

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 4, 1983

The meeting was called to order at 8:00 a.m. by Chairman Yardley. Roll call was taken and all committee members were present except Representative Neuman, who was excused.

Testimony was heard on HB 475, HB 485 and HB 492 during this meeting. Executive action was taken on HB 50, HB 466 and HB 492.

HOUSE BILL 475

REPRESENTATIVE GLENN MUELLER, District 21, sponsor of the bill, said HB 475 does two things: 1) the bill increases the income qualifications for property tax relief; and 2) the bill provides for reimbursement of the property tax loss to the county level from the state fund.

The income qualification for a married couple was raised from \$10,000 to \$12,000 and for a single, the income qualification was raised from \$8,000 to \$10,000.

REPRESENTATIVE MUELLER went over the graduated income scale, contained on page 3 of the bill, and said that scale was included in the bill because those people who made more money would be in a better position to pay their taxes.

House Bill 475 is an attempt to provide property tax relief at a reasonable cost to the state.

REPRESENTATIVE MUELLER said there are a number of bills in this session to treat the property tax relief issue. He said he does not presume this is the best piece of legislation to solve the problem but HB 475 is one method. Representative Mueller said all the bills dealing with property tax relief should be put together and analyzed as to which bill would be the best to solve the problem at the least cost.

REPRESENTATIVE MUELLER said the fiscal impact on HB 475 would be \$1 million each year.

CHAIRMAN YARDLEY asked that HB 485 be heard and the committee could then ask questions from both sponsors at the same time since HB 475 and HB 485 provide for the same thing.

HOUSE BILL 485

REPRESENTATIVE JOHN VINCENT, District 78, sponsor of the bill, said HB 485 is virtually identical to Representative Mueller's bill

except Representative Mueller's bill adds in a section to allow the state to reimburse county losses.

REPRESENTATIVE VINCENT said he would like this committee to carefully consider each piece of legislation dealing with property tax relief and decide which bill would be best at the lowest cost.

House Bill 485 also increases the allowable income for married couples from \$10,000 to \$12,000 and for single people, from \$8,000 to \$10,000. Representative Vincent said these bills provide a little more tax relief at the middle to lower end of the income scale.

There were no further proponents testifying on HB 475 or HB 485.

There were no opponents testifying on either of the bills.

ELLEN FEAVER, Director of the Department of Revenue, explained the fiscal notes on the bills. She said the fiscal impact on HB 475 will be \$1 million each year and the fiscal impact on HB 485 will be \$300,000 each year. Ms. Feaver said there is a tax break in effect now for senior citizens and the cost to the counties is \$700,000 each year so HB 475 assumes the state will pay the "bill" for the total effect of the tax break.

MS. FEAVER said she has a concern with the effective dates of the two bills. The effective date is December 31, 1982. In order to realize the tax break provided for with these bills, people would have to be made aware of the break in the very near future and since that publicity will be hard to accomplish in such a short time, she suggested making the effective date December 31, 1983.

CHARLES BRIGGS, Governor's Advocate for Aging, informed the committee that both HB 475 and HB 485 were inspired by the legacy legislature last fall. The senior citizens wanted bills that would reflect the intent of the legacy legislature and wanted something that the system could live with. He said it is important to find what bills best reflect the needs of senior citizens, while at the same time being fiscally responsible.

REPRESENTATIVE NORDTVEDT said both HB 475 and HB 485 deal with reduced property taxes on the first \$35,000 of market value of homes. He said HB 227 will give a tax credit to people with unlimited market valued homes. He asked if HB 475 and HB 485 aren't more fiscally sound than HB 227. Mr. Briggs said there is a tax break limit of \$400 in HB 227.

REPRESENTATIVE NORDTVEDT asked if an amendment should be made to HB 227 so that only the first so many dollars of home worth would be deductible for property tax relief.

REPRESENTATIVE VINCENT said we should not labor on the issue that senior citizens may or may not be taking advantage of property tax relief. He said there were seven claims submitted, last year, by senior citizens who had incomes of \$22,000-\$35,000, and the average tax credit was \$88. There were 1,284 claims made by senior citizens who had incomes of \$0-\$1,100, with an average tax credit of \$121.88. The program is providing the majority of tax relief to senior citizens on lower incomes.

The hearings on HB 475 and HB 485 were closed.

HOUSE BILL 492

REPRESENTATIVE BOB DOZIER, District 61, sponsor of the bill, said HB 492 is a simple bill. The county assessors asked for this bill to be introduced. It provides a split of taxation of trailers by weight. House Bill 492 is an act to provide that all trailers licensed for a gross weight of 18,000 pounds or less are class eight property for the purpose of taxation and that all trailers licensed for a gross weight exceeding 18,000 pounds are class ten property.

Proponents

CHARLES GRAVELEY, representing county treasurers and county assessors, said HB 492 is necessary because trailers are presently divided into three different classes. Counties differ in their classification of trailers and HB 492 will allow for like treatment.

There were no opponents testifying on HB 492.

