

HOUSE TAXATION COMMITTEE

46th LEGISLATURE

The House Taxation Committee was called to order by Vice-Chairman Ernie Dassinger at 8:35 a.m., in Room 434, Capitol Building, on March 29, 1979. Rep. Dan Harrington and Rep. Harrison Fagg were absent; Chairman Herb Huennekens was excused. Staff attorney Randy McDonald was present.

Bills to be heard were Senate Bills 46, 220, 71 and 184.

Senator George Roskie, District #21, Great Falls, chief sponsor of SB 46 which was requested by the Code Commissioner, explained this is an important bill but it makes no substantive changes in the law. It takes SENATE BILL out some archaic language and replaces it with more specific wording, wording which is more understandable and effective.

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Robert B. Pyfer, attorney for the Legislative Council, said he was available to answer any questions. He spoke briefly to the repealer. The bill repeals 17-2-203 which is a specific penalty section which is covered under the criminal code in a much more comprehensive fashion.

Senator Roskie closed and questions were asked by the committee.

Representative Reichert said page 5, line 12, pertains to a university student loan fund. What is the loan fund--she understood a student could not borrow from the state. Robert Pyfer said he is not completely familiar with that part as he hadn't drafted the bill. He said it sure reads like a loan set up for students, faculty and staff and it is unquestionably a state fund. Rep. Reichert requested he check to see how much this fund contains. Rep. Sivertsen said there is probably no money in the fund at the present time but if there are funds they may be loaned.

Rep. Johnson asked why the burning necessity of these code bills. Senator Roskie said it is intended to clarify the language and bring it up to date. Mr. Pyfer said they are not a burning question exactly but it would be improper for them to deal with matters that are substantive or controversial. He said the code commissioner is required to bring in a certain amount of legislation when conflicts are found in the law or unclear language. Rep. Williams said the main reason for the code bills is the fifteen hundred bills introduced every two years.

SENATE BILL 220 Senator Jean A. Turnage, District #13, Polson, chief sponsor of SB 220 which was introduced at the request of the State Tax Appeal Board, said this allows the State Board of Appeals to use a hearing officer if they have a backlog of over 500 appeals awaiting hearing. This hearing officer has to have legal training or experience in tax appraisal, classification and administration. Senator Turnage explained the tax appeal boards were mandated by the

1972 constitution. Each county has a local tax appeal board and if the taxpayer is unhappy with their decision he can appeal to the state board. This state board has three members who can meet in Helena or in the county of the appealing taxpayer. There is a tremendous backlog of cases because of the delay in appraisals coming down from the reclassification. Ideally all three of the state board should sit, although they can do it with two. This bill would provide a relief mechanism when the appeals add up to more than 500. A hearing officer would take testimony, write a proposed finding of fact and a decision. The decision would be reviewed by the state tax appeal board and approved or disapproved. He said he would be happy to answer any questions.

Rep. Williams asked if the hearing officers would be part time employees. Senator Turnage said they would. Rep. Underdal asked how they would be paid. The answer was \$40 an hour out of the general fund. Rep. Reichert mentioned the fiscal note was \$48,200 for this--might it take more. Senator Turnage said it could, depends on a number of things.

Rep. Hirsch asked if the hearing officer would only have the hearing and gather the facts. Rep. Turnage said he would also come to a suggested conclusion as Carl Davidson did in the Colstrip 3 and 4 hearing--he made a finding of fact and the Board of Natural Resources had to decide to adopt or reject it.

Rep. Sivertsen expressed a fear that the state tax appeal board could let the cases build up just so they could use the hearing officials all the time. Senator Turnage said the bill should be killed if they felt this would be the case. He said the records don't show that kind of abuse. Rep. Williams mentioned the tax appeal crunch happens during a 3 to 4 month period of the year with rather slack time at other times.

Senator Greg Jergeson, District #3, Chinook, chief sponsor of SB 71, said this is a bill that would provide for the establishing and continuation of courses provided by the Department of Revenue for its appraisers, and it would set up a system whereby they would be required to pass an examination. He said an

SENATE BILL appraiser would first have to become qualified as a residential
71 appraiser before going into commercial or industrial appraising. He said there is some question about the qualifications of some appraisers and many voters are dissatisfied with the quality and equity of their work. It must be put in the law that they need to have a high professional proficiency. This is a simple but good bill. A statement of intent is attached so it won't become a full blown bureaucratic program. The bill is not to keep new people from entering this type of job. Appraisers would have a year to become certified.

Rep. Sivertsen agreed with Senator Jergeson on the need for this bill. He said much of the appeal crunch mentioned in the prior bill of Senator Turnage's is caused by improperly done appraisals.

There were no opponents and Senator Jergeson closed saying he was available for questions.

