

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE CAPITOL

SENATE

March 18, 1981

The 50th meeting of the committee was called to order at 7:30 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members present, except Senator Healy absent.

DISPOSITION OF SENATE BILL 466:

Senator Towe moved the amendments to SB 466. The amendments were adopted unanimously by the committee. Senator Steve Brown moved that SB 466 DO PASS, as amended. Motion carried unanimously. Senator Graham will carry the bill.

DISPOSITION OF HOUSE BILL 63:

Amendment language was discussed for the bill. The amendments were to tax those people who hadn't paid taxes when they earned the money to pay taxes when they get the retirement money. Senator Towe moved the amendments and they were adopted unanimously. Senator Towe moved HB 63 BE CONCURRED IN, as amended. Senator Towe requested the bill be held so it wouldn't appear on the floor until Saturday, March 21.

CONSIDERATION OF HOUSE BILL 533:

"AN ACT TO REMOVE THE REQUIREMENT THAT THE VALUE OF STATE-OWNED COAL BE DEFINED AS THE VALUE BEFORE AFTER TAXES FOR ROYALTY PURPOSES; AMENDING REPEALING SECTION 15-35-109, MCA."

Representative Herb Huennekens, Billings, said HB 533 is as simple as a bill can get. It repeals two sections. He requested a change in the title. He continued by saying that when the State arranged royalty on coal, that the royalty be applied after taxes were paid. Only the state was using it. Private individuals and government all applied the royalty before the taxes were paid. This bill puts the State on exactly the same footing as the government. A contract was negotiated with Montana Power Company which carried out this procedure where the state was getting 18% as opposed to the general public or the lease holder.

PROPONENTS: Dave Woodgerd, Department of State Lands.

There were no more proponents, no opponents, so questions were called from the committee.

TOWE: What's the value as defined in 15-35-102? Was that the pyramiding?

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WOODGERD: Price at mine mouth or delivery point, minus tax.

TOWE: By defining value the same as taxes, that's a value after taxes--do most people do it before taxes?

WOODGERD: If the state has coal to lease it can draw the same royalty as any private or federal government can draw.

ECK: Do you see any possible connection with this and the severance tax.

HUENNEKENS: None.

TOWE: When we prepared SB 344 we copied the same section. Are you suggesting we have to strike that?

HUENNEKENS: Yes.

The hearing was closed on House Bill 533.

CONSIDERATION OF HOUSE BILL 539:

"AN ACT TO LIMIT TAXABLE VALUE ON RESIDENTIAL PROPERTY;
AMENDING SECTION 15-8-111, MCA."

Representative Huennekens said the problem is one receiving national attention--the matter of limitation on property tax. Montana mentions true market value and current market value. That produces problems for taxpayers. When you get to the ultimate amount for taxes, we use a mill levy system which allows the local government to decide. In HB 539 a concept of current year true market value is defined--the value residences would have as of January 1 this year if appraised by several appraisers or one good one. That is the value the residence has. We apply to this value a 5% multiplier and then arrive at the maximum amount of taxable value. We are taking the present ratio of what we call true market value to true market which varies from 50 to 55% and then apply a .0855 factor to arrive at taxable value. What we come up with is the relationship that would be 1-1 1/2% of the actual money you pay on taxes. Based on 250-mill multiplier, 25% of that is 1 1/4%. There must not be more than a 5% increase assessed. Take \$100,000 true market value, it would come out at \$50,000, multiply that by .0855 and if that figure is greater than \$5,000 it is too high and the tax board will have to change that figure.

OPPONENTS: John Clark, Department of Revenue, was not a strict opponent but wanted to raise questions and talk about implications. In 1977 the legislature removed distinction between market value and assessed value. What this will do is restore that particular third step for only residential properties because mathematics of this particular problem says if your appraisal is 58.8% or greater than the market

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value, then you are entitled to a reduction. Consequently, there will be some houses assessed on a different standard if this treatment is applied. The second argument is that this applies only to residential properties. Third, we have some concern within the department as to the qualifications of people overturning State appraisals. Admittedly, the State hasn't done that well. We think 40% of residential properties might be eligible for some reduction. The passage of this sort of proposal does have implications for the future, assuming at some point in time we do get to a better value; this might actually militate against there being put on the books a market standard.

Representative Huennekens closed saying he sympathized with DOR's position. But there is a demonstrated difference in viewpoint among assessors in the way DOR has appraised property. We are trying to remove the discrepancies where value is assigned as too high. If it is too high, the DOR should lower it. That's what the bill says. This process leads to the county tax appeal board to something the citizens can use and understand. This bill deals solely with residential property on purpose. Later I will come to some sub-classification.

