

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 17, 1979

The fifty-first meeting of the committee was held on the above date in Room 415 of the State Capitol Building with Chairman Turnage in charge of this executive session.

ROLL CALL: Roll call found all members present with the exception of Senator Watt who was excused.

The Chairman brought SB384 to the attention of the committee again. A revised Fiscal Note had been ordered on the bill and as yet it was not available. Chairman Turnage felt the Fiscal Note should be looked over before the bill is passed out again. The committee discussed various related bills concerning the setting of a ceiling on property taxes, feeling that Montana residents do need such limit.

SB285, which had failed on a Do Pass motion, will remain in the committee, and will be recorded as a Tie until such time as the committee takes further action on it.

HB882 was again brought up for discussion and the committee voted negatively:

Senator Roskie Moved HB882 Be Not Concurred In. Motion carried. Note for record Senator Norman voted "No" and Senator Watt gone for the day.

Senator McCallum then Moved HB191 Be Concurred In. Motion was carried. "No" votes were cast by Senators Hager, Manley and Goodover.

HB181 was then brought up and an outline of the changes the bill makes in the codes was distributed, see Exh. #1, attached. Following their discussion of the code amendments, the committee agreed on a Statement of Intent: "It is the intent of the Legislature that the rulemaking authority in existence at the present time exercised by the Department of Revenue shall not be enlarged by the passage of this bill."

Senator Towe then Moved HB181 Be Concurred In. Motion carried.

Discussion then centered on HB45. Sen. McCallum made a tentative motion to Table the bill, however he later withdrew this motion. The Chairman requested that an excerpt from the Montana Subdivision Laws booklet be entered into the minutes, concerning bonding bills, etc., see attached Exh. #2. Researcher Terry Cohea was asked to make an analysis of HB45 and get the House amendments and minutes of the hearing for the committee to consider at a future date.

The meeting then adjourned.


JEAN A. TURNAGE - CHAIRMAN

SENATE MEMBERS

CARROLL GRAHAM
CHAIRMAN

FRANK HATZELBAKER
VICE CHAIRMAN

CHET BLAYLOCK

PAT M. GOODOVER

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EXECUTIVE DIRECTOR
CODE COMMISSIONERS

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HOUSE MEMBERS

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SHAROLE CONNELLY
DIRECTOR ACCOUNTING DIVISION

LC561

24 ch. 41

1979 Legislature
Code Commissioner Bill - Summary

House Bill No. 181

AN ACT TO GENERALLY REVISE AND CLARIFY THE LAWS RELATING TO
TAXATION.

(This summary does not include discussion of routine form
or grammatical changes.)

Section 1. 15-1-105. Changed "this title" to "the state
tax laws" because many provisions of former Title 84 are codi-
fied outside of Title 15, M.C.A.

Section 2. 15-1-401. Added "or tax", "license fee or",
"fee or tax", etc., to clarify terminology and provide consis-
tency within the section.

Section 3. 15-6-113. In (1)(d), changed "official guide
tractors and farm implements" to "Official Guide Tractors and
Farm Equipment" to clarify the source and remove uncertainty in
the sentence structure.

Section 4. 15-6-117. In (4), added "or present value, which-
ever is lower,". This section, before amendment, conflicted with
15-24-401, M.C.A. However, the "present value" provision was
thoroughly debated before enactment by Ch. 182, L. 1977, and
the subsequent enactment of the conflicting language in this
section by Ch. 566, L. 1977, was an oversight.

Section 5. 15-7-215. Changed "[act]" to "part". This
change was not made by recodification because sections 15-8-111
and 15-7-103 are provisions of the "act" not included within

"part", and sections 15-7-208, 15-7-209, and 15-7-216 are sections included within "part" which were not included within "act". The only section of those referred to which significantly broadens the scope of application of 15-7-215 is 15-7-209, and the legislature intended that 15-7-209, when enacted, become an integral part of the laws governing appraisal of agricultural property.

Section 6. 15-10-203. Changed "advertises" to "gives notice of", added "and in the same manner", and changed "its intention to fix its budget" to "hearing on its preliminary budget" in order to clarify the notification procedure contemplated in this section.

