

HOUSE TAXATION COMMITTEE MEETING MINUTES
April 2, 1981

A meeting of the House Taxation Committee was held on Thursday, April 2, 1981 at 9:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Vinger, who was absent.

EXECUTIVE ACTION was taken on SENATE BILL 483.

Rep. Williams moved some amendments for SENATE BILL 483; see Exhibit "A". Mr. Oppendahl (Legislative Council) went over the amendments. Some of the amendments provide for a sunseting of the legislation. Regardless of what kind of rental property the property is, it is classified as residential in the amendments. Discussion took place on whether or not a motel still being used partly as a motel, but also being used as apartments would be classed as residential and it was felt that the structure would still be taxed as a motel.

It was explained that Amendment No. 13 incorporated Rep. Huennekens' idea. Discussion took place regarding the amendment. This amendment creates a mechanism for the average person who feels he has been overappraised. What the overall effect would be in Communities such as Anaconda needed to be determined.

Rep. Brand submitted that he would not vote for the amendment because he didn't want someone else to make the decision. Rep. Harrington said he would also vote against the amendment.

Rep. Dozier rose in support of the amendment. He agreed that local government needed to survive, but he submitted that he was representing the people themselves, and on this basis he was in support of the amendment.

Rep. Williams changed his motion to be that all amendments but No. 13 be adopted.

Rep. Dozier wanted to know what the fiscal impact would be on the change making all rental property classified as residential. Rep. Nordvedt said this would be hard to determine. It is conceivable that the tax base could change by a few percentage points in the worst case situations.

The question was called for on the amendments; motion carried with Rep. Brand opposed.

Rep. Williams then moved amendment No. 13; motion carried with Reps. Harrington, Brand, Harp and Neuman opposing.

Rep. Williams then moved that SENATE BILL 483 BE CONCURRED IN AS AMENDED. HJR 52 says that the Legislature has good reason to believe that the discrepancies in the 34% cases are more like 12%, based on the Sales Ratio Study performed by the Dept. of Revenue. This bill is an effort to try to solve the 34% cases. This bill is looking at the present cyclical appraisal and saying that those peoperties will be

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separated so that the problems from the last appraisal won't be re-encountered.

Rep. Nordtvedt added that the bill justified for the rest of the reappraisal cycle in law the fact that there are two different manuals and therefore, people have no grounds to challenge their commercial property assessment because a different manual was used.

It is assumed that if the cycle continues, commercial property can be assessed at about 12% higher than the other. SB 483 is putting into reality that commercial property seems to be appraised at about 12% higher than residential property. It doesn't take away the right to appeal; it just gives the Dept. of Revenue the privilege of continuing on the basis they are now, without using that percentage difference as the basis of litigation.

Rep. Brand said he felt the Tax Appeals Board was where the problem was. He submitted that this bill wasn't straightening the problem out. Regarding the statements that the difference would be made is passing a law saying that the people who made the appeals will be agreed with. Rep. Williams said the bill was saying they are partially correct, and only in the past.

Rep. Roth wanted to know what relationship the bill had to HJR 52. Rep. Nordtvedt said the two bills should be talked about side by side, but one dealt with the past and one dealt with the future, and they were not interlocking.

Rep. Underdal wanted to know what would happen if this bill passed and HJR 52 didn't. Rep. Nordtvedt said (1) if this bill isn't passed, hopefully the Dept. of Revenue would across-the-board reduce all commercial property 12% or, (2) If this isn't done, there could be continued litigation for the rest of the cycle. If the bill passes, the 12% overappraisal of commercial property would be legitimized.

Ms. Ellen Feaver, Dept. of Revenue, confirmed that the Dept. would have the authority to give a blanket 12% reduction if this bill didn't pass. Many schools would be opposed to losing the tax base if the Dept. did the rollback on a blanket basis, however.

Dennis Burr, Montana Taxpayers Association, commented that the Dept. of Revenue could defend the appraisals as they stood.

Rep. Brand wanted to know if a court decision would apply to all cases. Ms. Feaver said the Supreme Court decided that the cases needed to be decided on an individual basis. She submitted that if SB 483 wasn't passed, the 34% cases couldn't be settled. The litigants would be foolish to settle at 12%; they would be eager to continue litigating, to get a bigger settlement.

