. Howard said he has been concerned with growth in his county and supported the testimony of other opponents. He felt it could be amended to affect only Yellowstone and Cascade counties.

The Chairman then called for other opponents and there being none, permitted Rep. Fagg to make his closing statements. He said the bill is not being forced on agriculture as they have 2 votes in which they can exclude all agriculture out of the bill. He said further that 1, the county would have to vote to start the planning and 2, after public hearings, discussion, etc., the people would vote on it again.

During the discussion Mr. Groff was questioned in regard to the administration of the bill and he introduced a number of amendments favored by the D. of R., see Exh. #8. He said the bill as it is now can be administered. Mr. Mockler introduced a number of amendments, see Exh. #9.

Following this discussion, meeting adjourned.

  
WILLIAM MATHERS

CHAIRMAN



DATE

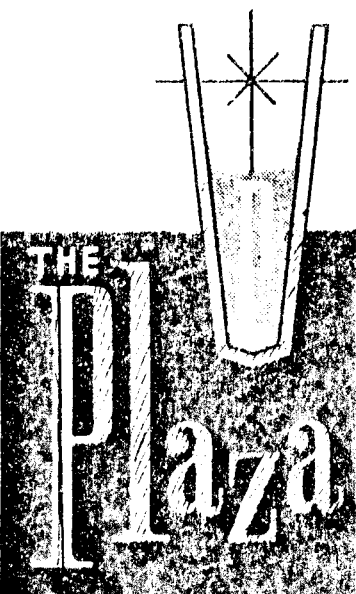
4/6/77

COMMITTEE ON

TAXATION

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Homen & Langley	Self	HB 630		X
Tom H. H. H. H.	Mont Co/Co	HB 630	Neutral	
Will Asher	AGRICULTURAL PRESERVATION Assn	HB 630		✓
London Vailinton	" " "	HB 630		✓
Ernest L. Westlake	" " "	HB 630		✓
HARRY W MORAN	" " "	HB 630		✓
Ed. H. H. H.	Mont Tech Council	HB 630		
Barbara Van Cleave	Mont Mus Co Pres. Assn	HB 630		✓
Senator Pile Story	District 31	HB 630		✓
John Van Cleave	Small Business Co Pres. Assn	HB 630		✓
William J. H. H.	Knapman Bros	HB 630		
W. H. H.	Cascade Supply	HB 630	✓	
W. H. H.	Self	HB 630	✓	
Bob W. H.	Billings Chamber of Commerce	HB 630	✓	
W. H. H.	Self	HB 630		✓
Paul Shanahan	Weyer Bros Inc.		AMEND	
Borham & Swadlow	Self		Amend	
Lonny H. H.	Mont Contractors Assoc	HB 630	Amend	



SHOPPING  
CENTERS

Taxation Committee  
Montana State Senate  
Capital Building  
Helena, Montana 59601

RE: House Bill #630 - MELDA

Dear Sirs:

It comes to our attention that you are now or will be considering House Bill #630 in your committee on taxation.

We contractors and developers feel that this law is urgently needed by the construction industry to stimulate and continue commercial development in all of our Montana cities.

As you know, the commercial construction has declined in Montana in the last three years at a very alarming rate which is causing a drop in employment and sales for construction oriented businesses and, of course, a decline in tax base since the buildings that would have been built are not being added to the total economic growth.

The problems of commercial builders and developers are many and include having to compete with older buildings which are already in existence and were built at pre-inflated prices.

In order to make it feasible for the construction industry to move forward with downtown and commercial development, it is going to be necessary to make some sort of realistic adjustment by way of tax incentives which we feel will stimulate the economy and add many millions of dollars to the future tax base of Montana, as well as stimulating new employment and sales of all building related materials.

4/8  
Cpl #1  
Telephone 239-5831

Area Code 406

## Plaza Shopping Centers

3318 2nd Avenue North

Suite 7

BILLINGS, MONTANA 59101

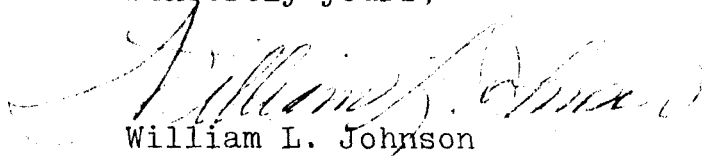
April 7, 1977

Taxation Committee  
April 7, 1977  
Page 2

Our company is now involved in the planning stages of a \$20,000,000.00 development in Butte and in order for us to come up with an economic package and compete with the older outmoded buildings, we desperately need the tax incentives that are set forth in the MELDA to make our development plans economically feasible.

It is my hope that you will give this bill your most careful consideration, as I believe it is one of the most realistic approaches to a taxation program and will greatly benefit all of Montana through the ultimate increased tax base, employment and economic growth.