Section 7. 15-10-204. In (1), changed "advertise" to "publish notice of" for uniform terminology; changed "a newspaper of general circulation in the county, as provided in 15-10-203" to "in the same manner that it gives notice of hearing on its preliminary budget for the forthcoming fiscal year" in order to provide consistency in the notice procedures and correct an error existing since the enactment of 15-10-203 and 15-10-204, and changed "advertisement" to "notice" for uniform terminology. In (2), changed "advertise" to "publish notice" for uniform terminology and deleted "15-10-203" because it does not add any notice provisions not already included in the citation to "subsection (1)". Deleted "(3) Public notice given and public hearings held in compliance with the requirements of Title 20, chapter 9, part 1, in setting school budgets satisfy the requirements contained in this section." in order to provide consistency in the notice procedures for each taxing authority in adopting a preliminary budget and seeking increases of tax revenue.

Section 8. 15-10-207. Changed "millage vote" to "notice" to clarify terminology (15-10-203 does not mention a "millage vote"); changed "readvertise" to "give notice anew" and "revote" to "proceed" in order to clarify terminology and provide consistency in usage.

Section 9. 15-10-208. Changed "section" to "part" because the reference to "section" is meaningless and the legislature intended the reference to include all the provisions enacted in Ch. 286, L. 1974, which are now included in "part" 2 of chapter 10. An additional section (15-10-201) is included by this reference to "part" but does not affect the reference.

Section 10. 15-17-303. In (1), changed "He" to "The county treasurer" for clarification. In (2), rearranged sentence structure and added "in subsection (1)" for clarification. In (3), changed "deed shall not by March 5, 1917, have actually issued" to "deed was not issued by March 5, 1917" and deleted "regardless of whether the sale shall have been made at any date heretofore, as well as to future sales for recovery of taxes" in order to remove obsolete language and provide clarity; and added "described in subsection (1)" to remove ambiguity as to the "certificate" referred to.

Section 11. 15-18-305. Changed "a person" to "such defendant" to clarify who "a person" is referring to (see Ch. 52, L. 1977, and Ch. 126, L. 1977) as amending the language in the original enactment which read "said person".

Section 12. 15-23-806. Changed "under 15-16-101 through 15-16-105; 15-16-503 through 15-16-505; parts 2, 3, and 6 of chapter 16; parts 1 through 3 of chapter 17; and chapter 18" to "in chapters 16, 17, and 18" because the prior reference was a general reference to the collection procedures in "chapter 41" of R.C.M. Title 84; thus, a general reference in the M.C.A. is appropriate and the inclusion of additional material by the proposed amendment does not affect meaning.

Section 13. 15-23-807. Deleted "and taxes thereon collected" because "15-23-101 through 15-23-107" do not address collection of taxes but, rather, assessment.

Section 14. 15-24-104. Changed "section" to "part" because the reference is meaningless unless it includes the provisions of the "part", which address interstate motor vehicle fleet taxation; rearranged sentence structure for clarity.

Section 15. 15-24-202. Deleted subsection (2). This subsection conflicts with subsection (1) and is an obsolete display provision which has been discontinued by the division of motor vehicles since the display provisions of subsection (1) are adequate.

Section 16. 15-24-203. Added "mobile home or" in order to provide consistency in application of the definitional section, which was amended to distinguish "mobile homes and house trailers" subsequent to enactment of this section.

Section 17. 15-24-206. Sentence structure in (3)(a) rearranged for clarity. In (3)(b), deleted "due" and "to the date it is moved" because 15-24-202, M.C.A., was amended subsequent to the enactment of this section to specifically require that "No mobile home movement permit provided for in 15-24-206 may be issued unless the taxes have been paid in full" (emphasis added). (See Ch. 475, L. 1975.)

Section 18. 15-24-302. Changed "[the preceding section]" to "15-24-301". The "preceding section" referred to was repealed in 1967, but the subject matter referred to is also contained in 15-24-301, M.C.A.

Section 19. 15-24-1001. In (5), changed "(2)" to "(1)" since only subsection (1) discusses a "unit definition".

Section 20. 15-30-201. Deleted the definition of "payroll period" because "payroll period" is not used in 15-30-201 through 15-30-209. Subsection (5) was renumbered and internal references to subsection (5) were renumbered because of the deletion of subsection (4).

