HOUSE TAXATION COMMITTEE MEETING MINUTES
April 6, 1981

A meeting of the House Taxation Committee was held on Monday, April 6, 1981 at 8:00 a.m. in Room 102 of the State Capitol. With Vice Chairman Rep. Bob Sivertsen presiding, all members were present except Reps. Harp and Harrington, who were absent. Chairman Nordtvedt was excused for the first part of the meeting. SENATE BILL 484 and SENATE JOINT RESOLUTION 26 were heard and EXECUTIVE ACTION was taken on SENATE BILL 484.

SENATE BILL 484, sponsored by Sen. Elmer Severson, was heard. This bill will be necessary with the passage and approval of SENATE BILL 47; see Exhibit "A." Revenue for the Dept. of Livestock is derived from a mill levy based on taxable value on the livestock people. The Dept. of Livestock would be cut in half without this bill. This bill doubles the mill levies in every area. He went over the bill section by section.

Lea Graham, Dept. of Livestock, rose in support of the bill and agreed to answer any questions.

Jim Glosser, also from the Dept. of Livestock, added his support of the bill.

There were no OPPONENTS to SB 484; there were no questions. Sen. Severson closed; he reiterated that the bill provided for a status quo as far as income ability.

The Committee then went into EXECUTIVE SESSION. A motion was made that SB 484 BE CONCURRED IN; motion carried unanimously.

SENATE JOINT RESOLUTION 26, sponsored by Sen. Bill Thomas, was then heard. This is a Resolution asking for the Dept. of Revenue to dispense with their practice of trending on office furniture and estimate the value of it on original cost less depreciation.

Keith Anderson, Montana Taxpayers Association, rose in support of the Resolution. This is very important legislation as far as the Main Street business community is concerned.

George D. Anderson, a Helena CPA, rose in support of the measure on behalf of the Montana Taxpayers Association, the Montana Bankers Association, and the CPA firm of Anderson ZurMuehlen & Co.; see written testimony Exhibit "B." He submitted that the trending factor didn't produce true market value. A letter from Marshall and Swift (contained in Exhibit "B") explained how they made their indexes. Obsolescence isn't taken into account. There is no indexing factor that can be applied to this broad of a spectrum of equipment. Also, productive value needs to be looked at. The present approach assumes that the equipment is immediately salable, but there are other factors that need to be taken into consideration. The bill instructs the Dept. of Revenue to go back to the idea of using the 10% salvage and the 3-, 5-, and 10-year tables and get rid of the trending factor completely. The trending factor is discriminatory, and complicated to compute; he urged that the Resolution BE CONCURRED IN.

Due to an impending caucus, the meeting went into recess at 8:30 a.m.

The Committee reconvened at 9:45 a.m., and the hearing on SJR 26 was resumed.

Dennis Burr, Montana Taxpayers Association, then spoke about the Fiscal Note. There is no problem with the long range effect. However, he didn't think it would be necessary to take trending out of Blue books. Real estate improvements are replacement cost depreciated. Centrally assessed utilities use a centrally assessed value. There are a number of methods of defining market value, not necessarily the same; therefore, furniture and fixtures can be looked at similar to household goods. The market for these items is not the same as for other types of property. Therefore, he didn't feel that the impact needed to go beyond the $1.5 million. Also, there may be less of a revenue loss than estimated, because some of the County Assessors weren't using the tables to start with. He felt the Resolution could stop at furniture and fixtures. They felt original cost depreciated on this type of equipment made sense.

Dave Goss, Billings area Chamber of Commerce, rose in support of the Resolution, as did Janelle Fallan, Montana Chamber of Commerce.

John Cadby, Montana Bankers Association, also rose in support of the measure; he reiterated Mr. Anderson's arguments. He didn't know of any County using the trending factor since the Dept. of Revenue tried to put it in effect. Straight line depreciation is easier and simpler to work with, and probably is used more often. Because the issue is so controversial, he suggested that maybe the Resolution should be adopted, and tried and true depreceiation should be gotten back to, and the matter could be studied during the interim.

Irvin Dillinger, Montana Building Material Dealers Association, went on record in support of the Resolution.

Jack Gribble, Property Tax Division, Dept. of Revenue, then rose in OPPOSITION to the Resolution. Regarding the testimony referring to the difficulties of using different base years, they contended that the elimination of the use of trending and going back to original cost depreciated would foster that kind of problem.

