

HOUSE TAXATION COMMITTEE

46th Legislature

Rep. Herb Huennekens, Chairman, called the committee to order at 8:30 a.m., April 9, 1979, in room 434, Capitol Building, Helena. Reps. Bertelsen and Burnett were absent, Rep. Gilligan was excused. All other members were present. Rep. Bertelsen came in later in the meeting. Staff attorney, Randy McDonald was at the meeting.

This was an executive meeting.

SENATE BILL 195 - Rep. Sivertsen doesn't want to impose a financial competitor on an existing business and allow industrial bonds to be used to bring in a business that would be in competition and possibly put the existing one out of business. Could see this if pertain to a new type of business coming in.

Rep. Huennekens asked if he was differentiating between different types - between industrial agencies, such as tractor companies with repair facilities - and enterprises engaged in retail sales. Rep. Nordtvedt said retail sales. Rep. Huennekens remarked you don't create more jobs by just shifting personnel. Rep. Fagg doesn't want to turn down any money from coming in. Recommends killing and forgetting. Rep. Fagg moved SB 195 BE NOT CONCURRED IN. Rep. Dassinger agrees with Reps. Fagg and Fabrega the bill isn't necessary.

Rep. Dozier said it is a new system and they are going to make mistakes in the beginning. The existing businesses have had political input into the business. Relative to going to only retail businesses - a baker in Billings got some of this money and now they control the bread business in the whole state. This is attacking a local problem and a specific problem. Rep. Lien thinks we need this bill - puts local restriction on businesses. It is endangering the whole industrial bond law. This takes a good step in the right direction.

Rep. Williams disagrees. The author of the bill is supposed to be a free enterprise system advocate and this ties the hands of those involved in free enterprise. The industrial revenue bond act has done far more for the state than it has done harm. Thinks it doesn't destroy competition. It was amended in 1972 to include agriculture and agricultural products. It has done far more good for economic benefits.

Rep. Nordtvedt moved to amend to jurisdictional planning area. Rep. Dozier said would have to establish a planning area. Rep. Fabrega said the jurisdictional bond area might be 4½ miles. Motion was withdrawn. Motion SB 195 BE NOT CONCURRED IN was adopted by a roll call vote of 9-5. Reps. Bertelsen, Burnett, Gilligan, Harrington, Robbins were absent.

SENATE BILL 306 - Rep. Hirsch moved SB 306 BE CONCURRED IN. He moved amendment on page 3, line 24. Rep. Fabrega said this would allow bonding up to 36% - does the total bonding indebtedness of 18% for sewer and water and 18% for other purposes still hold? Mr. Mizner said this is a new kind of bonding indebtedness other than 18% for sewer and 18% for water, it could be for sewer or water up to 36%. Total bonding indebtedness could be the 36% + 18%, for a total of 54%.

Rep. Huennekens said this makes a ratio of 8 1/2 to 12, Rep. Lien said want to go from 10 to 18% on sewer and water. Rep. Reichert said the main purpose of SB 306 was because something was forgotten in HB 70 last session.

Mr. Mizner said it makes for the same amount of dollars of allowable bonding indebtedness. Motion to amend was adopted. Reps. Bertelsen, Robbins, Gilligan, Harrington, Burnett were absent.

Motion that SB 306 BE CONCURRED IN AS AMENDED succeeded with same members absent as for amendment.

SENATE BILL 463 - Rep. Hirsch moved SB 463 BE CONCURRED IN. Rep. Dassinger proposed an amendment to change to 4 mills instead of 3 1/2 mills. Motion failed on voice vote. Rep. Reichert said this bill is to provide for the state to help counties with a disastrous court trial. Rep. Dassinger said it depends upon how much you want the state to come into local affairs. This bill was not intended to take care of a large county that can help itself. This is for a small county that doesn't have much tax base. He thinks people should be allowed to run their own affairs. Let the county attorney take care of local affairs. Rep. Lien disagrees. (Rep. Robbins came in)

Rep. Huennekens thinks the department of administration is given a lot of power on making these grants. Maybe there should be guidelines more specific than appear on line 2. Seems to be room for abuse of power.

Mr. Zinnecker said the county will propose amount due - audit of funding will be included in the community affairs budget.

Rep. Nordtvedt said if big cases get to be an added burden hereafter, the state will start to help out. One case came up pretty close to 4 mills. Rep. Reichert was confused about the two fiscal notes on this bill. (Rep. Harrington came in)

Motion that SB 463 BE CONCURRED IN succeeded. Rep. Dassinger voted No; Reps. Gilligan and Burnett were absent.

