

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE  
February 18, 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 Representatives Harp, Harrington and Nordtvedt, who were excused.

Testimony was heard on HB 614, HB 649, HB 739, HB 740, HB 723 and 742 during this meeting.

Executive action was taken on HB 614, HB 649 and HB 742.

HOUSE BILL 614

REPRESENTATIVE JOHN VINCENT, District 78, sponsor of the bill, told the committee that Representative Sands had legislation that has gone through second reading and his bill does the same thing as HB 614. Representative Vincent urged this committee to table HB 614.

The hearing on HB 614 was closed.

HOUSE BILL 649

REPRESENTATIVE JOHN VINCENT, District 78, sponsor of the bill, said HB 649 is an act to change the penalty for delinquent property tax payment from 2 percent per month to a penalty percentage based on the amount of unpaid delinquent property taxes. Representative Vincent said this bill would provide for a graduated penalty from the front-end. House Bill 649 will create a penalty rate of 2% for taxes due in the amount of zero to \$1,000; 5% on \$1,000 - \$10,000; and 10% for any amount above \$10,000.

REPRESENTATIVE VINCENT said 80% of the delinquent property taxes is over the \$1,000 level. He said he was not talking about single residence home owners, he was talking about corporations, developers, etc. Representative Vincent said this bill should discourage those people from continuing the practice of not paying their property taxes on time.

REPRESENTATIVE VINCENT said if all property taxes were paid on time, the local governments' financial problems would be less severe. When those taxes are not paid on time, the taxpayers who do pay their taxes on time are essentially penalized. He said those taxpayers have to pay higher taxes or put up with fewer services.

REPRESENTATIVE VINCENT said something has to be done with this

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situation and we have to put equity back into the way we handle property taxes and delinquent payments.

Proponents

GEORGE BOUSLIMAN, representing the Urban Coalition, supports HB 649. He said the property tax base of local governments has shrunk considerably in the past few years and HB 649 is needed.

JOY NASH, representing the Gallatin County Commissioners, read a letter, in support of HB 649, to the committee. The letter said, "The Gallatin County Commissioners urge your 'DO PASS' vote on above House Bill #649 which would increase on a graduated basis for late payment of property taxes within Gallatin County."

ALEC HANSEN, representing the Montana League of Cities and Towns, said the League supports this bill based on testimony given by Representative Vincent. He asked for a favorable vote on the bill.

JOHN WILKINSON, representing the Lewis and Clark County Commissioners, said he would like to add their support to HB 649 because there is not much in the way of a penalty on delinquent property taxes.

MIKE YOUNG, Finance Director for the City of Missoula, said Missoula is carrying about 20% of the total property taxes due on their books. The City of Missoula supports HB 649.

ED BLACKMAN, representing Lewis and Clark County, said he is in support of HB 649. Local governments are required to budget 100% of the taxes to be collected. Every year there is a short-fall, in every county, of 8-10%. If HB 649 is passed, Mr. Blackman said he feels that percentage will be lowered to 5-6%.

DICK GASVODA, representing the Cascade County Commissioners, said there has been a concern regarding HB 649 and the elderly and handicapped. There is in excess of \$4 million in delinquent taxes owed in Cascade County. Only \$11,000 of that amount is owed by the elderly or handicapped. Those people would not be affected by this bill because they all owe considerably less than \$1,000.

Opponents

CHARLES GRAVELEY, representing county treasurers, said the title of HB 649 is incorrect. On line 5, of the bill, the penalty amount should be just 2 percent instead of 2 percent per month.

MR. GRAVELEY said tax bills are figured according to where the property is located. If a person has a property in one school

district and another property in another school district, he will receive two different tax notices. The computers are not set up where a taxpayer's name can be punched in and you could see how much that taxpayer owes on all property owned. The problem that HB 649 seeks to alleviate cannot be done in that bill. If you want to increase the penalty, do it on a flat fee basis. He said the interest rates could be adjusted upwards 1% to solve this problem.

MR. GRAVELEY asked for a do not pass on HB 649.

REPRESENTATIVE VINCENT, in closing, said he doesn't think an increase of 1% in the penalty rates will adequately address the problem. The upfront penalty is essential. With the large amount of delinquent taxes we have outstanding, it is clear to him that we have to be more emphatic in our efforts to deal with this problem. House Bill 649 would be workable. It is a question of attitude, approach and direction. In some counties it would require additional administration to implement the upfront penalty. Representative Vincent said he thinks this bill would provide for some positive results. The vast majority of citizens pay property taxes on time and they are very angry and disappointed with the people who do not pay taxes on time. The present system is being abused by a number of individuals, corporations, and developers to the detriment of the average home owner. We should create a system to address that inequity.

