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3/10/79

HOUSE TAXATION COMMITTEE  
46th Legislature

Rep. Herb Huennekens, Chairman, called the hearing to order at 8:30 a.m., March 10, 1979, in room 434, Capitol Building, Helena. All members except Rep. Gilligan finally came in. Randy McDonald was present.

Bills to be heard were HB 509, HB 848, HB 871.

Rep. Dan Yardley, District #74, Livingston, chief sponsor explained HB 509 reduces tax rate from 12% to 8.55% of market value. Revaluation of 20% of the property in the state is done every year, so every five years there will be a complete revaluation. The market value is about 55%.

HOUSE BILL            This is an unfair situation for two reasons - the new property owner will likely get stuck with higher taxes and the second thing is they tell you your house is worth \$50,000.

509                    If you knew they were using a 55% valuation and they really consider your house worth \$100,000 you might not go down there. It is only 55% but it is called the market value. That problem arose because of using 1972 market values last. This reinstates the same kind of schedule as in 1977. If property tax valuations go up, the 8.55% drops.

HB 509 establishes current property tax rates for certain real property, revises the schedule for determining the certified statewide percentage increase after periodic revaluation; and provides effective and applicability dates. It codifies the existing practice and should have no fiscal impact.

Ed Nelson, Montana Taxpayers Association, Helena, support HB 509, saying they supported this legislation and supported other similar legislation. Unless some legislation is made it will go back up to 12%. It is one of the classes in the reclassification act. Urge that something be done to protect the 8.55% and that reappraised values as in 70 continues.

"Ponent" -

Dean Zinnecker, Montana Association of Counties, Helena, supports HB 509. Need something along this line. It doesn't deal with any of the figures. Section 15-7-122 temporarily gives taxing jurisdictions authority to deal with valuations - there should be some temporary authority to exceed mill levies.

There were no opponents.

Rep. Yardley closed saying the intent is to reinstate the law so that when revaluations go through, the tax value reduces accordingly. If Mr. Zinnecker's suggestions were in the previous act, wouldn't object to including them.

Questions from the committee -

Rep. Fabrega asked if that allowed for an inflationary increase? HB 70 allowed a 10% inflationary increase. Rep. Yardley asked that HB 509 follow the same as HB 70 did. Mr. Burr said it does allow for a 10% inflationary value.

Rep. Sivertsen reminded in HB 70 it would have included ag lands in this formula, but because of the amendment put on in the Senate it deleted ag lands from the formulas that we have. The problem we see now is that ag land through the reclassification was raised 2-3 grades. Some property taxes have gone up 200-300%. Mr. Burr asked if there is a way we could address that problem down the road; in the next five years could we include ag lands. Ag lands have experienced this dramatic raise and they are not treated the same. When HB 70 was considered, ag land was included in the 8.55% bracket. The senate thought we were moving closer to higher value. With ag land we weren't changing productivity so there wouldn't be much change, but productivity has increased greatly and they didn't get this reduction. If they could be included in this bill so they could get the reduction next time, have gone from 12% to 8.55%, when reappraised probably would get down to 6. Ag land is at 12% and if dropped the rate and values were higher, taxes would stay about the same as they are now on ag land.

Rep. Sivertsen asked if some kind of an amendment saying if it is shown that agricultural productivity had changed considerably, would consider rate change. Mr. Burr advised the agricultural land that used to produce 18 bushels now produces 35 and so land moved up in the schedules pretty substantially in some areas.

Rep. Huennekens said either way base it on productivity or something else. Mr. Burr asked if it increases from 18 to 35 do you want to adjust the tax so that you don't base the tax on that increased productivity?

Rep. Steve Waldron, District #97, Missoula, sponsor of HB 871 explained this bill makes provision for control of offroad vehicles - those that are not licensed to operate on highways or streets. It provides for decibel rating following the California law so it should fit in with present laws. It exempts commercial type vehicles and farm machinery. It provides for a use fee which is a new concept to Montana but it is used in other states. \$1 goes to the county government to take care of the decal that would be used and the rest of it goes to the department of fish and game. It does exempt offroad vehicles from taxation. Nobody pays taxes on them anyway.

Ron Holliday, Administrator of the Parks Division, Fish and Game, thinks their experience with snowmobile management would be beneficial in administering this offroad vehicle program. See his testimony attached.

Bob Birn, Fish and Game Department, suggested some changes be made in the bill: Page 4, lines 11-14 - he doesn't think \$1 would get much enforcement. Should be \$3. To administer the decal provisions should be given \$1. Section 3, page 4, line 19 - decals expire on June 30 - recommends having this be January. Page 5, subsection 4, line 8 on page 6 - register 15 days after bringing into Montana; have to change it to after 30 days - this should be clarified. Page 6, line 13 - all non highway vehicles are exempt from taxation which would exempt some of the equipment Montana Power and Mountain Bell use off the highway from this act and taxation. Perhaps ski equipment.