SENATE BILL 142 - Rep. Fabrega moved SB 142 BE CONCURRED IN. Rep. Fabrega explained the department of revenue at the present time thinks that the 1976 commercial valuation manual and the 1972 residential manual they use for residential property fall within the same percentage. So if you take the average valuation in relationship to market value which is about 55% at 8.55%, that is the same figure as if you took 5% of the market value. If that amount is less than the taxable valuation shown by the department of revenue figures, a property owner would have a point of defense. As an example a house was sold for \$85,000 that had been assessed at \$80,000 -  $\$80,000 \times 55\% = \$4,200$  which should not be bigger than  $\$85,000 \times .5\% = \$4,250$ . In this example \$250 more than what is actually being charged by the department of revenue. This would let a property owner be able to figure what he should be having his taxable valuation based on. It is an impossibility to go up to 100% of true market value.

Rep. Huennekens explained this refers to residential property. This does not apply to industrial property as long as you are taxed equitably within a class. The real crunch is on the home owner. As long as taxation is equitable within a class it is equitable. This bill uses 'most current year value' - it is not specific enough in meaning. There should be some reference to 'current year true market value'. As far as a house is concerned, by getting a couple of appraisers to look at it and establish what it is worth, should prove its value. Would prefer 'current year true market value'.

Rep. Fabrega moved to amend on page 2, line 1 by changing wording to say the meaning would be current year true market value. Motion was adopted with Rep. Nordtvedt voting No; Reps. Lien, Bertelsen, Gilligan Burnett, were absent.

Rep. Huennekens in answer to a question from Rep. Reichert about Rep. Yardley's HB 509, said this deals with a different approach - Yardley's bill deals with an individual figure. Has concerns about including commercial property.

Rep. Harrington said according to the fiscal note, would lose \$9.3 million in valuation. At the same time are we going to lose anything as far as taxation is concerned? Rep. Huennekens said millage is separate from taxable value. Apparently civil body would lose some taxable valuation. Very few properties are currently valued at over 5% of true market value this year.

Rep. Fabrega said we can adjust any inequities which can be addressed. Wants something in the law for this round so that people will have something to protect themselves with now. Rep. Huennekens sees no reason why the department of revenue can't work out a computer analysis that would give us a rule by which to figure out essentially revaluation. Rep. Fabrega said that's what HB 142 intended to do anyway. To bring everything to taxable valuation everywhere from 40-60% but have to have some figure to begin to tax from. The department will have to move the lower ones up and they can do that on individual cases - those that are above the 57.5% average would have a chance to get themselves down.

Rep. Huennekens said he really doesn't know what the equitable figure is. Rep. Williams doesn't think the residential and industrial property can be put in the same category. Rep. Huennekens proposed action be deferred until after Mantz Hutchinson, DoR, comes in.

SENATE BILL 303 - Rep. Fabrega moved SB 303 BE CONCURRED IN. He moved to amend on page 2, line 25. Proposed amendments were adopted with no Noes. Reps. Gilligan, Burnett, Bertelsen, Fagg, Lien were absent. Rep. Fabrega moved to remove chapter 2, and further amend on page 2, line 9. This was to correct a mistake made last session in exempting catholic churches. They were still taxed.

Rep. Hirsch asked this exempts land left idle around the cemetery? Rep. Fabrega said under the new language, line 11, that would not be the case any more. If the land is being grazed or receive some other income, that would not be exempted. Maybe an amendment saying that if grazed, they would have to pay since that would be taxed. They had to pay property tax because it was being used for an income corporation although the income was given away to a non-profit corporation. Rep. Johnson moved to amend use as a cemetery - motion was withdrawn. Rep. Sivertsen mentioned can use as collateral and be tax exempt by setting it up as a cemetery.

Motion that SB 303 BE CONCURRED IN AS AMENDED failed by a roll call vote of 7-9. Reps. Bertelsen, Burnett, Gilligan were absent.

SENATE BILL 142 - This is a continuation since department of revenue personnel was present. The former motion by Rep. Fabrega that SB 142 BE CONCURRED IN AS AMENDED was under consideration yet. Rep. Huennekens asked Dennis Burr, DoR, how close are industrial properties to the current 5% of market value? Mr. Burr said could be at 4. something as well as on residential. Rep. Huennekens asked on commercial and on industrial? That close? Mr. Burr thinks so. Rep. Fabrega says market value is what you could sell or buy at. Taxable valuation can be 8.55% of what you paid for your house today. We need this bill to give a tax payer a means by which he can check to see if he is paying too much taxes.