Sincerely yours,



William L. Johnson

WLJ:mc

8  
4th #3

NAME Ward A. Shanahan BILL NO. HB 630  
ADDRESS 301 1st Nat. Bank Bldg, Helena DATE 04/07/77  
WHOM DO YOU REPRESENT DREYER BROS., INC.  
SUPPORT \_\_\_\_\_ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_ XXX \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

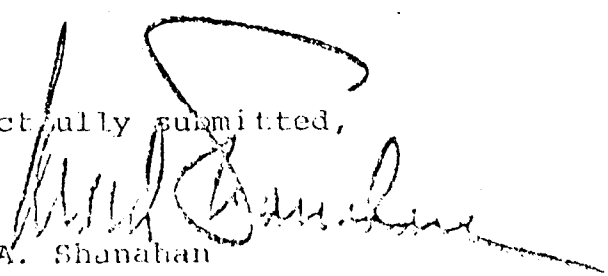
Comments:

We respectfully request that House Bill 630 be amended as follows:

Amend Second Reading Bill, page 34, line 6, by inserting the following language after the period, and before the word, "Beginning. } .":

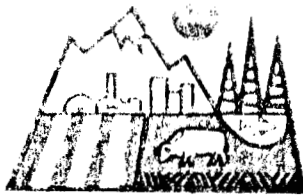
"The determination of benefit hereunder with respect to a facility subject to The Major Facility Siting Act (76-891 et seq., R.C.M. 1947) or 84-41-105 as a major new industrial facility shall be made by the Department of Revenue acting pursuant to the authority set forth in 84-301, Class 7, R.C.M. 1947, and the Administrative Procedure Act, 82-4201 et seq., R.C.M. 1947."

Respectfully submitted,

  
Ward A. Shanahan

Registered Lobbyist





*Exh. #14*

MONTANA CHAMBER OF COMMERCE

100 N. 1<sup>st</sup> AVE.

HELENA, MONTANA 59601

PHONE 441-140

RECOMMENDED AMENDMENTS  
TO  
HOUSE BILL 630

1. Strike material on line 12, 13 and 14 on page 2.
2. Strike all material on lines 9, 10 and 11 on page 3.
3. Strike material on lines 16-23 on page 5.
4. Amend material on lines 24 and 25 by removing the words "the Board of County Commissioners, or" on page 5.
5. Strike material on lines 20-25 on page 7 and line 1 on page 8.
6. Strike material on lines 2-4 on page 8, amend subsection 20 page 8 lines 6-8 by striking the word "three" and inserting the word "two" in its place; on lines 7 and 8 strike the words "productive and non-productive" and insert the word "undeveloped".
7. Strike all material on lines 11-25 on page 8.
8. Strike all material on lines 1-10 on page 9.
9. Strike all material on lines 15-25 on page 10.
10. Strike all material on page 11.
11. Strike all material page 12.
12. Strike all material lines 1-4 on page 13.
13. Strike all material on lines 11-17 page 14 and the material on line 23 on page 14.
14. Strike the words "suburban band" from line 4 page 15 and the word "county" on line 11 page 15.
15. On page 17 line 22 strike the word "agricultural" and all material on lines 24 and 25.
16. Strike all material lines 1-14 on page 18.
17. Amend subsection H on page 20 by striking the words "may affect the" from lines 4 and 5 and inserting in lieu thereof "shall be affected by the".

*statement*

*Winsor*

TESTIMONY BEFORE THE SENATE TAXATION COMMITTEE April 8, 1977

REGARDING HB 630--REVISIONS OF MELDA

#6

PRESENTED BY: TOM WINSOR, ON BEHALF OF THE MONTANA CHAMBER OF  
COMMERCE

SINCE MELDA WAS INTRODUCED IN 1975, THE MONTANA CHAMBER  
OF COMMERCE POSITION HAS BEEN SUPPORT FOR THE URBAN PORTIONS OF  
THE ACT.

WE HAVE NOT SUPPORTED THE RURAL SEGMENTS OF THE BILL.  
ORIGINALLY, THERE WAS SUBSTANTIAL SUPPORT FOR THE RURAL SECTIONS  
OF THE BILL BY AGRICULTURAL ORGANIZATIONS.

OVER THE LAST TWO YEARS, SUPPORT FOR MELDA HAS SEVERELY  
ERODED--PRIMARILY DUE TO COMPLICATIONS WITH PROVISIONS DEALING  
WITH RURAL LANDS.