Page 6, new section 5 - temporary permit - who obtains this? Could be problem if the Division administers this. Page ? - not appropriate for a title, might be expiration for a registration. Page 18, line 13 - would raise fine to \$50

to \$250 - wouldn't apply to legitimate dealer for using one license on say 5 vehicles. On the dealer fee on page 13, registration certificate would expire on June 30 - should be January. Page 13, line 23 isn't consistent with page 6, line 8 which says 15 days. Page 17, line 18 - under subsection 1, the enforcement authority can't issue a ticket for being noisy - wants authority to enforce the whole act, not just lack of registration.

#### Opponents -

Dean Zinnecker, Montana Association of Counties, Helena, wants all of Section 20 completely deleted on page 19.

Rep. Waldron closed saying he was not aware of the problems as explained by the Fish & Game Department. Provides for summerizing winter facilities. Can use an ATV facility in the summer and snowmobiles in the winter. Page 14, lines 2-7 doesn't allow for a temporary permit for racing motorcycles. There is a specific permit for racing. Page 12, line 23 - "operating or" means a dealer should not be allowed to operate a vehicle - just demonstrate. Just use the dealer tag to go out and play is prohibited. Permit should not be used to do anything but demonstrate.

include

The bill might/some of Mountain Bell and ski equipment.

#### Questions from the committee -

Rep. Reichert asked why the counties object to Section 20? Mr. Zinnecker said because if one tax is decreased, another has to be raised. He thinks recreational property should be taxed. Rep. Reichert asked why a fee of \$15.00? Rep. Waldron said because they could work with that amount of money.

Rep. Sivertsen said he questions quite a few categories. Don't you see a gross inequity because of different value of vehicles? Amount of impact it has is what is being taxed. Some of the heavier vehicles would do more damage than lighter ones.

Rep. Fagg asked what are you going to build with this money? Rep. Waldron said trails are one possibility. Since these are unlicensed you need a place to unload. Rep. Fagg wants to be more specific as to what will be built. Rep. Waldron said if trails are set up and well mapped, use will have less erosion and won't tear up lands.

Rep. Sivertsen asked with regards to enforcement, if you carried out the letter of the law, you could spend everything you get from these fees - you could spend everything that came in. Rep. Waldron said he has no problem in increasing the fee to \$3.00.

Rep. Dozier said because of the exemptions on page 2, snowmobiles won't be covered. Hardly anybody is covered under this. Rep. Williams would recommend including licensed vehicles such as motorcycles.

Rep. Nordtvedt said he has failed to catch what the problem is that needs remedying here. Rep. Waldron said apparently have no law that relates specifically to these offroad vehicles - no law providing recreational opportunities be controlled. That is what the bill is designed to do.

Rep. Huennekens mentioned snowmobiles are handled through a decal which brings snowmobiles under taxation. If the assessor looked around, more snowmobiles would be taxed. Should follow snowmobile route and maintain property taxation on all these vehicles. Rep. Waldron does feel strongly about requiring use fees. Should be some mechanism of generating funds. Use fees will generate a good deal of money and provide for enforcement.

Rep. Huennekens reminded \$1 of the \$2 goes for law enforcement on snowmobiles.

Rep. William Menahan, District #90, Anaconda, one of the sponsors of HB 848, explained Rep. Quilici, chief sponsor, was called away and asked that he be allowed to come in Monday and give additional testimony if necessary.

HOUSE BILL                    This bill allows a fee in lieu of property tax for motor  
848                               homes, travel trailers, snowmobiles, and campers. Counties  
                                 with people under this feel they are paying too much. \$2500  
                                 was the former cost of an RV - it is now \$5,000 plus and taxes  
                                 have increased greatly because of higher valuation. People  
license their RVs in adjoining states because fees are cheaper.

Stewart G. Stewart, Sr., State Director of the Montana Good Sams, favor HB 848. He thinks they haven't done their job of public relations good enough. We are talking about people who are quite mobile in their retirement. It becomes a question of where do we spend most of our time. May not spend more than 2-3 months in Montana. It is a question of equality. He doesn't see why the person who invests \$20,000 in a motor home should be required to pay substantially more taxes than someone who invested \$20,000 in a summer home. The real estate assessment should be limited to 55% of the market value, yet in assessing of RVs, they use the full book value. Nobody pays book which is the ultimate for evaluating, so assessor taxes RVs used as summer homes at the highest possible estimate and assesses summer homes at 55% of market value. See his testimony accompanying.