The Resolution is based on the premise that a rule had been adopted eliminating the 3-year rule and they submitted the revised information the Dept. had forwarded to the Hearings Officer indicated that the table had been reinstituted to cover some of the items that were discussed at the hearing, such as computer equipment.

He agreed with Mr. Anderson's testimony that the Marshall Swift guides were used only to arrive at replacement costs. On the table there is a depreciation rate that is applied to those trended costs. He conceded that it was difficult to obtain information regarding current value of furniture and fixtures and if there were such items as blue books pertaining to these things, they would be pleased to use them. However, in lieu of this, they have begun researching the market independently to ascertain what values these assets reflect.

He contended that the use of trending would be consistent with the Legislature's charge that they arrive at market value on these properties. He stressed that property and income taxes should not be confused. The use of original cost depreciated has contributed to the situation with the valuation of railroads in the State.

He agreed with Mr. Burr's remarks that there were different methods to be utilized to get market value. At present, he didn't believe that depreciating original cost would arrive at market value in very many instances. Possibly this would be appropriate in the computer business. The schedules are meant to be used only as guides, he pointed out. He also submitted that value in place or use is what they were trying to arrive at to compliment the dictum that they arrive at market value.

He said that it was the Dept.'s posture at present that they were charged with the necessity of arriving at market value in all types of properties. It was also their task to maintain equity between classes. By driving the Dept. out of trending, perhaps property owners in different classifications might be hurt.

Mike Stephen, Association of Counties, then rose in OPPOSITION to the Resolution. He pointed out that on the Fiscal Note, the loss of $1.5 million to local governments would put them between a rock and a hard place. As to what is equitable and wasn't, he suggested that the Committee reflect on the fact that most bills had eroded the property tax base and if local governments were to continue to be funded out of this tax base, they needed some help. They weren't able to collect many of their tax dollars due to the high delinquency rates. No matter what the differences are between this and other bills, the philosophy to fund local governments through the property tax was being eaten away at. They were the victims of the situation and were trying to run local government on less and less money.

Questions were then asked. Rep. Devlin asked Mr. Gribble if the formula added inflation over the years. He submitted that therefore, this was more a replacement value than a true value. Mr. Gribble said the trending estimated replacement cost and from that, depreciation was deducted. If a desk cost $200 ten years ago and $500 today, the Dept. would trend it up to reflect the $500, and then would depreciate it back down. He said that a similar process was used on combines, and it wasn't fool-proof.

Rep. Vinger submitted that if businesses tried to use replacement costs, this wouldn't be allowable. He didn't see how government could do this while business couldn't. Mr. Gribble said the Dept. wasn't interested in being punitive to anyone and if a table was inappropriate, it would be changed. The present process reflects what has been done. To deny the use of a technique would be a disservice to the Dept. He submitted that there wasn't much abuse in this area; in the previous year there were only two appeals in this area.

Rep. Nordtvedt brought up HOUSE BILL 46 and wanted to know why the Dept. hadn't been in favor of this bill. John Clark, Dept. of Revenue, said that there would be administrative difficulties with that bill. They weren't opposed to the bill on a conceptual basis, however.

Rep. Nordtvedt wanted to know if the Dept. would consider it a fair compromise if simple trending factors were allowed to be used by the individual taxpayers. Mr. Clark replied that the philosophies in the income tax and property tax systems were two different things. He would be glad to implement whatever kind of reconcilliation the Legislature would be able to come up with.

Larry Huss, Montana Taxpayers Association, submitted that trending didn't make things simpler for the Dept.; it made more revenue for them. He added that the use of trending wasn't a simple process.

Mr. Anderson then pointed out that when the replacement of same property is talked about, it should be similar property. He submitted that replacement of computers would entail different costs and the computers would be completely different. Using the trending factors, a computer could be valued up to a higher price than what it was being sold for at the present time.

The hearing was then closed on SJR 26, and the meeting was adjourned at 10:30 a.m.