*See also
15-24-202
15-24-203
15-24-206
15-24-301*

Section 21. 15-30-221. In (1), changed "described in 15-30-201 and 15-30-202" to "payments excepted in 15-30-201(5)" in order to clarify. Section 15-30-202 has only a reference to "active service as members of the armed forces" that could be relevant in the internal reference, but that language is redundant with 15-30-201(5)(a). Furthermore, a narrow reference to subsection (5) of 15-30-201 is necessary to distinguish the exceptions from "wages" contemplated by the legislature.

Section 22. 15-31-202. In (8), changed "[84-1501]" to "15-31-204" because the legislature, by enacting Sec. 2, Ch. 11, Ex.L. 1969, intended that the \$10 minimum fee in 84-1501.5 R.C.M. 1947 (changed by recodification to 15-31-204, M.C.A.) supplant the \$50 minimum fee in 84-1501, R.C.M. 1947, as to small business corporations electing not to be subject to taxation under chapter 15, Title 84, R.C.M. 1947.

Section 23. 15-31-521. In (1) changed "person" to "taxpayer" and made grammatical changes for clarity.

Section 24. 15-31-601. Deleted "pursuant to the provisions of [Title 84]" as redundant with "subject to taxation by the state of Montana".

Section 25. 15-31-605. Deleted "under the terms of [Title 84]" as redundant with "subject to taxation by the state of Montana".

Section 26. 15-32-108. Prior to the 1977 Legislature the R.C.M. 1947 section that corresponds to 15-32-103 provided for a reduction of property tax for energy conservation investments. The 1977 legislature changed the statute to make energy related investments a deduction from gross income for individuals and corporations.

Section 15-32-103 allows qualifying property under the 1975 enactment to maintain the property tax reduction until December 31, 1982.

The proposed amendment deletes the reference to 15-32-103 because there is no longer any property tax classification under that section. The reference is changed to the original session law enacting the property tax reduction.

The proposed amendment also changes the reference "the effective date of this act" to the actual date the act became applicable. This amendment is proposed because recodification requires the elimination of all references to "this act".

Section 27. 15-36-109. Grammatical changes.

Section 28. 15-51-111. Changed "15-51-113" to "15-51-101" because 15-51-113 contains no requirement that a statement be filed. 15-51-101 provides for the required statement, for which a 10% penalty is attached for failure to file.

Section 29. 15-55-107. In (2), changed "58" to $5 \frac{1}{23}$ " because Sec. 1, Ch. 346, L. 1969, increased the tax rate.

Section 30. 15-70-208. In (1), changed "excise" to "license" for uniform terminology ("excise tax" is not referred to in any other section within part 2, chapter 70, Title 15; but rather "gasoline license tax" is utilized).

Section 31. 20-9-115. Deleted "(2) Notice given under this section meets the requirement for notice contained in 15-10-203." because 15-10-203, M C A., was amended to refer a taxing authority to its own procedure for giving notice of preliminary budget as the guide to follow in notifying the public of its intention to increase tax revenue.

Section 32. New. This section is enacted because former section 84-708.1(2), R.C.M. 1947, authorized the department of revenue to adopt rules necessary for the taxation of property under several chapters of former Title 84, R.C.M. 1947, including chapter 13, Title 84, R.C.M. 1947, which was recodified as chapter 35, Title 15, M C A.

Section 33. 84-510, R.C.M. 1947. This section is superseded by 77-2-313(3), M C A.

84-6210, R.C.M. 1947. This section is repealed because it is in conflict with part 2, chapter 7, Title 45, which provides a criminal penalty for violations of recordkeeping, reporting, and filing requirements of the state tax laws.

Section 34. 15-23-509. This section is repealed because it is in conflict with part 2, chapter 7, Title 45, which provides a criminal penalty for violations of record-keeping, reporting, and filing requirements of the state tax laws.

15-24-401. This section is repealed because its language is redundant with 15-6-117, M C A , as amended by section 5 of this act.

15-51-105. This section is repealed for the same reason that 15-23-509, MCA is repealed.

The advantages to allowing the issuing of industrial revenue bonds for new subdivision services consist mainly of providing one more means of financing services for subdivisions and of providing a means by which property owners at the early development stage would not have to finance eventual expansion of the service.