Ed Sheehy, Jr. Montana Manufactured Housing Association, Helena, supports HB 848. Those who sell modular homes, recreational homes want to see increased sales in RVs. Those sales are not as high as in neighboring states with fee systems. He thinks a fee system would make for more sales. In 1975 they were considered class 2 property and were taxed at 22%. The department of revenue established two different appeal guides so that the other was lower than that for RVs so that RVs were taxed at high valuation. The district court in Bozeman held that the department of revenue were not legal because the statute said they had to be taxed at the same rate but the legislature changed the RVs into class 10 at 12%. Summer homes are taxed at 8.55% rate. 8'x32' are taxed at 8.55% rate so they have some discretion on vehicles that could be considered in the same class. Is for a property tax relief in this state.

Jerry R. McCauley, Jerry's RV Center and Montana Manufactured Housing, Helena, supports HB 848. Thinks this is a step in the right direction. Lewis & Clark County's total revenue taxable value is approximately \$53,575,000 - only \$554,000 is campers, camping trailers. This would give the state a chance to try the fee system without jeopardizing taxation in Montana and give people a chance to enjoy Montana.

Edith Cox, speaking for the Montana Association of County Treasurers, said they are in support of the fee in lieu of taxation concept which they feel is more fair and more easily implemented. Suggests the committee do take a look at SB 184 - they favor SB 184.

Ivan S. Abbott, Montana Good Sams Club, Billings, supports HB 848 saying he thinks the recreational vehicle is a poor name to be given to portable homes. See his testimony accompanying.

Earl Johns, Billings, said the state is losing a lot of revenue. Many of our food chains are bringing in food stuffs and they are not licensed in the state. Original mail order houses are doing the same thing. Everybody is dodging Montana because of the high tax and license law. There are two trailer clubs in Billings having approximately 30 members each. They are going to lose about 8 members that will license their vehicles in another state. It behooves Montana to do something about this situation.

Lloyd Anderson, Montana Good Sams, Helena, supports HB 848. Montana Good Sams are supporting this bill. Hope the committee takes due consideration.

Kenneth D. Clark, Miles City, is the owner of a mobile home, and is in accord with HB 848 and hope the committee puts a do pass on it.

Other proponents of HB 848 are listed on an accompanying witness sheet.

#### Opponents -

Dean Zinnecker, Montana Association of Counties, opposes HB 848, saying the counties have a problem - the property tax. It is just not sufficient to support education and local government. Hope the legislature will not do it in a piecemeal basis as is proposed in this bill. This bill won't solve that. Would recommend during the interim you look at overall property tax, at education and look at it from an overall viewpoint.

Rep. Menahan closed saying there are too many studies already. People feel they are being taxed unfairly. As far as studying SB 184, that is a way of delaying.

#### Questions from the committee -

Rep. Williams asked if going to the fee system, wouldn't you think there should be more than one class? Rep. Menahan said it was from \$20,000 to \$50-60,000 now.

Rep. Hirsch mentioned part of the problem is we don't know what to call them - whether a home or a vehicle. Perhaps somewhere between 8.55% and 12% would be proper place. Rep. Menahan said you can sleep and eat in a vehicle.

Rep. Huennekens mentioned testimony about going to another state to buy a home - the tax in other states is higher than Montana's. There is a sales tax of \$600 or \$800 as opposed to Montana's tax would be stupid. Mr. Sheehy said Montana residents do not have to pay the state tax because they are exempt because Montana does not have the sales tax. Can't keep their vehicle in the state of Montana over 90 days without licensing.

Rep. Johnson asked how many members are in the Good Sams Club? Mr. Stewart said 2400 families - 6,000 individuals. She then asked what percentage of

mobile homes and RVs the Good Sam Club represents - is only interested in Montana homes, pickup trailers? Mr. Stewart answered 2,700 families with 40-50,000 individuals.

#### EXECUTIVE SESSION

HOUSE BILL 765 - Rep. Underdal requested HB 765 be reconsidered. Wants to produce amendments equitable to the committee. There were no Noes.

HOUSE BILL 369 - Rep. Lien moved to change taxation date to March 1 - going to 6 months instead of 9 months. Amendment was adopted unanimously. He then moved HB 639 DO PASS AS AMENDED. There were no Noes. Reps. Fabrega, Vinger were absent.

HOUSE BILL 770 - Rep. Johnson moved HB 770 DO NOT PASS. Rep. Burnett made a substitute motion that HB 770 DO PASS. Rep. Reichert moved proposed amendments be adopted. They were adopted unanimously. Reps. Dozier, Bertelsen, Vinger, Fabrega were absent. Rep. Dassinger made a motion to amend by deleting section 4. This motion failed with Reps. Dassinger, Nordtvedt, Johnson, Fagg voting Yes. Same members were still absent. Rep. Burnett changed his motion to HB 770 DO PASS AS AMENDED. Rep. Gilligan favors this bill - with an airport facility there could use same place for such a facility. Rep. Harrington feels the Butte free trade zone has been valuable in some respects - is a good clean industry. Rep. Underdal thinks several facilities could be used for this. Motion that HB 770 DO PASS AS AMENDED succeeded. Reps. Dassinger, Johnson, Nordtvedt voted No.

