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3/17/79

HOUSE TAXATION COMMITTEE  
46th Legislature

Chairman Herb Huennekens called the meeting to order at 8:30 a.m., March 17, 1979, in Room 434, Capitol Building, Helena, Montana. Representatives Gilligan, Harrington, and Vinger were absent. Rep. Nordtvedt was excused. Rep. Robbins also was absent. Randy McDonald, staff attorney was present.

SENATE BILL 200 - Rep. Reichert recommended Senate Bill 200 BE CONCURRED IN. Concurrence was unanimously adopted by all members present.

HOUSE BILL 275 - Rep. Fabrega made a motion that HB 275 BE TABLED. Rep. Gilligan by written vote voted No, all others approved tabling.

HOUSE BILL 161 - Rep. Fabrega moved HB 161 Do Pass. Amendments were discussed. Rep. Williams opposes the tax credit approach to tax relief. A home owner deducts tax and then the renter gets another deduction. This makes for a deduction twice.

Rep. Reichert thinks there should be a limit on the amount of rent paid. If people can afford to pay over \$300 rent per month, they should not be allowed this credit.

Rep. Fagg made a substitute motion for all motions pending to TABLE HB 161. Rep. Huennekens advised we have until the Tuesday after next week to physically get bills through third reading. As long as we meet the Monday deadline, they can be moved immediately to third reading. We would have until next Friday, so we should consider this from the standpoint of the amount of money affected.

Rep. Fagg would just as soon wait and see what kind of package the committee could come up with.

Rep. Williams thinks an impact of \$1,000 per person is a big impact, but it could be anywhere between \$650 and \$1,000. This income tax deduction would give renters a benefit.

Rep. Lien voted No on tabling HB 161. Motion carried - HB 161 was tabled.

Rep. Dozier feels money should not be taken away from local government. Senior citizens do not pay income tax usually, but they do pay property tax.

HOUSE BILL 297 - Rep. Fabrega moved HB 297 DO PASS. He wants just the land not to be taxed as high as the rest of the equipment, buildings, etc. He enjoys the greenness of a golf course or other such recreational park, and feels the aesthetic addition to a city should not be taxed at a high rate although the buildings, equipment, etc. should be taxed as other such things are.

Rep. Lien moved amendments which were adopted unanimously.

Rep. Dassinger opposes the motion because he feels these are used by wealthy people, and he can't justify in his own mind allowing a reduction in taxation on such recreation places.

Rep. Sivertsen approves the bill the way it is written now. People who use these recreational facilities are taxpayers and it is a benefit to have these facilities. People come into town and they spend money - benefits derived in the business community will offset this.

Rep. Lien mentioned trap and skeet ranges used to be considered a wealthy person's sport, but many less affluent people enjoy them now. It takes up a large portion of land in which to have the shot fall. Taxes have hit very hard and this would be a relief.

Rep. Huennekens said he has been opposed to this, but he is going to go with it for a different reason. Senior citizens find a considerable amount of recreational pleasure from golf and trap and skeet ranges which are used by many of them. He will go with the bill. He doesn't think some of the people who golf necessarily need the help but some of the people do need the help.

Rep. Reichert thinks this is more than just a tax break, it provides availability of more greenbelt. What if some industry bought that same land - would make for more pollution.

Rep. Fabrega said if private golf courses don't exist, the municipality would have to supply them and they would cost more than the tax relief provided here. A community needs this kind of summer outdoor recreational areas.

Rep. Williams feels this type of property would be better off under a new classification, Class 4. This would reduce tax rate to 4.275% which would give them a break of half present tax rate. This should be carried as a subsection under HB 213. Would the committee be interested in this?

Rep. Williams moved to change the rate from 3% to 4.275%. Rep. Lien approves this amendment since it puts it in a land class, but doesn't put it in agricultural land.

Rep. Fabrega feels this bill should be changed to Class 15. The motion to put this type of property into a Class 4 was adopted unanimously.

The original motion by Rep. Fabrega to DO PASS AS AMENDED was adopted by all members of the committee except Rep. Dassinger who voted No. Reps. Vinger, Robbins, Nordtvedt and Gilligan were absent.

Rep. Huennekens thought it is worth it to town people to have some place that is green to look at.

HOUSE BILL 643 - Rep. Reichert thinks increasing taxes on Montana Power would only be passed through to the consumer.

Rep. Fabrega feels this would only be siphoned off into Rosebud County during the construction period for three or four years and if this bill is passed, it would be permanent.

Rep. Reichert mentioned utilities feel centrally assessed taxable valuation is alright with them. She is in kind of a quandary and worries about rates on public utilities such as Montana Power.

Rep. Williams would prefer to see the committee table this piece of legislation.

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He thinks this should go into the oversight committee and analyzed more completely, especially in view of the lawsuit the department is facing as far as railroads are concerned - will have less problems that way. The sub-committee recommends that HB 643 be tabled. Rep. Williams made a motion that HB 643 BE TABLED.

Rep. Lien feels utilities are trying to get as much property as possible under local tax base, and the Department of Revenue is holding out for centrally assessed valuations. He recommends that it be studied by the oversight committee.

Rep. Dassinger said Rosebud County has the amount of money the county can take for the schools. All taxable value receipts now will go to other than school district funds, so it isn't as much loss as it would seem.

Rep. Williams said centrally assessed properties don't fit into Class 16. Just don't seem to be any place to put it or to move it. The last itme in Class 10 was all other property and it was decided to leave it there. Hope after a study by the oversight committee, perhaps a class should be set up for centrally assessed property.