CRIPPEN: I think we passed a bill placing commercial in a separate class. Have you received that bill yet? Would that seem to satisfy the concerns between commercial and residential?

CLARK: I think it will for the future, but I am not sure. Right now we have not gone through an appraisal and the question is what happens between 1981 and 1985.

HUENNEKENS: You can make the argument both ways.

ECK: Have you done enough studies to know whether the differential will raise or lower averages? Will more taxpayers appeal?

CLARK: It can't raise anybody's taxes. That's the intent of the bill.

SEVERSON: You testified there were some places where assessed value would be high. That looks like check and balance as far as taxpayers are concerned. If you made a mistake, the taxpayer can come back.

CLARK: The process exists now. Setting a flat 5% is what we worry about being in the statute. Putting it in a statute may limit what happens after new appraisals.

TOWE: The fiscal note implies there are a large number, perhaps 40%, that are above 58.5% of the value. If that's true, there is real inequity. Herb's bill attempts to address that.

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CLARK: Senator Towe, our feeling is the mechanism exists now without putting 5% in the statute. It gives them a rule of thumb. If it is in the statutes, it gives them the option to lower or keep at the 5% rate. To be fair, everything ought to be at 5%.

TOWE: Maybe the thing to do would be for the DOR to issue a rule that would explain that anybody who does bring an appeal to the county tax appeal board should look at a figure and apply a figure.

CLARK: It would probably be appropriate for STAB to issue something like that. They are the parent body. Our problem is with carving it out in stone.

HUENNEKENS: What we are doing is simplifying the process. If it causes appearances, I would say it is good.

TOWE: What's your response to John's point that if they wish to get closer to 100% of the value you would have to come in and change the 5%?

HUENNEKINS: I think they will do what they did last time and apply something like .0855.

TOWE: What about the appeal? You have written that it must be a qualified appraisal subject to approval from the County Tax Appeal Board. What if there were only one available?

HUENNEKENS: We would have to go along with that. We have to give them the option of deciding on an appraisal.

CRIPPEN: Let's assume you did that and I didn't like that one and got my own. I present it and they say "no, you can't use it." Now I think I have grounds for appeal. Aren't you opening this up to possibility of continuing litigation?

HUENNEKENS: That's the way it is now. Essentially you start with your own appraiser. If the board decided it didn't like your figure they could get another one, but this doesn't hurt the appeal rights.

CRIPPEN: The fiscal note says the effect of this could be large in some units. Have you had time to take an example of what would be the amount of decrease in counties? Are we really cutting down taxable incomes to our local municipalities?

HUENNEKENS: I don't think anyone has done a full study. I don't think it would be that large.

CRIPPEN: The same question.

CLARK: What could happen is in Anaconda where market values have fallen rapidly....

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HUENNEKENS. That would only be the case where value of a home now is above 58%.

GOODOVER: Last session a bill Fabrega had with a 5% cap passed the legislature and Fabrega had to ask the governor to veto it.

HUENNEKENS: The problem was trailer houses. Since there is a blue book, the DOR has taxable value on them that is higher.

TOWE: Are you sure that this excludes them? You don't define them.

ECK: On the fiscal note you say the average market value now is 50 - 55%. Is that figured on 1972 or current year?

CLARK: That is the data that emerges from our ratio studies coming from 1980 sales.

ECK: Sometime during the last year I remember seeing this formula printed where you could estimate a house value and figure out if taxable value is right. Is that something the department does?

CLARK: It sounds like something Representative Nordtvedt might have gotten into in his campaign.

ECK: Would you consider this as something that would be appropriate to send out with a tax notice? Citizens are confused. On the surface it looks confusing. It would appear to me that this would be an appropriate bit of information to include with tax statements on a regular basis.

CLARK: I guess it's something we hadn't done because of the workload.

SEVERSON: It is confusing and not many understand. Not many realize their valuation on their house is 50, 56 or 58%. This idea makes it easier for them to understand. This bill simplifies the system so a person has some idea of what the value of their house is.

CLARK: I don't think we mind being completely honest. You have to look at the fact that no appraisals have been added since 1978. Our position is that this sort of thing exists now although there is no mandate of the county tax appeal board to bring all down to the same level. If we took Senator Eck's suggestion by sending them a flyer then you would accomplish the same thing although not robbing the county board.

The hearing was closed on HB 539.

CONSIDERATION OF HOUSE BILL 540:

"AN ACT FOR ADJUSTING THE REGISTRATION DATE FOR AIRCRAFT
TO ELIMINATE CONFLICTS WITH OTHER TAXATION LAWS; AMEND-

ING SECTIONS 15-24-304, 67-3-201, AND 67-3-202, MCA."