Ken Nordtvedt

Rep. Ken Nordtvedt - Chairman

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VISITORS' REGISTER

HOUSE Taxation COMMITTEE

BILL SB 484 Date 4/6/81

SPONSOR Severson

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPO
Lee Graham	Helena	Mt Dept of Livestock	✓	
Jim Glosser	Helena	Mt Dept of Livestock	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Taxation 4/6/81
Exhibit "A"

MILLS ASSESSED ON LIVESTOCK AND REVENUE RECEIVED

FISCAL YEAR 1978	Market Value	Taxable Value	Mills Assessed	Tax Revenue Received	Appropriation
Inspection & Control:					
Sheep	8,691,675	1,158,890	8 mills	24,404	
Other Livestock	534,771,245	71,302,833	11 mills	724,225	1,167,770
Total Revenue				748,629	
Predator Control:					
Sheep	8,691,675	1,158,890	4½ mills	5,211	
Other Livestock	534,771,245	71,302,833	3 mills	209,269	219,470
Total Revenue				214,480	
Animal Health:					
All Livestock	543,462,920	72,461,723	10 mills	683,930	701,599
Department of Livestock Totals:					
Sheep	8,691,675	1,158,890	22½ mills	41,984	2,088,839
Other Livestock	534,771,245	71,302,833	24 mills	1,605,055	
Total Revenue				1,647,039	
				General Fund	540,788
				FPRA	87,150
				Total Department	2,716,777

FISCAL YEAR 1979	Market Value	Taxable Value	Mills Assessed	Tax Revenue Received	Appropriation
Inspection & Control:					
Sheep	10,400,689	832,055	10 mills	9,234	
Other Livestock	536,738,593	42,939,087	15 mills	579,688	1,227,209
Total Revenue				588,922	
Predator Control:					
Sheep	10,400,689	832,055	7½ mills	7,034	
Other Livestock	536,738,593	42,939,087	4 mills	176,429	304,486
Total Revenue				183,463	
Animal Health:					
All Livestock	547,139,282	43,771,142	16 mills	632,166	715,677
Department of Livestock Totals:					
Sheep	10,400,689	832,055	33½ mills	31,046	2,247,372
Other Livestock	536,738,593	42,390,087	35 mills	1,373,505	
Total Revenue				1,404,551	
				General Fund	580,711
				FPRA	79,304
				Total Department	2,907,387

FISCAL YEAR 1980	Market Value	Taxable Value	Mills Assessed	Tax Revenue Received	Appropriation
Inspection & Control:					
Sheep	14,985,049	1,198,804	10 mills	13,876	
Other Livestock	746,310,753	59,704,860	15 mills	840,338	1,395,437
Total Revenue				854,214	
Predator Control:					
Sheep	14,985,049	1,198,804	7½ mills	10,737	
Other Livestock	746,310,753	59,704,860	2 mills	163,635	244,649
Total Revenue				174,372	
Animal Health:					
All Livestock	761,295,802	60,903,664	18 mills	1,034,092	919,413
Department of Livestock Totals:					
Sheep	14,985,049	1,198,804	35½ mills	49,623	2,559,499
Other Livestock	746,310,753	59,704,860	35 mills	2,013,055	
Total Revenue				2,062,678	
				General Fund	466,336
				FPRA	52,058
				Total Department	3,077,893

[illegible] 1981 MILL LEVIES AND REVEN[illegible] ON A 30% DECLINE IN LIVESTOCK [illegible]

	Estimated Market Value	Estimated Taxable Value	Mills Assessed	Estimated Tax Revenue	
Inspection & Control:					
Sheep	11,582,326	926,586	10 mills	9,265	*
Other Livestock	716,119,929	57,289,594	15 mills	859,343	1,504,311
Total Revenue				868,608	
Predator Control:					
Sheep	11,582,326	926,586	7½ mills	6,949	*
Other Livestock	716,119,929	57,289,594	3 mills	171,869	212,386
Total Revenue				178,818	
Animal Health:					
All Livestock	727,702,255	58,216,180	15 mills	873,242	988,776
Department of Livestock Totals:					
Sheep	11,582,326	926,586	32½ mills	30,114	
Other Livestock	716,119,929	57,289,594	33 mills	1,890,557	2,705,473
Total Revenue				1,920,671	
			General Fund		524,316*
			FPRA		83,600

In May of each year the Board of Livestock sets the mill levies to be assessed for the following fiscal year.