THE MONTANA CHAMBER ALSO HAS SUBSTANTIAL RESERVATIONS ABOUT  
THE RURAL LANDS PROVISIONS IN MELDA. THOSE RESERVATIONS INCLUDE  
BUT ARE NOT LIMITED TO:

1. ADVERSE EFFECTS OF TAX SHIFTS
2. THE DIFFICULTY OF CLASSIFICATION CHANGE BY AGRICULTURAL  
LANDOWNERS.
3. THE VAST DIFFERENCES IN DEVELOPMENT PATTERNS FROM COUNTY  
TO COUNTY.
4. THE POTENTIAL INEQUALITIES BETWEEN TAXPAYERS AND  
LANDOWNERS--DEPENDING ON LOCAL OPTIONS TO IMPLEMENT OR  
NOT TO IMPLEMENT, AND THE ~~THE~~ POTENTIAL LOCAL ADMINISTRATION  
DIFFERENCES COUNTY BY COUNTY.
5. THE OVERWHELMING REJECTION OF THIS BILL CONTAINING  
RURAL LAND PROVISIONS BY MEMBERS OF THE HOUSE OF REPRESENTATIVES  
REPRESENTING RURAL CONSTITUENCIES.

Sen  
Story  
4/8  
47

Mr. Chairman, members of the Committee, at the outset, let me say that if anything could possibly make me favor this bill it would be the provision on Page 21, line 22, which gives a 50% tax break for prime agriculture plus a 10% break for each generation that the land has been owned by the same family. We've owned our land five generations, and our taxes would be zero. Gentlemen, if this provision were to be left in, you wouldn't buy or sell ranches anymore -- you would arrange marriages.

The problems with this bill are both mechanical and philosophical - and I might add - numerous. What you have before you is a bill that in the last two years and eight-one days has undergone eight or ten printed drafts and is still a raw, unfinished, unworkable product - riddled with errors.

Just let me take a few minutes to point out briefly fifteen or twenty of the more glaring errors, starting with three or four general problems.

First, in the definition section we find definitions that are never again referred to. And in other sections of the bill we find more definitions. Elsewhere, we find terms that should be defined but are not. One must constantly flip backward and forward in the bill to understand how the various sections interact on each other.

Secondly, there are many parts of this bill that simply do not do what the author intends them to do. I'll give you several samples.

(1) Under definitions "Rural land" means lands beyond the jurisdictional areas set forth in 11-3830 and 11-3830.2. Now, 11-3830.2 refers to the county-wide planning jurisdiction. There isn't anything beyond that area.

(2) "Prime agriculture" is defined as irrigated Class I and II land. The author does not apparently realize that some of our most valuable agricultural land in Montana in the Gallatin and up at the Flathead is not irrigated - doesn't have to be.

(3) Another prime example is section 6, starting on page 21. This section dealing with agriculture is intended to place it in four sub-classifications reflecting the difficulty or ease in changing to another use other than agriculture and awarding tax advantages or disadvantages accordingly. But the way it is worded, it doesn't do that. If you read it carefully, you will see that the only thing it does do is shift from one sub-classification to another. And whatever sub-classification the land is in, the only way to take it out of agriculture is to comply with section 16 in the back of the bill.

(4) The recreation section starting on Page 22, line 13 is one that in previous versions of the bill would have had a disastrous effect on sportsmen. What it would have actually accomplished would have been to bring an end to free hunting and fishing on private property. However, the present section is perfectly safe and does nothing whatever. What it says now is that if a farmer is dumb enough to turn over a prime camping area to the public for a minimum of ten years he can save \$2 or \$3 per year. The

Sept 3 Rev.

48

page 21 lines 23-25 after Class A strike the remainder of the sentence. This would force the Assessor to go to work as a geneologist tracing blood-lines of farm owners.

page 26 lines 16-24 after 'developed'. Strike remainder of the subsection. The decision on whether or not unimproved land is marketable because of local conditions will be the subject to a great deal of litigation.

page 44 strike subsection (10) (lines 7 to 11) This provision is inconsistent with the local option guaranteed in section 4 page 10 et. seq.

page 30 line 1 Strike the words "under construction". The benefits should go to projects undertaken in response to this act rather than those which will be "grandfathered" in by this phrase.

page 15. subsection 10 should be amended allow uniform state certification rather than certification by each local governing body

page 10 line 16 Insert the word "planning" before 'provisions'.

# 9

Amendments to HB 630 (MELDA)

- James Mackelke*
1. Amend page 9, line 19  
Following "producing"  
Strike "or mining of a"  
Insert "."
  2. Amend page 9, line 20  
Strike "material or product"
  3. Amend page 25, lines 8-12  
Following line 7  
Strike lines 8-12 entirely
  4. Amend page 34, lines 16-18  
Following "pollution"  
Strike lines 16-18 entirely
  5. Amend page 47, line 22  
Following line 21  
Insert Section 20  
"It is provided that nothing in this act shall be  
applicable to any lands acquired for any use or occupancy  
reasonably necessary to the extraction or production of  
the mineral resources in or under any lands subject thereto."  
Renumber subsequent sections.