Representative Huennekens said there is a problem in connection with registration of aircraft. The law currently requires that aircraft be registered by March 1 of each year and the taxes paid for that year. Most assessors haven't started thinking about registration by March 1. A lien is placed on the plane; when notice is ready, the lien is removed. The bill changes the registration date to June 1 so the owner can pay his taxes and eliminate the lien.

There were no proponents, or opponents, questions were called.

TOWE: What happens if you come in to register before June 1?

HUENNEKENS: Technically aircraft are assessed on March 1. Assessors are busy because they're working on their property appraisals. We are trying to fit into a better time for appraisals.

TOWE: What happens with brand-new aircraft?

CLARK: Tax is pro-rated. Taxpayers coming in during the first six months wouldn't have the advantage of getting the pro rata feature. He'd have to pay the full year's tax.

HUENNEKENS: It would affect people buying airplanes, not the current owners of a plane.

SEVERSON: Why don't you work the same way on automobiles? The same date as the date of purchase?

CLARK: It just complicates the process.

The hearing was closed on HB 540.

CO NSIDERATION OF HOUSE BILL 541:

"AN ACT TO AMEND SECTION 15-6-134, MCA, TO PROVIDE A GRADUATED TAX FOR CLASS FOUR PROPERTY, BASED ON THE INCOME OF THE OWNER; PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Representative Huennekens explained that 541 went through the legislature in great style and the Attorney General produced the darndest opinion he ever saw. In his opinion, this was bad. He would have loved to have taken it all the way to the Supreme Court. Essentially this is the same bill with some modifications. Purpose of the bill is this: to present a scale to help the needy. The problem in the first bill was when you use federal adjusted gross you are not taking into account any monies from military or full disability persons. We do not intend to count social security on this. We are counting all income on this bill. We are not dealing with fully disabled veterans in this bill. We have moved the top

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of the scale up to allow for inflation and other than that the bill is essentially the same. It does not include the value of a residence above \$35,000. Our intent is to help the average person.

There were no proponents or opponents, so questions were called from the committee.

ECK: Have you looked at SB 102. Changes in that--we changed that to single persons with dependents. Also, the graduated scale differs in that the upper end is up from \$12,000 to \$15,000. The other thing I am concerned about is that we have had 3.3 to 9.5 million dollar impacts projected on this.

HUENNEKENS: My opinion of the effect on local government revenue is there is a balancing process which will be put into effect. Above the half-way point you now reduce the amount and there is some compensation. I think we have a problem in trying to predict income change because we are dealing with a more clearly calculable group, the retired senior citizens and their incomes. I prefer this bill because I think we are better off. Instead of using tax refunder deduction we are better off deducting taxable values. I think I prefer more steps to produce more equity. I like applying directly where the money is paid so that persons can see their gain. I prefer this instead of tax rebate.

TOWE: Himsl's bill allows a person of any age with dependent children to qualify. What are your thoughts on that?

HUENNEKENS: I prefer to avoid that--would prefer retired senior citizens.

TOWE: Senator Himsl's bill goes to \$12,000 and \$15,000 so there is a substantially higher figure. Himsl's bill would cost 3.8 million, yours would be half that amount.

HUENNEKENS: I think the figures are too high.

ECK: I have an amendment and what the amendment does is provide a mechanism where the state can repay local government for revenues lost.

HUENNEKENS: I approve of that. However at this moment I would say no.

The hearing was closed on HB 541.

Senator Towe made a motion to amend HB 541 striking words "a widow or widower" and inserting "single person." Strike "dependent children" and insert the word "dependents" as defined in 15-30-113 "who qualify". The motion carried.

It was decided to defer action until both bills SB 102 and HB 541 could be looked at.

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Senator Severson thought we should get SB 102 back and consider it with HB 541.

The chairman thought both bills should be gone over and then we could get the two bills together. It was decided to put the bill through here and hold it. Then, when SB 102 goes through, both will go into a subcommittee meeting of the House and Senate.

DISPOSITION OF HOUSE BILL 540:

Senator Towe made a motion that HB 540 BE CONCURRED IN. The motion carried unanimously. Senator Crippen will carry.

DISPOSITION OF HOUSE BILL 539:

Senator Towe made a motion to amend page 1, line 10 following words "value on" and add "real estate and improvements used as". The amendment was approved. Senator Manley made a motion that the bill be passed as amended.

Senator Hager wanted to address the problem of multiple appraisals--thought we should strike "all" and put in "both".

Substitute motion by Senator Towe: Strike the word "acceptable" on line 18. "If the county tax appeal board does not accept the appraisal, it may, at the taxpayer's expense, hire its own qualified appraiser."

Manley asked to supersede all motions and ask that the bill be given a DO NOT PASS. The motion carried by 7 - 4.