Total Department 3,313,389

VISITORS' REGISTER

HOUSE Taxation COMMITTEE

BILL SJR 26 Date 4/6/81

SPONSOR Thomas

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPO
Dellinger Dr	Helena	Montana Bldg Mtr	+	
Larry Hess	Helena	Montana	X	
Dave Goss	Billings	Chamber of Commerce	X	
John Cadby	Helena	MT Bankers Assn	X	
Keith Anderson	Helena	MT Taxpayers Assn.	✓	
Dennis Burr	Clancy	MONTAX	✓	
Jack Gribble	Clancy	Dept of Rev		✓
Clark Pyfer	East Helena	Gelsko Heggen & G	✓	
Janelle Fallan	Helena	Mont. Chamber	✓	
Mike Stephen	Helena	MT Assoc. of Co		✓
George D Anderson	Helena	MT Taxpayers Assn	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Taxation 4/6/81
EXHIBIT "B"

SENATE JOINT RESOLUTION 26

HOUSE TAXATION COMMITTEE

April 6, 1981

TESTIMONY OF: George D. Anderson, CPA
Helena, Montana

REPRESENTING: Montana Taxpayers Association
Montana Bankers Association
Anderson ZurMuehlen & Co.

Senate Joint Resolution 26 addresses a problem which has arisen because of the repeated adoption by the Department of Revenue of a disputed formula which supposedly assesses commercial furniture, fixtures and equipment at fair market value. The Department has structured its formula on the basis of a "trending factor", which is intended to reflect the inflation which has occurred in the purchase cost of the items classified as commercial furniture, fixtures and equipment.

The Department has noticed in the past proposed rules and rule changes which embodied the utilization of the trend factor. However, when first employed, the trend factor was utilized without any notice to taxpayers as to how the computation of the formula was being handled. Later, the utilization of the trend factor was placed in Rule 42.21.134 promulgated by the Department.

Although appearances were made at these public hearings and testimony presented demonstrating the fallacy of the utilization of such factors, the Department adopted the Rules and notified the County Assessors to use the tables developed therefrom in computing fair market value of commercial furniture, fixtures and equipment.

We object to the utilization of the trend factors as proposed by the Department because they do not produce fair market value as contemplated by the law. The law requires that these items be assessed at 100% of fair market value and speaks of a willing buyer and willing seller. The trend factors utilized are developed from Marshall and Swift Publication Company tables which are published on a periodic basis as "Comparative Cost Multipliers". These indexes are developed based on what it would <u>cost</u> to replace the property classifications enumerated. These indexes are not determined by periodically repricing specific pieces of equipment and weighting their cost changes to arrive at a composite trend (see letter attached). Rather they are determined by utilizing factors such as increases in raw material costs, labor costs, plant costs, etc. to reflect what the cost would be of producing a similar item of equipment. In other words, these factors represent replacement cost of a class of equipment and are not designed to reflect the change in value of any one item of equipment. In fact, in the case of specific pieces of equipment, there can be a significant variance from the actual trend. Also, since obsolescence is a component of value not cost, it is not considered in the trend factors produced by Marshall and Swift.

It has been the practice of the Department of Revenue to instruct the County Assessors to obtain lists of equipment placed in this classification, their cost and date of purchase. To compute fair market value, the Assessor applies the factor determined by the utilization of a figure called Percentage Trended Depreciation. These factors were applied in 1980 based on three tables - a three year, a five year, and a ten year table. Each table provided for a 10% salvage value at the end of the estimated useful life. When trending is used, the value at the end of the useful life per the tables is as follows:

3 years	-	12%
5 years	-	15%
10 years	-	21%

On December 31, 1980, the Department noticed for hearing a change in these rules whereby only two tables would be utilized and a salvage value of 20% would apply. This caused the final values of equipment to rise for 1981 to the following:

3 years	-	59%
5 years	-	26%
10 years	-	37%

This means that an item in this classification that was in excess of five or ten years of age in both 1980 and 1981 would be assessed as having fair market values as follows:

	1980	1981
Over 5 years old	15%	26%
Over 10 years old	21%	37%

Probably the most dramatic result of this change was its effect upon a piece of equipment that was three years old on January 1, 1980 and, threfore, four years old on January 1, 1981.

It would have been assessed at 12% of cost on 1/1/80 and at 41% of cost on 1/1/81 - an increase of 242% in value even though it was one year older.