An argument against such a proposal holds that the federal government is beginning to study more carefully the proliferation of tax-free bonds, and may eventually more strictly regulate the purposes for which the bonds are issued. However, with little opposition, the Subcommittee directed the drafting of LC 0053 (Appendix E) to provide for the issuance of industrial development bonds to finance water supply and distribution systems and sewage treatment and disposal services for residential or commercial subdivisions. The bill simply amends the definition section (90-5-101) of the industrial development bond act to allow for such services and in section 90-5-102 adds a proviso allowing a municipality or county to operate a water or sewage facility if the proposed project connects to an existing system and if such operation would be in the public interest. The Subcommittee endorsed this bill unanimously throughout the final meetings.

General Services

Following adoption of the industrial development bond bill, the Subcommittee discussed the possibility of adopting a bill allowing counties to issue revenue bonds to finance a wide variety of services. Municipalities have held this power for over 50 years with the advantage of having to pledge only the revenue from the specific project to pay off the bond. Presently counties do not have this authority and must pledge the property (or a general obligation) to repay the bond. The Subcommittee felt granting counties this revenue bonding authority would aid in the provision of high quality services outside municipalities where many of the more severe problems in this area exist. Thus the Subcommittee unanimously recommended LC 0054, granting counties the authority to issue revenue bonds for financing construction and maintenance of services and granting counties the authority to issue refunding revenue bonds. (Refunding authority is necessary if the county should want to re-finance the revenue bond at a more advantageous rate of interest.) The bill is essentially modeled after the Municipal Revenue Bond Act that has served cities and towns well for over 50 years. [Although the Subcommittee submitted this bill to bond experts in Montana and Minneapolis for comments, none were forthcoming. Neither the Subcommittee nor its staff possessed the expertise to judge the quality of specific sections of the bill; however, the Subcommittee endorsed the principles behind it.]

C. L. G.

STANDING COMMITTEE REPORT

March 17 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 882

Respectfully report as follows: That House Bill No. 882

BE NOT CONCURRED

~~XXXXXX~~
DO PASS

JEAN A. TURNACE -

Chairman.

STANDING COMMITTEE REPORT

March 17 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 191

Respectfully report as follows: That House Bill No. 191

BE CONCURRED IN

~~XXXXXX~~
~~DO PASS~~



JENNI A. TURNAGE Chairman.

STANDING COMMITTEE REPORT

March 18

19 79

MR. President

We, your committee on Taxation

having had under consideration Statement of Intent - House Bill No. 181

Respectfully report as follows: That Statement of Intent - House Bill No. 181

Statement of Intent as required by Section 5-4-404 is required in this bill under Section 32.

It is the intent of the Legislature that the rulemaking authority in existence at the present time exercised by the Department of Revenue shall not be enlarged by the passage of this bill.

Be Adopted

~~DO PASS~~

STANDING COMMITTEE REPORT

March 17 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 131

Respectfully report as follows: That House Bill No. 131

BE CONCURRED IN

~~DO PASS~~

Date MAR. 17, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. MCCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT			✓
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 19, 1979

The fifty-second meeting of the committee was held on the above date in Room 415 of the State Capitol Building with Chairman Turnage presiding.

ROLL CALL: Roll call found all the members in attendance.

CONSIDERATION OF SENATE BILL 522: This bill is the bill accepted by the committee as a committee bill and is a property tax relief bill. Senator Mathers presented the bill which he said is a method of giving a tax credit to reimburse people for property taxes paid, and also gives a credit to renters. The bill, as written, gives a \$65 tax credit to homeowners and \$50 for renters. He said as the bill was written it would amount to about \$14.75 million. If the amounts were \$50 and \$50 the measure would cost \$25 million in the biennium. He said this would do away with the Homestead Relief Act which costs about \$750,000 per year to administer. He had further testimony and data which are included on attached Exh #1.

The Chairman then called for other proponents or opponents and there being none, called for questions from the committee. Senator Goodover asked if this would be a continuing annual property tax relief measure and it was pointed out the Legislature could have the chance to change it.

Senator Towe asked about principle in the bill that permits the renter to get as much relief as the property owner, and Senator Mathers responded that a renter is also paying property taxes. Senator Norman raised the question of subsidized housing and the people living in such accommodations, whether they could then receive such tax credit. Mr. Groff, representing the Department of Revenue, also said there are some people who pay less than \$65 per year in property tax, in addition to several other problems with the measure. He said too there were other administrative problems with the bill and although the Department had no objection to the bill he asked to have time to look it over before the committee should take action on the bill. He was also asked to check several buildings, apartment complexes, concerning their tax exemption status so the committee may determine if further amending to the bill is needed.

