

was prepared in an attempt to save money. Mr. Graveley said Fergus County, for example will save \$1,500 in mailing costs. That is a fairly significant savings for a small county. He asked for this committee's support of HB 423.

GREG GROEPPER, Administrator of the Property Assessment Division, Department of Revenue, said the Department of Revenue strongly supports this piece of legislation. In 1986, when the reappraisal is over, there probably will not be a savings because the new appraisals will have to be sent out but there will be a savings every year before that. The sooner this bill is passed, the sooner there will be a savings realized.

REPRESENTATIVE JACOBSEN asked how a change of ownership of property would be handled for assessment notice purposes. Mr. Groepper said that would be automatically picked up through the transfers of realty process.

REPRESENTATIVE NORDTVEDT asked if HB 423 passes, would the Department of Revenue modify their budget proposal to the Appropriations Committee. Mr. Groepper said yes, there is a budget meeting on February 14, and the information will be given to the Appropriations Committee.

REPRESENTATIVE SCHULTZ, in closing, said the essence of the whole program is the effective date of this bill. The bill will become effective upon passage and approval of the legislature. He said he would like the bill to be passed out of this committee right away and sent over to the Senate as soon as possible.

The hearing on HB 423 was closed.

HOUSE BILL 460

REPRESENTATIVE REX MANUEL, District 11, sponsor of HB 460, said this bill was requested by the Montana Rural Water Systems. The bill is an act providing a property tax exemption to certain associations and corporations furnishing potable water to members or customers.

Proponents

RAY WADSWORTH, Program Manager of the Montana Rural Water System, said there are 42 nonprofit water user associations in Montana. This bill will provide cost savings and will alleviate a lot of bookkeeping and record keeping each year.

KEITH HILL, manager/operator of the Lockwood Water System, testified in support of HB 460. When the Lockwood Water System was formed as a nonprofit association, they applied for tax exempt status from the federal government. The federal government said to operate for one year and then resubmit the request. That request was not resubmitted. Mr. Hill initiated that procedure in 1974 and some changes had to be made in the

association's bylaws in order to receive federal tax exempt status. The association had to provide an equity payment to the owners and 85% of the revenue had to come from the sale of the water. In October, 1974, Mr. Hill filed for tax exempt status from the state of Montana and that request was turned down because the association only paid property tax. In 1978, the association had to lay 10" water line at a cost of \$145,000. Mr. Hill needed \$50,000 and he arranged for private financing at 7% interest. When it was discovered the association did not have state tax exempt status, the private investors withdrew their offer and Mr. Hill had to borrow the \$50,000 from the bank at 12% interest. Now the association is faced with a tremendous expansion, at a cost of \$3.5 to \$5 million and there is no farmers loan money available. If this bill is passed, the association could get low interest money at a reasonable cost.

REPRESENTATIVE ASAY asked if the county or state is involved in any maintenance work as a result of these water systems. Mr. Hill said no, other than inspection work.

MR. WADSWORTH said the main reason for the passage of this bill is to provide the water associations with borrowing power at a lower interest rate.

REPRESENTATIVE UNDERDAL said there is no fiscal note for this bill and asked what the fiscal impact will be. Mr. Groepper said he has seen a draft of the fiscal note. Out of 570 community water systems, 10% would qualify for the tax exemption, resulting in a fiscal impact of \$57,000 taxable value times the mill levy. He said it is not an expensive fiscal note and that is why the Department of Revenue is taking no position on the bill.

The hearing on HB 460 was closed.

CHAIRMAN NEUMAN called the meeting into Executive Session at this time.

EXECUTIVE SESSION

House Bill 423

REPRESENTATIVE WILLIAMS moved HB 423 DO PASS.

The motion was voted on and PASSED unanimously.

House Bill 333

CHAIRMAN NEUMAN told committee members that Representative Yardley has asked that executive action be taken on HB 333.

REPRESENTATIVE WILLIAMS said he would like to hold off on executive action until he receives some information he had requested. He also asked the Department of Revenue to provide this committee with some figures on the impact on revenue if HB 333 is passed.

REPRESENTATIVE HARRINGTON came into the meeting at this time.