The three year category that was changed to five years applied to computer systems, data processing equipment, electronic cash registers, and other electronic equipment. An article which appeared in the Wall Street Journal about two weeks ago, relative to the values of computer systems and electronic equipment, reproduced a table which demonstrated the dramatic effect of technology upon fair market values of electronic equipment as follows:

Machine	Original Price	Value Today	DOR Value 1/1/81
IBM 370-138 Model J	$513,280 (1976)	$23,000	$128,320
IBM 370-148 Model K	$973,665 (1977)	$58,000	$574,462
IBM 4331 Model J-1	$ 89,980 (1979)	$72,500	$ 76,483

Under the Department of Revenues proposed trending rules, these machines would be valued far in excess of their true fair market value.

The utilization of the Marshall and Swift trending factors does not properly reflect the fair market value of any one item of equipment. The introduction to the publication states "The Equipment Comparative Cost Multipliers will give a measurement of the fluctuation in the average cost of plant equipment. They do not represent the cost change of any single item of equipment or machinery by itself". (Emphasis supplied). Later in the same introduction, it is stated, "When applying these Comparative Cost Multipliers, keep in mind that they are averages for each of the industries listed and may not be representative when used on a specific item within an industry." (Emphasis supplied).

Since fair market value (willing seller and willing buyer) is a function of the market place in a particular industry, a particular geographic location and a particular supply or demand at a particular point in time, it is impossible to apply a factor such as that produced by the Department to individual items of equipment in this classification without producing completely inequitable results as between taxpayers. Equipment of the type enumerated in this classification varies in market value a tremendous amount as say, between Billings and Libby. To try and apply a single factor in all cases does a complete injustice to the taxpayer.

No taxing authority at the federal, state or any other level has ever allowed depreciation for tax purposes based on a trending or inflation factor basis. This method has been advocated by taxpayers in an attempt to reflect inflation in the amount they deduct for depreciation, but to date, neither Congress nor a Legislature has been willing to allow such a procedure. The Department is, in fact, aggravating the problem of inflation by its proposed procedure. The theory behind using "fair market value" for assessment purposes is to achieve equitable equalization of the tax burden. The use of a trending factor not only does not achieve equitable equalization, it causes complete inequities. The theory is that as taxable values increase, mill levies will decrease. As we all know, this has not been true in Montana (nor nationwide for that matter). Therefore, the utilization of a "trending factor" not only causes an inequitable burden upon the taxpayer who owns commercial furniture and fixtures, but it also discourages the investment of funds in productive facilities, thereby contributing to inflation.

The taxpayers, the County Assessors and the Department of Revenue would be better served if the method utilized to value the items concerned was kept as simple as possible. The utilization of the depreciated values shown on a taxpayer's income tax return would simplify to a considerable extent the process now utilized to assess furniture and fixtures. The utilization of this figure would allow a very easy cross-check with the taxpayer's income tax return as to the correctness of amounts reported. Such a procedure is now utilized with the inventory tax and has proven to be quite satisfactory.

The utilization of depreciation is at best an educated guess. Therefore, it should be recognized that the computation of fair market value by utilizing a factor for depreciation is extremely arbitrary. There is no "indexing factor" that can be applied to such a broad spectrum of items as set forth in the proposed rule that would result in "fair market value" for those individual items. The utilization of depreciation constitutes the insertion of enough nebulous factors into the calculation without the addition of a "trending factor" which is irrelevant in many cases.

The national trend is to allow a greater deduction for depreciation in order to more closely reflect the productive value of equipment. Such a philosophy could certainly be justified in computing so-called "fair market value" for purposes of property taxation. A fair market value for these items can only be computed by considering what their value is in place, not, out on the open market. Most taxpayers are not second-hand dealers and, therefore, the equipment they own has a fair market value based on its utilization in a certain location. The utilization of a "trending" or inflation factor assumes that the property concerned is ready for resale and immediate delivery to a purchaser. It should also be noted that Marshall and Swift consider as a part of the cost of these items a cost for installation. In order to have a willing buyer, the seller would have a cost of dismantling the equipment and the buyer would have to consider a cost of installation, thereby lowering the trended value.

We urge the Department of Revenue to use straight line depreciation with a 10% salvage value based on three (3), five (5), and ten (10) year life tables as set forth in rule 42.21.134 for the year 1980. The so-called "trending factor" should not be used as it compounds the inequities already built into the computational system employed. Also, to date, the Department has not demonstrated that the "trending factors" they are using are applicable to the equipment in this classification.