HOUSE BILL 547 - Rep. Hirsch moved title be amended as necessary. Motion was unanimously adopted.

HOUSE BILL 795 - Rep. Fabrega moved HB 795 DO PASS. Rep. Burnett made a substitute motion HB 795 DO NOT PASS. Welfare has a big payroll for some counties. Rep. Harrington thinks that down the road we will have to go down the line. Rep. Huennekens said there is some question about handling statewide or leaving as a county department. Rep. Lien said there is a question of 6 mills for county hospitals - 12 mills goes to rest homes and hospital. Would shut down the hospital immediately - totally bad bill for his district. Rep. Huennekens explained this is a different hospital - is the independent as opposed to a regular hospital (section 9). Rep. Reichert is opposed to do not pass motion.

Rep. Nordtvedt represents a small but definitely urban area. The problem is not just the influx of people into the areas but have encouraged mobility into their districts. Need local control. Rep. Huennekens mentioned there is a "may" allowance to the bill. Rep. Harrington said there are people brought in to Butte to work in the mines and are laid off and after they run out of helping funds, the people need some help. Many things add up to make the problem.

Rep. Huennekens suggested might add on to the all-purpose fund. Rep. Fabrega said have to have gone to the 3 1/2 mills before can add on this 6 mills. Pretty much mandated by federal and state laws regarding indigent care.

Mr. Zinnecker advised Toole County is levying at 4 mills and they need 10 mills at their hospital. May have to close the hospital. The 6 mill levy is to maintain the county poor hospital. Rep. Hirsch mentioned section 9 and 13 do conflict.

Action was deferred motion was withdrawn.

HOUSE BILL 150 - Rep. Lien moved to amend HB 150 providing for an 80-20 split between the state and local taxing jurisdictions. This was a subcommittee recommendation. Rep. Lien opposes the amendment saying he prefers all of it to go to the local governments and none to the state.

Rep. Dassinger thinks it would be too much loss to the state. The local governments can still raise mill levies and make up for it. No way for the state to make up for it.

Rep. Sivertsen asked how many counties are close to their limits? Mr. Zinnecker advised counties vary with various funds. Rep. Harrington said if we put a 5% property tax ceiling, this will make it difficult for the counties. Wants to see it put back to the counties.

Rep. Dassinger said if we are going to accept this and put it back to the counties and cut bank taxes, prefer to have the localities take it up. Rep. Huennekens reminded if you are going to cut, you are cutting foundation funds 25% when cutting state funds.

Rep. Underdal thinks the state deserves its share. The state is going to be short \$3-\$3.5 million if 6-3/4% is used. Rep. Williams explained the impact of changing the allocation. Rep. Huennekens said it would be broken up into different categories in local governments.

Rep. Nordtvedt will submit a formal motion to increase corporation tax 1/4%. Have to change the method of banking and tax them the same as we do other corporations. In the meantime, will have less. Banks will have to be brought up in line with other corporations. 1/4% will bring in about \$1 million. Rep. Huennekens asked, you would propose to increase corporation license tax 1/4% to 7% but provide bank income be split on the 80-20%?

Rep. Fabrega said HB 150 is the answer to bringing tax down to 1.9. Local governments took the total rap of tax reduction - has no problem with the 80-20 split. Rep. Reichert said an early fiscal note indicated 25% goes to the foundation fund. Will this be reduced by a proportionate amount? Rep. Fabrega advised if don't fund from the bank tax, will have to fund from the property tax.

Rep. Williams said most corporations are paying an inventory tax which is equivalent to about 1-1/4% of a corporation license tax. Rep. Williams moved that the split be 65-35. Rep. Dassinger favors 65-35. Reps. Lien and Fabrega are opposed. Rep. Dassinger opposes giving banks a cut. This substitute motion failed by a roll call vote of 4-11. Reps. Bertelsen, Dozier, Fagg, Vinger were absent.

The original proposal to amend providing for an 80-20 split was adopted unanimously. Rep. Lien then moved HB 150 DO PASS AS AMENDED. Unanimously adopted. Rep. Bertelsen was absent, as was Rep. Vinger.

Rep. Nordtvedt moved that Randy McDonald, staff attorney, be instructed to prepare a committee bill in accordance with his recommendations as above.

Meeting adjourned at 11:30 a.m.

  
Josephine Lahti, Secretary

  
REP. HERB HUENNEKENS, Chairman