House Bill 460

REPRESENTATIVE UNDERDAL asked if he could make a motion that HB 460 do pass. Chairman Neuman said he would not take any executive action on this bill until a fiscal note has been received.

REPRESENTATIVE WILLIAMS said HB 460 could open the door for a lot of nonprofit organizations to apply for tax exempt status and that issue should be researched. Jim Oppedahl, Legislative Council staff researcher, said he would look into that matter.

The meeting was adjourned at 9:50 a.m.


TED NEUMAN, Chairman (acting)


Vicki Lofthouse, Secretary

WITNESS STATEMENT

Name Gregg L. Rogers Committee On Taxation
Address 501 Adams Date 1/31/83
Representing Dept. of Revenue Support X
Bill No. HB-423 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Will save work & money for the Department
Urge you to move it through speedily so
2. we can save money this year
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

VISITOR'S REGISTER

HOUSE _____

COMMITTEE

BILL 400

DATE _____

SPONSOR M Anne

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STATE OF MONTANA

REQUEST NO. 213-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 24, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 423 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

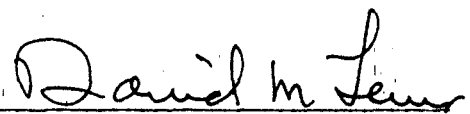
DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 423 requires that classification and appraisal notices be sent to property owners only when certain changes pertaining to land or improvements have been made and provides an immediate effective date.

FISCAL IMPACT:

The fiscal impact of this bill is a reduction in expenditures totalling \$164,000 for the biennium. These savings include \$70,000 for FY 84 and \$94,000 for FY 85. In both years there would be the following expenditure reductions: \$60,000 per year for postage, and \$10,000 per year for printing. The second year also would result in saving two grade 6 clerical FTE's, since assessment sheets would be changed to accept more than one year of taxes. The savings would be approximately \$24,000.

FISCAL NOTE 8:J/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-27-83

STATE OF MONTANA

REQUEST NO. 239-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 83, there is hereby submitted a Fiscal Note for House Bill 460 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 460 provides a property tax exemption to certain associations and corporations furnishing potable water to members or customers.

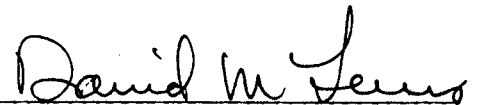
ASSUMPTIONS:

- 1) There are approximately 572 commercial water systems.
- 2) Approximately 10%, or 57 of these water systems might be classified as non-profit corporations and associations supplying water to their members.
- 3) Assuming each installation has a pump house, motor, well, water meter, and water tank, the taxable value per installation would be approximately \$1,000.
- 4) The average mill levy is .221.

FISCAL IMPACT:

	<u>FY84</u>	<u>FY85</u>
University Mill Levy		
Under Current Law	342	342
Under Proposed Law	-0-	-0-
Estimated Decrease	<u>(342)</u>	<u>(342)</u>
School Equalization Fund		
Under Current Law	2,280	2,280
Under Proposed Law	-0-	-0-
Estimated Decrease	<u>(2,280)</u>	<u>(2,280)</u>
TOTAL REVENUE:		
Under Current Law	2,622	2,622
Under Proposed Law	-0-	-0-
Estimated Decrease	<u>(2,622)</u>	<u>(2,622)</u>

(Continued)



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-31-83

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES

	<u>FY84</u>	<u>FY85</u>
County Funds		
Under Current Law	\$9,975	\$9,975
Under Proposed Law	-0-	-0-
Estimated Decrease	<u>(\$9,975)</u>	<u>(\$9,975)</u>

FISCAL NOTE 8/X/2

STANDING COMMITTEE REPORT

February 3, 19 83

SPEAKER:

MR.

TAXATION

We, your committee on

having had under consideration HOUSE Bill No. 460

First reading copy (White)
color

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A PROPERTY TAX
EXEMPTION TO CERTAIN ASSOCIATIONS AND CORPORATIONS FURNISHING
POTABLE WATER TO MEMBERS OR CUSTOMERS; AMENDING SECTION
15-6-201, MCA."

Respectfully report as follows: That HOUSE Bill No. 460

DO PASS