Rep. Williams asked if there would be additional cost in conducting these seminars. Dennis Burr, Department of Revenue, said they are allowed two schools now if they need to. This bill makes it a little more formal in the statutes what they are now doing.

Rep. Williams asked if there were any particular qualifications needed to be an assessor or appraiser. Dennis Burr responded that they start at a grade 9 and a college degree is now required, and they try to have someone with farm or ranch experience if in that type of community. He said they are at the mercy of the market place so do a lot of on-the-job training.

Rep. Reichert asked if there is a board of appraisers. Mr. Burr responded in the negative, saying there is an interest in a board for fee appraisers, whom he felt should be regulated.

Mr. Burr said some appraisal errors are made which are corrected by the department or the tax appeal board. He felt this bill might give the appraisers more credibility with the tax appeal board but he did not think it would do too much to improve their people.

Rep. Bertelsen asked if once the big job of appraisal is over they would have a supply of appraisers freed up. Mr. Burr said they hired new ones for this but are now back to their normal staff. Rep. Bertelsen asked if each county has one appraiser and the larger counties more. Mr. Burr answered in the affirmative. Rep. Hirsch mentioned if there is only one in a county he has to be certified for all kinds of appraisals.

Rep. Underdal mentioned the differences in evaluations in different areas-- some have been progressive and some on the downgrade. Mr. Burr said they do have some problems. The current provisions provide for appraising a structure the same whether it is in Deer Lodge or in Helena. Mr. Burr said evaluation of the land is the main difference in the appraised value--but he felt this was not good enough and more should be done. We should arrive at factors to get rid of some of the problems that do exist. Rep. Underdal asked if they had a set of such rules. Mr. Burr said they haven't used them as yet. Rep. Fabrega asked about market value figures the law calls for. Rep. Williams asked if the state wide indexing will be in place within the next year. Mr. Burr said it takes time to get enough sales to make a reliable index.

EXECUTIVE SESSION

SENATE BILL 46 Representative Underdal moved be concurred in.

Rep. Johnson said she resented code commissioner bills. The researcher commented there are a lot of these bills this time due to the recodification. From now on they should come through as one bill. Rep. Fabrega said the changes made by the recodification bills make the law easier for the average citizen to understand. The question was called and Vice-Chairman Dassinger

called for a voice vote. Rep. Johnson voted no and all others present voted yes, absent same as noted before.

Vice-Chairman Dassinger closed the executive session and opened the meeting to a hearing on the following bill.

Senator William L. Mathers, District #26, Miles City, chief sponsor of SB 184, which resulted from an interim committee study made by the Revenue Oversight Committee, said the bill was introduced in the last session and killed in

the House and since has been thoroughly worked over in the
SENATE BILL 184 Oversight Committee. This would establish a common fee on all vehicles based on the year of the car--from \$150 to \$15 regardless of county. The mill levy of the county now determines the tax and it can be four times greater in one county than another. This causes people to cross county lines and register their vehicles in the cheaper counties. This fee system would eliminate the standing in line at the courthouse as the check could be mailed in. This would be cheaper to administer and be less money for many of the vehicle owners. He felt Montanans would like this type of system.

Dennis Burr, Department of Revenue, spoke in support and presented written testimony which is attached to the minutes. He had three suggested amendments, a copy of which is attachment "b" of his testimony. The first suggested amendment made it clear that the school district in which the property is located would get the money. The second and third are clarification amendments. Attachment "c" of his testimony shows the effects state-wide of the bill. It indicates a loss to the counties of \$622,000. He said the Senate Taxation Committee felt the limit on taxation should be held to 1 1/2% of value--property tax assessed on motor vehicles is 6% of current value. Attachment "d" of his testimony shows the effects on each individual county. Some counties will receive a little additional revenue and some less. There will be enough saved through the assessors' and treasurers' offices to offset any loss. There will be more vehicles registered because there won't be an incentive to find a low mill levy county to register your vehicle in. Attachment "e" of his testimony gives the effect of federal deduction for property tax paid. This fee will probably not be deductible on the federal income tax because it is not based on value. Other states have been able to get a deduction but right now I can't say that. Even with the loss of deduction for taxes paid vehicle owners will be better off on this fee system than on the present schedule. He went through the sheet which shows the net tax affect. We may be paying the federal government 7 or 8 million dollars extra as a result of this bill, but we should remember we were fourth in the nation in receiving federal funds back. I think this bill is the best effort of tax reform this session has considered. It streamlines the administration, and it will keep the tax from growing rapidly because of increased market value.

Senator Mathers said he had an amendment he would like to have considered: page 5, lines 5 through 9, strike as not needed.

Ed Nelson, Montana Taxpayers Association, handed out copies of the "Montana Taxpayer" Vo. XVIII, and a copy is attached to the minutes. He read from page 5 of this paper which deals with taxes paid on motor vehicles--he said this shows that Montana sticks out like a sore thumb because we are the highest by quite an amount.