Rep. Fabrega asked if as part of the motion to table we should make the recommendation to the oversight committee that this be studied?

Rep. Huennekens suggested that all recommendations be included in one resolution about the 89th day.

There were No Noes on Tabling HB 643. Same four members were absent.

HOUSE BILL 831 - Rep. Burnett moved HB 831 Do Pass, then he moved that proposed amendments be adopted. The staff attorney advised the amendments tighten down where counties can forgive taxes and would exempt the property. It would be in the same section as the agricultural section, but not in the same statute.

Rep. Burnett thought it could be amended to forgiveness of taxes and make it tax free in the future.

Foregiveness of taxes bothers Rep. Huennekens, and asked the attorney about this; Mr. McDonald said he had seen none in the statute.

Rep. Bertelsen suggested that the county commissioners take over for the taxes due and a loan be privately held by a bank for the \$90,000 in taxes due on the rodeo grounds.

Rep. Fabrega said there are several organizations involved - if the county commissioners take title back and enter into an agreement to lease the facility back to the rodeo association, would they be able to make enough to make the payment to the bank.

Rep. Huennekens doesn't think this is a matter for legislation - it is a local problem.

Rep. Sivertsen reminded that the reappraisal caused the problem since the rodeo grounds had not been taxed but was included after reappraisal. The loan was a bad business venture and we can't protect everybody from that type

of thing. So guess we can act on the amendment proposed by Rep. Burnett. The amendments were adopted with No Noes.

Rep. Fagg made a substitute motion of Do Not Pass.

Rep. Reichert was concerned about the constitutionality. Rep. Williams feels this situation would give us a lot of trouble down the line.

When the question was asked the committee, the DO NOT PASS motion on HB 831 was adopted. Reps. Mel Underdal and Burnett voted No, all others present voted Yes.

Rep. Burnett suggested HB 831 be studied by the oversight committee. He is to bring other information to the committee, so this bill will be held until he has had an opportunity to present new information.

HOUSE BILL 372 - Rep. Sivertsen remarked that the Greenbelt was to try to protect agricultural land and to repeal it just for specific cases would have to be thought about.

Rep. Fabrega read a letter from Stephen A. Birch, Great Falls, criticizing the roll-back tax. Rep. Fabrega related a situation wherein \$1,000 was paid for an acre as agricultural raw land, and was sold for \$10,000 per quarter acre, but then allowance for streets, etc., was deducted from the amount of acreage which could be sold. About one-fifth of the land in a subdivision goes to provide streets. Raw land worth \$10,000 per acre would be worth \$40,000 per acre as subdivided land. Because the land under consideration was a desirable place to put the subdivision, it was more valuable, but the rollback tax was a great deal more also. The roll-back effect would have been one-fifth by moving down the road one-half a mile.

Rep. Huennekens thinks it doesn't make any difference if the land is good or bad, you get almost as much for the poor land as you do for the good.

Bill Groff, Special Legislative Adviser for the Department of Revenue, said normally developed land is double the cost of raw land. If you pay \$10,000 per acre, you sell it for \$20,000 because of subdivision. Land with timber has become highly valuable - people don't want flat good land.

Rep. Fagg mentioned in the case of Billings, the dry land up on top of the Rims with the views is the most valuable. It is how close it is to services that puts a value on it. The view and availability of services is what sets prices.

Rep. Lien did not want to get too hasty in repealing this roll-back tax.

Rep. Huennekens thinks the local government should get a share in the extra value because of the city growing out to the land.

Rep. Dassinger recommended buying land 5-10 miles out since it is cheaper.

Rep. Williams would hate to see the roll-back tax repealed. The wrong people have been paying the roll-back tax. He would oppose a repealer and support the bill. He moved HB 372 As Amended DO NOT PASS. Rep. Fabrega would amend to remove Section 15-7-214. There were No Noes, so amendment was adopted.

Reps. Arlyne Reichert, Hirsch, and Fabrega voted No on the DO NOT PASS AS AMENDED motion. Motion carried - HB 372 would leave the committee with a DO NOT PASS AS AMENDED recommendation.

HOUSE BILL 397 - Rep. Lien asked what if the purchaser agrees that the land is going to be continued in agricultural use and the purchaser decides before five years that he is going to subdivide and doesn't feel he should have to pay the tax?

Rep. Huennekens, who sponsored HB 397, explained this bill protects the seller if he gets a notice from the purchaser that it is to be retained as agricultural land.

Rep. Williams thinks the wrong people have had to pay the roll-back tax.

Rep. Fabrega mentioned that a contract for deed usually includes a restriction that the purchaser cannot do anything with the land without the approval of the seller.

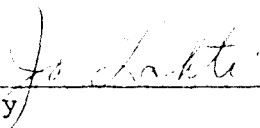
Rep. Hirsch said laws protecting the consumer are continually passed. He thinks that someone deciding to buy something, should be wise enough to know some of the implications of buying that land.

Rep. Fabrega advised that under this law it has been judged by the attorney general's office that the person finally building the house is the one who has been liable.

Rep. Fagg moved HB 397 DO PASS. There were No Noes.

HOUSE BILL 213 - Rep. Williams explained HB 213. The impact of haulers will affect Rosebud and Big Horn counties mostly. There would be revenue loss to both state and local governments. The committee discussed taxing of trucks. No action was taken on HB 213 at this time.

Meeting adjourned at 11:00 a.m.

  
Secretary

  
REP. HERB HUENNEKENS, Chairman