Dennis Burr said he tried to not tie SB 210 to SB 483 but if SB 210 passed it would apply just as much as SB 483. He didn't see how one could apply to the 3,500 cases presently in litigation and the other couldn't. He explained that SB 210 said that the State Tax Appeals

Board could make a blanket decision like it did in the 34% cases.

Rep. Williams said he saw no conflict between SB 210 and SB 483.

Rep. Oberg said that without passage of SB 483 and with passage of SB 210, there would be a 12% reduction on all property with one court case.

Rep. Dozier suggested that the Committee address SB 483. He submitted that the water was being muddied by discussing other bills.

Rep. Williams said there was a difference between residential and commercial property and they needed to be treated differently to solve the present problem.

Rep. Switzer wanted to know if the dubious situation had slowed the Dept. down in its appraisal process. Ms. Feaver said it had, and they had been litigating and not appraising. The appraisers had to appear at the appeals and this kept them from doing their jobs.

Rep. Bertelsen rose in support of the bill. He submitted that it was unfortunate that this was being done under these conditions. Rep. Nordtvedt explained that the reason for the sunset provision in the bill was because many people didn't believe there should be two separate classes.

Rep. Williams said that this bill might prove that this procedure is the proper one, but the only way to find out was to try and the time was right, because of the desperate situation. He submitted that SB 483 was the best solution that could be come up with. When the bill sunsets, the State will be in a brand new appraisal cycle.

Rep. Harp wanted to know why commercial and residential property hadn't been separated when reclassification was done in 1977. Rep. Williams said this was discussed but they couldn't determine what the total impact would be, so they didn't do the division.

The question was then called for on the motion that SB 483 BE CONCURRENT IN AS AMENDED; motion carried with Reps. Harp, Devlin, Switzer, Underdal, and Brand opposing.

The meeting was adjourned at 10:00 a.m.



REP. KEN NORDTVEDT, Chairman

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April 2, 1981

Taxation 4/2/81
EXHIBIT "A"

HOUSE COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 483

1. Page 4, line 14.

Following: "(1)"

Strike: "Class"

Insert: "(a) For the period from January 1, 1981 to December 31, 1985, class"

2. Page 4.

Following: line 14

Strike: "(a)"

Insert: "(i)"

3. Page 4.

Following: line 15

Strike: "(b)"

Insert: "(ii)"

4. Page 4.

Following: line 16

Strike: "(2)"

Insert: "(b)"

5. Page 4.

Following: line 17

Strike: "(a)"

Insert: "(i)"

Following: "(1)(a)"

Insert: "(i)"

6. Page 4.

Following: line 19

Strike: "(b)"

Insert: "(ii)"

Following: "(1)"

Strike: "(b)"

Insert: "(a)(ii)"

7. Page 4.

Following: line 21

Insert: "(2)(a) After December 31, 1985, class three property includes agricultural land as defined in 15-7-202.

(b) Class three property is taxed at 30% of its productive capacity."

8. Page 7, line 15.

Following: "property"

Insert: ",for the period from January 1, 1981 to December 31, 1985,"

9. Page 7, lines 16 and 17.

Following: "purposes" on line 16

Strike: line 16 through "families" on line 17

10. Page 7, line 23.

Following: "property"

Insert: ",for the period from January 1, 1981 to December 31, 1985,"

11. Page 10, line 12.

Following: "land"

Insert: "and improvements thereon"

12. Page 10, line 13.

Following: "him"

Strike: "and"

Following: "~~of-the~~"

Strike: "improvements thereon"

13. Page 11.

Following: line 24

Insert: "If any property in class 12 is given a taxable value in excess of 5% of its current year market value, as determined by a qualified appraiser accepted by both the property owner and the department of revenue, such a value constitutes sufficient conditions for a tax appeal board to reduce the taxable value of the property to less than or equal to 5% of the current year market value."

14. Page 13, line 10.

Following: "value"

Insert: "for the designated appraisal year of the reappraisal cycle"

15. Page 13, line 21.

Following: "(1)"

Strike: "(b)"

Insert: "(a)(ii)"