Jerry Raunig, Montana Auto Dealers Association, said everything that needs to be said about this bill has been said. He said they support the bill because it streamlines the registration process. The preregistration could be done on the computer 35 to 60 days in advance of when the fee is due. He favored the amendment of Senator Mather's to delete the last sentence of subsection 2, Section 9.

Curt Hahn, Superintendent of Public Instructions's Office, signed as an amender. A copy of his spoken testimony and suggested amendment is attached and part of the minutes.

Jim Manion, Montana Automobile Association, said they have asked their membership about this type of legislation and they have responded overwhelmingly for it.

George W. Swords II, Montana Manufacturing Housing Association, spoke in support. He said old cars use the highways as much as a new car so should not be taxed so much less. He felt this bill would streamline the system and be much more equitable and the collection would be much better.

Edith Cox, Montana Association of County Treasurers, said they opposed this type of bill last session but support it this time. She said they are concerned about the mistakes that can be made in figuring the tax.

Larry Majerus, Motor Vehicle Division, said he would be happy to answer any questions. He signed as supporting.

Lloyd Anderson, Box 37, East Helena, signed as supporting and said he did.

Dean Zinnecker, Montana Association of Counties, spoke in opposition. He said this bill does not have any evaluation in it for county and school districts. There is no inflationary factor in the bill so the mill levy will have to increase if you go to a fee system. The federal tax revenue the counties receive will be reduced. The real effect of this bill will be to raise mill levies higher in high mill levy areas and lower them in low mill levy areas. He didn't feel this was the intent of the bill. The legislation is designed to equalize taxes on a state-wide basis. If a local area desires more services they should be willing to pay for it. Every survey you see the citizens would rather pay the local government than the federal government. This bill will increase the federal tax and so do just the opposite of what the people want. He questioned the information given by Mr. Burr. He said 360,000 vehicles were listed whereas 450,000 were reported in 1968. So the information furnished covers only 50% of the vehicles--omitted are the light trucks, snowmobiles, recreation vehicles, etc. Only the autos are listed. So there is a lot more loss of revenue than shown. He respectfully requested the committee to kill the bill.

Rep. Williams asked why the fees were lowered for the new vehicles and raised so much for the old. Senator Mathers said anyone who drives a

car can afford to pay \$15.

Rep. Reichert asked concerning collectors of old cars. Senator Mathers said this would be covered another place.

Rep. Vinder asked if there would still be staggered license plates. Answer was yes. He asked if this fee would be collected from the native Americans. Mr. Burr said you can't collect fees on the reservations--it would take federal legislation to do that. If the fee was earmarked for a specific purpose they would apply to the native Americans.

Rep. Reichert questioned the difference in taxes collected between Cascade and Yellowstone Counties. Mr. Burr said part of the reason was a county treasurer in Yellowstone who enforces registration of cars in the county.

Rep. Fabrega said this is not tax relief but tax shift.

Rep. Sivertsen suggested an amendment that would do away with property tax on autos and raise the gas tax to cover the revenue lost.

Rep. Nortvedt said on the proposed schedule fee structures for all size cars are real close--now there is about 2 1/2 times difference. Mr. Burr said taxes are based on value and big cars are harder to sell so the taxes on them go down as the value does. The little car values go up faster so are being penalized under the property tax, where the fee system will hold them the same.

Rep. Hirsch asked if the vehicle recreation owner burden must be picked up by the general property owner. Mr. Burr said the taxes on recreational vehicles are outrageous. Lot of these vehicles are registered out of state. He said they did not attempt to replace the revenue. Rep. Hirsch asked why the figures covered only autos. Mr. Burr said they do not have the figures to cover other vehicles.

Rep. Johnson asked if taxes on other existing property will go up. Mr. Burr said this should replace the property tax revenue so there won't be much of a change in the mill levy now, but over a period there will be.

Rep. Underdal asked how much loss this will be for a county. Mr. Zinnecker said 30% and Mr. Burr said 10%.

Rep. Fabrega asked about the mechanics of the administration. Mr. Burr said the people will know what they owe when they go to get their license at the County Treasurer's Office. He said he opposed the sending out of forms which Senator Mathers had proposed--the last time this was attempted it didn't work.

Rep. Sivertsen said the big difference is that it is going to be a matter of convenience to the auto owner and cut down on the work for the assessor and county treasurer. How many FTEs will it eliminate? Mr. Burr said while it should save 20 to 25% he was not necessarily saying they could give up 25% of their budget or work force because of the bill.

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Meeting adjourned at 10:25 a.m.

Respectfully submitted,

Emelia A. Satre
Emelia A. Satre, Secretary

Herb Huennekens
REP. HERB HUENNEKENS, CHAIRMAN