Taxable valuation @ 300 mills would be based on the formula of  $1\frac{1}{2}\%$  times market value - 150 mill levy you would use  $3/4\%$ . Proposition 13 would not work in Montana.

Rep. Dassinger asked if the department of revenue is presently reassessing the commercial properties? Are you taking care of inequities between residential and commercial? Mr. Burr said are using reasonably the same percentage of market value but this is being challenged. Rep. Dassinger asked about the difference between the book when they came out. Mr. Burr doesn't think this has caused a problem.

Rep. Fabrega asked if they intended to take care of anything except on a case by case basis. Rep. Bertelsen came in.

The standing motion that HB 142 BE CONCURRED IN AS AMENDED failed by a roll call vote of 7-9. Rep. Burnett, Bertelsen and Gilligan were absent.

SENATE BILL 312 - Rep. Williams moved SB 312 BE TABLED. Rep. Fabrega made a substitute motion that SB 312 DO NOT BE CONCURRED IN. There were no Noes. Reps. Burnett and Gilligan were absent.

SENATE BILL 325 - Rep. Hirsch moved SB 325 BE CONCURRED IN. The department of revenue doesn't want to determine health problems - only concerned with revenue and taxation determination. There were no Noes. Reps. Burnett and Gilligan were absent.

SENATE BILL 389- Rep. Fabrega moved SB 389 BE NOT CONCURRED IN. A motion to amend by adding a subsection (c) page 2, line 9 showing proof that the occupant of the home is the owner of the property. And to amend on page 2, line 4. There were no Noes. Rep. Williams moved to amend by reinserting on page 2, lines 17 through page 3, line 10 - reinsert stricken language. Motion failed. Rep. Reichert moved to reinsert language on page 2, lines 7,8 and 9. Rep. Nordtvedt voted No. Reps. Burnett and Gilligan were absent. Motion succeeded.

Rep. Sivertsen the problem was brought out in testimony and some individual who has a home and just waives industrial development that moves in around him, and we are saying you are responsible for that when in fact all he wants to do is stay there and we could be forcing him out by taxing on the basis of other business moving in around him. Rep. Nordtvedt would want to do this because of changing to taxing property on its true value. Believes rollbacks are getting away from taxing on present market value.

Rep. Dozier feels when people built their homes they were built out in a cow pasture and it is just wrong to force them out of their homes on this basis. Rep. Dassinger said public hearings are held before an area is included in a commercial area. You should have to live up to the rules and complain and be heard at these hearings. This law has a lot of problems with it because it would increase the valuation of the land included in an industrial area. Rep. Fagg said it would make an impact on how you plan and develop a city - spot zoning. Rep. Dozier said - going to zoning areas and complaining - people going to hearings cannot get 50% of other people who want to change it to agree.

Motion to BE NOT CONCURRED IN failed by a 5-12 vote, so SB 389 BE CONCURRED IN AS AMENDED reverse motion was adopted. Reps. Burnett and Gilligan were absent.

SENATE BILL 50 - Rep. Harrington moved SB 50 BE CONCURRED IN. Motion succeeded with no Noes. Reps. Burnett and Gilligan were absent.

SENATE BILL 177 - Rep. Harrington moved SB 177 BE CONCURRED IN. There were no Noes. Rep. Burnett and Gilligan were absent.

SENATE BILL 172 - Rep. Hirsch moved SB 172 BE CONCURRED IN. Rep. Sivertsen said well over half of the snowmobiles used on ranches are registered. He questions the figures that are used here. The revenue goes into an account for the benefit of all snowmobilers.

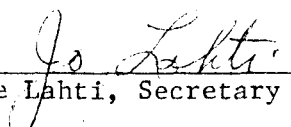
Rep. Nordtvedt moved to amend "5/10" be used instead of "6/10". Motion was adopted by a roll call vote of 12-5.

Rep. Dassinger said the number of machines according to the department of revenue is 23,331 instead of 35,000.

Motion that SB 172 BE CONCURRED IN AS AMENDED failed by a roll call vote of 8-9. Reps. Burnett and Gilligan were absent.

Meeting adjourned at 11:05 a.m.

  
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REP. HERB HUENNEKENS, Chairman

  
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Josephine Lahti, Secretary