REPRESENTATIVE DOZIER, in closing, said HB 492 will make life easier for county assessors by putting trailers on a weight basis.

REPRESENTATIVE HARP left the meeting at this time.

The hearing on HB 492 was closed.

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

EXECUTIVE SESSION

House Bill 492

REPRESENTATIVE ASAY moved HB 492 DO PASS.

The motion was voted on and PASSED. All committee members voted yes except Representatives Asay and Switzer, who voted no. Representative Harp was not present during the vote.

House Bill 466

REPRESENTATIVE SWITZER moved HB 466 DO PASS.

MS. FEAVER recommended the word "principal" be stricken from line 17 of page 1.

REPRESENTATIVE WILLIAMS moved to AMEND HB 466 by striking the word "principal" from page 1, line 17, of HB 466.

The motion was voted on and PASSED unanimously. Representative Harp was not present during the vote.

REPRESENTATIVE SWITZER amended his original motion to HB 466 DO PASS AS AMENDED.

The motion was voted on and PASSED. All committee members present voted yes except Representatives Abrams, Devlin, Nordtvedt, Underdal, Vinger and Zabrocki, who voted no. Representative Harp was not present during the vote.

House Bill 50

REPRESENTATIVE NORDTVEDT moved HB 50 DO PASS.

REPRESENTATIVE NORDTVEDT moved to AMEND HB 50 by changing the 1.6% to 1.8%. He said this amendment would mean the fees would range from \$10 to \$180 in \$10 increments.

The motion was voted on and PASSED unanimously. Representative Harp was not present during the vote.

REPRESENTATIVE NORDTVEDT moved HB 50 DO PASS AS AMENDED.

REPRESENTATIVE DOZIER said vehicles were put on a fee system two years ago so that taxation would be uniform statewide. He said he thinks people will be confused about the taxation method if it is changed again. Representative Nordtvedt said this would still be a uniform fee system. House Bill 50 would allow for a deduction on federal income taxes.

REPRESENTATIVE KEENAN said the cost of changing the system and the cost of hiring more people to work in the county treasurers' offices outweigh the importance of the federal deduction.

REPRESENTATIVE ASAY left the meeting at this time.

REPRESENTATIVE WILLIAMS said he would like to see this legislature bypass all tax relief bills (except those dealing with the senior citizens) until next session and in the interim, a good, thorough study should be done on the overall problems of property taxes. For that reason, he opposes the motion.

MS. FEAVER said it has been estimated that an additional thirty-one

employees will be needed for the county treasurers' offices in order to implement this program and have it work smoothly.

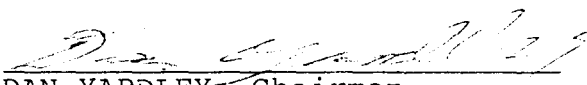
REPRESENTATIVE NORDTVEDT said if he was the Director of the Department of Revenue, he could implement this program at no extra cost but since he can't fight administration, he said he would make a substitute motion that HB 50 BE TABLED.

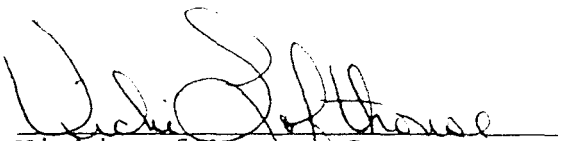
MS. FEAVER said she could implement this program at no additional cost to the Department of Revenue but it is the counties that would have the increased costs.

The motion was voted on and PASSED. A roll call vote was taken and all members of the committee voted yes except Representatives Bertelsen, Devlin, Jacobsen, Nordtvedt, Switzer, Underdal and Vinger, who voted no. Representatives Asay and Harp were not present during the vote.

CHAIRMAN YARDLEY said this committee may be getting a revenue resolution and will have to decide, by the 70th legislative day, the total amount of revenue for the state and correlate that amount with the appropriations bill so that when the appropriation bill leaves the House, on the 70th day, the revenue resolution will also be passed and will have to show a balanced budget.

The meeting was adjourned at 9:30 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

WITNESS STATEMENT

Name Charles Briggs Committee On Taxation
Address _____ Date 03/04/83
Representing Governor's Office Support _____
Bill No. 227; 470, 475, 485 Oppose _____
Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. I simply wanted to add a further comment in response to Rep. Nordvold's question re.
2. the "benefit" that might accrue to an elderly household in the hypothetical \$200,000 house.
- 3.
4. H.B. 227 has a built in guard against such a benefit to a wealthy homeowner in that since the property tax credit is calculated on income. If one's gross income minus \$4,000 exceeds \$11,000 there still is no credit, much less \$400. Hence, H.B. 227 addresses the concern voiced by Rep. Nordvold.