From the title, commercial furniture, fixtures and equipment, you would assume that the property in this classification was office furniture, store fixtures and the like. It covers a much broader spectrum. Included are vending machines, radio and TV broadcasting and transmitting equipment, hotel and motel furniture and fixtures, electronic equipment (including computer systems), typewriters, calculators, medical and dental equipment, repair shop tools, citizenband radios, mobile phones, etc. This is not a homogeneous group. Some of the items in this category have held up as far as market value is concerned, but many have declined rapidly. There is little doubt that the so-called trending factor on computer values would be a negative one as demonstrated by the Wall Street Journal article. The utilization of a trending factor which does not properly reflect fair market value of these items of equipment is completely unfair to the small business taxpayers in Montana.

Business and especially small business does not need an additional disincentive. The use of a trending factor is unnecessarily discriminatory, is complicated to compute, and discourages the type of investment needed by the economy of the State of Montana. The Department of Revenue should be encouraged to simplify its procedures and to encourage business to add to and increase the tax base. Such policies would improve the business climate in Montana and would result in some badly needed economic growth for the State.

MARSHALL Publications SWIFT

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(213) 624-6451

March 30, 1981

Mr. George D. Anderson
Anderson ZurMuehlen & Co.
Post Office Box 1147
Helena, Montana 59601

Dear Mr. Anderson:

In response to your letter of March 25, we will try to explain our position as fully as possible, always considering that the components and weightings in our Equipment Indexes are proprietary information which is kept confidential.

Briefly, the Equipment Indexes are not obtained by periodically repricing specific pieces of equipment and weighting their cost changes to arrive at a composite trend. They are primarily determined by averaging changes in total plant cost based on detailed appraisals of each industry, thus formulating basic raw and fabricated material pricing which is representative of major equipment groups in proportion to their average occurence in each of the listed industries.

Each industry is made up from fourteen to seventeen subgroup indexes, plus three or four labor wage scales. These are picked and weighted by industry, since many elements, or the elements they represent, are common to all industries, while some are inconsequential to certain industries.

Adjustments are made for other business indicators and labor is considered in categories where installation costs are a factor. These indexes represent our best estimate of replacement cost trends to be applied to total plant costs, but, in the case of specific pieces of equipment, they can vary significantly from the actual trend.

With regard to specific pieces of equipment, changes in design have no bearing on indexes giving reproduction cost of already installed equipment, since obsolescence is a component of value, not cost.

In particular, the Office Equipment category would represent general office furnishings from desks and files to typewriters and desk calculators. There is no weighting of semiconductor materials for computers.

In specific instances where there is not a clear choice as to which of our forty-seven categories to use, we would then recommend that the Average of All would be as accurate as any to measure general cost changes.

If we can be of further service, please call on us again.

Sincerely,

MARSHALL and SWIFT
Publication Company

Richard Vishanoff
Research Analyst

RV:dc

TABLE 1: 5 YEARS

Vending Machines, Cash Registers, Coin Operated Equipment, Radio and T.V. Broadcasting and Transmitting Equipment, Hotel and Motel Furniture and Fixtures, Office Copiers, Calculators, Typewriters, Specialized Medical and Dental Equipment. (Specialized Medical and Dental Equipment includes Dental and Medical Hand Tools, Drills, etc; but does not include the Medical and Dental Chairs and Tables.)

AGE	PERCENTAGE DEPRECIATION	TREND FACTOR	PERCENTAGE TRENDED DEPRECIATION
1 Year Old	85%	1.000	85%
2 Years Old	69%	1.037	72%
3 Years Old	52%	1.138	59%
4 Years Old	34%	1.218	41%
5 Years Old and Older	20%	1.284	25%

TABLE 2: 10 YEARS

Repair Shop Tools, Citizenband Radio, Mobile Phones, PBX Typesystem Show Cases, Restaurant and Van Fixtures, and all other Commercial Furniture, Fixtures and Equipment. Medical and Dental Chairs and Tables.