Senator Towe withdrew his motion.

It was decided to have the secretary write a letter to DOR and say it is the wish of this committee that they devise a formula to get a notice to the taxpayers providing instructions on how taxes can be computed on their property.

DISPOSITION OF HOUSE BILL 533:

Page 1, line 7, strike word "after" and insert "before", the amendments were voted and approved. A motion was made to give a BE CONCURRED IN, as amended. The motion carried unanimously.

DISPOSITION OF SENATE BILL 476:

Senator Towe mentioned that SB 476 had been brought back to the committee and he has discussed amendments. Senator Towe made a series of amendment proposals and then moved they be adopted. He said the effect of the amendments is that we limit only to municipalities and school districts. A vote on the amendments showed they carried. Senator Goodover voting no.


Senator Severson said the committee sponsored bill had been

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dropped into the hopper--the one on funding for the Department of Agriculture.

Senator Goodover announced that there would be a committee meeting tomorrow morning at 7:30 a.m. and Saturday morning from 8 until noon, or on adjournment.

The meeting adjourned at 10:03 a.m.



PAT M. GOODOVER, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 3/18/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		✗
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"		✓	✗
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE March 18, 1981

COMMITTEE ON Taxation

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

SENATE COMMITTEE TAXATION

Date 3/18/81 AB Bill No. 539 Time 9:53

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK		✓
SEN. ELLIOTT		
SEN. HAGER		✓
SEN. HEALY		
SEN. MANLEY	✓	
SEN. NORMAN		
SEN. OCHSNER	✓	
SEN. SEVERSON		✓
SEN. TOWE		✓
SEN. GOODOVER (CHAIRMAN)	✓	

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Betty Dean
Secretary
Motion:

Pat M. Goodover
Chairman

Do not pass

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

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19.....

PRESIDENT:

MR.

TAXATION

We, your committee on

House

533

having had under consideration Bill No.

(Huennekens (S. Brown))

Respectfully report as follows: That **House** **533** Bill No.

third reading copy, be amended as follows:

1. **TITLE, line 7.**

Following: **"BEFORE"**

Strike: **"AFTER"**

Insert: **"BEFORE"**

And, as so amended,

BE CONCURRED IN

XXXXXX
DO PASS

SENATE COMMITTEE TAXATION

Date 3/18/81 SB Bill No. 476 Time 10:00 a.m.

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT		
SEN. HAGER	✓	
SEN. HEALY		
SEN. MANLEY		✓
SEN. NORMAN	✓	
SEN. OCHSNER	✓	
SEN. SEVERSON		✓
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)		✓

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Betty Dean
Secretary
Motion:

Pat M. Goodover
Chairman

Do pass, as amended.

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 18

81

19.....

MR. **PRESIDENT:**.....

We, your committee on **TAXATION**.....

having had under consideration **Senate** Bill No. **466**.....

Respectfully report as follows: That **Senate** Bill No. **466**.....
introduced copy, be amended as follows:

1. Page 7, line 18.
Following: "demonstrate"
Strike: "motor vehicles"
Insert: ", for no more than 72 hours, an authorized vehicle"
2. Page 7, line 20.
Following: "license"
Strike: the remainder of subsection (i) through "individual" on line 22.
3. Page 7, lines 23 and 24.
Following: "on"
Strike: "motor"
Insert: "authorized"
Following: "owned"
Strike: ", held for sale and, in fact, available for sale"

XXXXXX
DO PASS

(CONTINUED)

4. Page 7, line 25 through page 8, line 1.
Following: "dealer"
Strike: ". Any such vehicle so operated may be"
Insert: "and"

5. Page 8, lines 2 and 3.
Following: "equipment"
Strike: "totaling less than 500 pounds"

6. Page 8, line 4.
Following: "on"
Strike: "motor"
Insert: "authorized"

7. Page 8, lines 5 and 6.
Following: "on"
Strike: "motor"
Insert: "authorized"
Following: "from a"
Strike: "motor vehicle"

8. Page 8, lines 7 and 8.
Following: "on"
Strike: "motor"
Insert: "authorized"
Following: "from"
Strike: "motor vehicle"

9. Page 8, lines 9 and 10.
Following: "on"
Strike: "motor"
Insert: "authorized"
Following: "from"
Strike: "motor vehicle"

And, as so amended,
DO PASS

STANDING COMMITTEE REPORT

March 13

81

19.....

MR. **PRESIDENT:**.....

We, your committee on **TAXATION**.....

having had under consideration **House** Bill No. **540**.....

Huennekens (Crippen)

Respectfully report as follows: That **House** Bill No. **540**.....

BE CONCURRED IN

~~XXXXXX~~
~~DO PASS~~