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

STATE OF MONTANA

REQUEST NO. 255-83

FISCAL NOTE

Form BD-1

In compliance with a written request received January 27, 19 83, there is hereby submitted a Fiscal Note for House Bill 475 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 475 increases the income limitation qualifications for class four property tax relief for certain widows, widowers, disabled persons, and elderly persons; provides for reimbursement to local governments from the state general fund for property tax losses; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

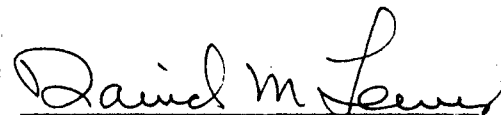
- 1) The average property tax rate for those presently receiving the benefits from the graduated class 4 tax rates will be reduced from 5.3% to 4.3%. The average taxable value per household was \$510 in 1982.
- 2) An additional 3,200 homeowners will be eligible for the reduced tax under the bill. Using the average taxable value from above, the average taxable value for these homeowners will be reduced from \$823 to \$740 per homeowner.
- 3) The total mill levy is 270 mills (university levy is 6, school equalization is 40, and county is 224).
- 4) All figures are assumed to be constant for FY 84 and FY 85.
- 5) The taxable value of the state is \$2,252,536,000 and \$2,352,151,000 for FY 84 and FY 85, respectively.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
University Levy		
Under Current Law	\$13,515,216	\$14,112,906
Under Proposed Law	<u>13,507,260</u>	<u>14,104,950</u>
Estimated Decrease	<u>\$ (7,956)</u>	<u>\$ (7,956)</u>
School Equalization Levy		
Under Current Law	\$90,101,440	\$94,086,040
Under Proposed Law	<u>90,048,400</u>	<u>94,033,000</u>
Estimated Decrease	<u>\$ (53,040)</u>	<u>\$ (53,040)</u>

These losses, as well as the loss to local governments, will be reimbursed from the state general fund, at a cost of \$1,059,475 per year.

FISCAL NOTE 9:DD/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-1-83

STATE OF MONTANA

REQUEST NO. 253-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 485 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 485 increases income limitations for recipients of retirement or disability benefits to qualify for property tax relief under class four property and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) The average property tax rate for those presently receiving the benefits from the graduated class four tax rates will be reduced from 5.3% to 4.3%. The average taxable value per household was \$510 in 1982.
- 2) An additional 3,200 homeowners will be eligible for the reduced tax rate under the bill. Using the average taxable value from above, the average taxable value for these homeowners will be reduced from \$823 to \$740 per homeowner.
- 3) The total mill levy is 270 mills (university levy is 6, school equalization is 40, and county is 224).
- 4) All figures are assumed to be constant for FY 84 and FY 85.
- 5) The taxable value of the state is \$2,252,536,000 and \$2,352,151,000 for FY 84 and FY 85, respectively.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
University Levy		
Under Current Law	\$13,515,216	\$14,112,906
Under Proposed Law	13,507,260	14,104,950
Estimated Decrease	<u>\$ (7,956)</u>	<u>\$ (7,956)</u>
School Equalization Levy		
Under Current Law	\$90,101,440	\$94,086,040
Under Proposed Law	90,048,400	94,033,000
Estimated Decrease	<u>\$ (53,040)</u>	<u>\$ (53,040)</u>

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

County revenues are estimated to decline by \$297,024 each fiscal year. This estimate excludes the impact on the school equalization and university levies.

FISCAL NOTE 9:BB/1


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-1-83

STATE OF MONTANA

REQUEST NO. 249-83

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 492 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 492 provides that all trailers licensed for a gross weight of 18,000 pounds or less are class eight property for the purpose of taxation and that all trailers licensed for a gross weight exceeding 18,000 pounds are class ten property and provides an effective date.

ASSUMPTIONS:

- 1) At present, most trailers other than stock trailers and commercial trailers are assigned to Class 8 (taxed at 11% of market value).
- 2) Stock trailers which are now assigned to Class 9 (taxed at 13% of market value), are predominately in excess of 18,000 pounds gross loaded weight.
- 3) Commercial trailers, which are now assigned to Class 10 (taxed at 16% of market value) are predominantly in excess of 18,000 pounds gross loaded weight.
- 4) No information on value of trailers by gross loaded weight is available.

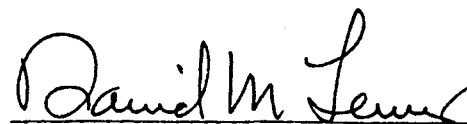
FISCAL IMPACT:

Revenue for the university system and the school foundation fund is expected to increase, but the size of the increase cannot be determined.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Property tax revenue for local government is to increase, but the size of the increase cannot be determined.

FISCAL NOTE 9:T/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-1-83

STANDING COMMITTEE REPORT

February 4, 1933

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **492**

First reading copy (**White**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE THAT ALL TRAILERS LICENSED FOR A GROSS WEIGHT OF 18,000 POUNDS OR LESS ARE CLASS EIGHT PROPERTY FOR THE PURPOSE OF TAXATION AND THAT ALL TRAILERS LICENSED FOR A GROSS WEIGHT EXCEEDING 18,000 POUNDS ARE CLASS TEN PROPERTY; AMENDING SECTIONS 15-6-138 THROUGH 15-6-140, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **492**

DO PASS