AGE	PERCENTAGE DEPRECIATION	TREND FACTOR	PERCENTAGE TRENDED DEPRECIATION
1 Year Old	92%	1.000	92%
2 Years Old	84%	1.037	87%
3 Years Old	76%	1.138	86%
4 Years Old	67%	1.218	82%
5 Years Old	58%	1.284	74%
6 Years Old	49%	1.359	67%
7 Years Old	39%	1.418	55%
8 Years Old	30%	1.695	51%
9 Years Old	24%	1.783	43%
10 Years Old and Older	20%	1.851	37%

TABLE 3: 3 YEARS

Electronic Cash Registers, Computer Systems and Data Processing Equipment.

AGE	PERCENTAGE DEPRECIATION	TREND FACTOR	PERCENTAGE TRENDED DEPRECIATION
1 Year Old	70%	1.000	70%
2 Years Old	40%	1.037	41%
3 Years Old and Older	10%	1.138	11%

IMPACT OF SB47, SB283 and SJR26 ON LOCAL GOVERNMENTS
(Reducing valuation on livestock, eliminating business inventory and the use of trending in personal property assessment)

County	Revenue Loss	Total Property Tax	% of tax lost	Mills levied in 1979-80	Mills to replace tax cuts	Amount of tax increase
Big Horn	$1,024,262	7,829,475	13.08	Hardin 187.78	211.	24
Cascade	3,043,365	26,847,177	11.34	Great Falls 305.92	340.	35.
Deer Lodge	1,174,435	6,243,251	18.81	Anaconda 435.49	517.	82.
Flathead	2,462,591	19.162,593	12.85	Kalispell 299.19	337	38.
Gallatin	2,513,127	15,871,545	15.83	Bozeman 339.76	393.	53.
Hill	1,047,154	8,752,361	11.96	Havre 279.06	312.	33.
Jefferson	377,113	2,443,937	15.43	Boulder 335.44	387	52.
Lewis & Clark	2,442,073	18,346,045	13.31	Helena 308.25	349.	41.
Missoula	5,772,104	32,677,649	17.66	Missoula 323.70	380.	57.
Ravalli	929,364	4,699,209	19.77	Hamilton 225.44	270	45.
Silver Bow	2,742,651	16,970,279	16.16	Butte 336.48	390.	54
Yellowstone	6,712,927	51,800,922	12.96	Billings 282.22	319	37.

In Bozeman, a decrease of taxable value of 15.83% would mean that 53 additional mills would be needed to generate the same amount of revenue as before the cuts in taxable value.

Assuming a home with a market value of $40,000 and a taxable value of $3,420 -- In Bozeman, with a levy of 339.76 mills, the tax in 1979-80 was $1,162. With 53 additional mills (a levy of 393 mills) it would be 1344, for an increased tax of $182.

STANDING COMMITTEE REPORT

April 8, 19 81

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SJR Bill No. 26

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA DIRECTING MODIFICATION OF THE ADMINISTRATIVE RULE COVERING THE ASSESSMENT OF COMMERCIAL FURNITURE AND FIXTURES.

Respectfully report as follows: That SJR Bill No. 26, third reading (blue), be amended as follows:

1. Page 1.
Following: line 18
Insert: "WHEREAS, the Department presently requires depreciated original cost to be used for purposes of determining net business income subject to taxation; and"

2. Page 1, line 24 through line 1 on page 2.
Following: "property" on line 24, page 1
Strike: line 24 through "market" on line 1, page 2

3. Page 2, lines 4 through 6.
Following: line 3
Strike: "reliable"
Insert: "appropriate"
Following: "property" on line 4
Strike: line 4 through "information" on line 6

DO PASS AND AS AMENDED BE CONCURRED IN

Rep. Ken Nordtvedt,
Chairman.

STATE PUB. CO.
Helena, Mont.

STANDING COMMITTEE REPORT

April 6, 19 81

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 484

A BILL FOR AN ACT ENTITLED: "AN ACT TO RAISE THE MILL LEVIES GRANTED TO THE DEPARTMENT OF LIVESTOCK FOR BRANDS ENFORCEMENT AND ANIMAL HEALTH; AND TO RAISE THE MILL LEVIES GRANTED FOR PREDATOR CONTROL; AMENDING SECTIONS 15-24-923 AND 81-7-104, MCA."

Respectfully report as follows: That SENATE Bill No. 484

BE CONCURRED IN

~~DO PASS~~

~~Rep. Ken Nordtvedt,~~ Chairman.

STATE PUB. CO.
Helena, Mont.