Senator Goodover Moved to Amend SB522 to "credit limited to the amount of property tax or rent paid by the taxpayer"; his motion was carried. Senator McCallum also Moved to Amend SB522 to change amount of tax credit to homeowners to \$50, rather than \$65 as is in the bill. His motion was also carried.

Senator Mathers told the committee he was confident that the money to finance such tax relief, is available. He said he had been watching the budgets very closely and he said there is a slight variation in the budget amount but said there is income that will go to the General Fund from the Coal Tax trust fund. He said he believed they were underestimating the income and he was convinced there will

be a substantial increase next year. He said too the committee can consider limiting the state growth to percentage of personal income as is proposed in a Senate bill. Senator Norman questioned him about ending the session, going home with so little money left in the state treasury. Senator Mathers said he felt income estimates were low and in addition, 1% will come back on reversion.

Senator Watt made the point that homeowners pay more taxes than the renters, but too, homeowners can take their taxes paid as a deduction, in addition to the tax credit under this bill, whereas the renter cannot.

Following brief discussion, hearing on SB522 closed.

The committee then addressed themselves to SB142, previously heard and awaiting committee action. Senator Roskie said the problem has always been what is true market value and also, what is equitable in the taxing situation. What is the correct basis for taxing state-wide, the 56% value, or limit it to 1 1/2% of taxable value. He said he believed 5% applies to taxable value across the state and would not affect mill levies. It would still limit local governments if they put on a large mill levy. He said Senator Towe's bill had limiting factor as no one would pay more than 1 1/2% on that property. He distributed a copy of a bill, Exh #2, attached, to be integrated into SB142. There followed discussion on the difficulties of establishing a percentage that would be equitable on real property in the state and of assessing such property at true value as opposed to market value.

Senator Roskie Moved to Amend 142 by removing everything after the Enacting Clause and inserting material on Exh. #2. His amendment was carried unanimously.

The committee then discussed Senator Towe's SB241 and he made suggestions of amending the bill, see amendments on Exh. #3, which is attached. Senator Towe Moved the Amendments to his bill, SB241; motion was carried.

SB312, Senator Norman's bill was next discussed and the committee discussed changing percentages, as on Exh. #4, attached.

Following adoption of those amendments on motion by Senator McCallum, meeting was adjourned.



JEAN A. TURNAGE - CHAIRMAN



STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59601
406-449-2985

RE:

SB 522

3-19-79

March 15, 1979

Del
Exp. #1

JOHN D. LaFAVER
LEGISLATIVE FISCAL ANALYST

TO: Senator Jean Turnage
FROM: Dick Dodge, Associate Fiscal Analyst
SUBJECT: Renters and Homeowner Tax Relief

I. Renters and Homeowners Tax Relief (Percent Distribution)

Assumptions:

- A. \$12.5 million will be available for relief annually
- B. There will be 250,000 households available for relief of which
 - i. 40 percent are renters (100,000)
 - ii. 60 percent are homeowners (150,000)
- C. Average rent paid is \$150/month of which 15 percent is applicable to property tax ($150 \times 12 \times .15 = \270)
- D. Average homeowner's property tax is \$525/year.

Calculations:

Let X = homeowners tax relief and $270/525 X =$ renters tax relief

Then

$$(150,000)(X) + \frac{(\$270)}{(\$525)}(X)(100,000) = \$12,500,000$$

$$\begin{aligned} \text{Solving } X &= \$62 \\ \text{and } \frac{270}{525} X &= \$32 \end{aligned}$$

$$\text{Now } \frac{62}{525} = 12\%$$

$$\text{And } \frac{32}{270} = 12\%$$

To arrive at the maximum allowed I simply added \$8 to each (32 and 62)

II. Flat Rate Distribution

Same assumptions as above

i.e. 250,000 households

40% renters

60% owners

If bill provides \$65 per year for homeowners and \$50 per year for renters the

$$(150,000) \times (65) + (100,000) (50) = Y$$

Where Y = tax relief for one year

$$\text{Then } Y = \underline{\underline{\$14,750,000}}$$

213)

14,750,000

Date MAR. 13, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.