Questions from the committee were heard at this time.

REPRESENTATIVE ASAY asked if anyone had figures on the amount of property that has been sold because of delinquent taxes. Mr. Bousliman said he did not have those figures. He said if you contrast delinquent rates between the state personal income tax and the local governments' property tax, you can see that the state only has about a 5% delinquency rate and the local governments have about a 12% delinquency rate. With income taxes, people know there is a large penalty so they pay. With property taxes, the penalty is low so people do not pay on time.

REPRESENTATIVE DEVLIN asked what the interest rate for borrowing money is for local governments (when the local governments have to borrow money in order to cover delinquent taxes). Mr. Young said the counties are charged 9% interest on registered warrants.

REPRESENTATIVE WILLIAMS asked if, with the trend of interest rates the way it is going, this penalty would be necessary especially since it will create considerable confusion with the administration of the penalty. Representative Williams said he did some quick calculations on a one year delinquent \$5,000 tax bill. Under the system of a 1% per month penalty plus the 2% penalty, the tax would be \$700. Under the proposed penalty

contained in HB 649, the penalty would be \$850. If you invested that \$5,000 in the money market, you would have to make about 12% in order to gain an advantage by not paying your taxes. Representative Vincent said we cannot address this problem based on the prime interest rate. He said he is trying to address the inequity of home owners who pay taxes on time and are subsidizing those who don't.

REPRESENTATIVE HARRINGTON was present at the meeting at this time.

CHAIRMAN YARDLEY asked if a taxpayer owes taxes on several pieces of property and pays the taxes on each property at separate times, would the interest rate be 2% or 5% (if the total bill for all the properties was over \$1,000). Mr. Bousliman was the rate would be 2% because the bill is based on each property, not on each property owner.

MR. GRAVELEY said HB 649 says the penalty rate shall be added to the delinquent taxes as a penalty. It does not say it is added to the tax bill. He said any attorney general's opinion would be the treasurer must determine the total tax liability of each taxpayer and figure the rate accordingly. That is where this bill becomes unworkable. He said the treasurers would prefer a flat fee.

MR. BOUSLIMAN said, in regard to Mr. Graveley's concern, HB 649 would be made "crystal clear" in its intent that the penalty applies to the tax bill.

The hearing was closed on HB 649.

#### HOUSE BILL 723

REPRESENTATIVE BOB DOZIER, District 61, sponsor of the bill, said HB 723 is an act to require the Department of Revenue to tax owner-occupied condominiums in the same manner as private residences. He read a letter from Chris Johansen in support of the bill. (See EXHIBIT 1.)

REPRESENTATIVE DOZIER said the Department of Revenue uses the '76 manual in assessing condominiums (which is commercial property assessment). The Department of Revenue said they assess condominiums as residential property but use the manual used for commercial property assessment.

#### Proponents

REPRESENTATIVE GLENN JACOBSEN, District 1, said he wants to go on record in support of HB 723.

### Opponents

DAN BUCKS, Deputy Director of the Department of Revenue, said he cannot support this bill.

RANDY WILKE, Department of Revenue, said the department opposes the proposed legislation for several reasons. In order to go through the records and see which condominiums are owner occupied, the department would have to have a substantial amount of additional staff. The time required to complete the re-evaluation of the properties would jeopardize the department's ability to turn over the tax passed to local governments within the statutory deadline. He said the department feels the condominiums are being treated in a fair fashion.

MR. WILKE said the department uses the Marshall Swift Valuation Services for assessment of condominiums. If this bill passes, the department will have to use the Montana State Appraisal manual. The reason the department uses the Marshall Valuation Service is because the state appraisal manual is not geared to address the construction type found in condominiums. He said condominiums are not built the same as single family residences.

REPRESENTATIVE DOZIER, in closing, said the law has a serious inequity that needs to be addressed. He said the department assesses condominiums at 22% higher than single family residences.

Questions from the committee were heard at this time.

REPRESENTATIVE SWITZER said why is it difficult to find which condominiums are occupied. Mr. Wilke said the problem is in the language "owner-occupied". Many condominiums are leased to someone else or are rented on a time-share basis. The department would have to have one set of criteria for owner-occupied condominiums and one set of criteria for other condominiums for assessment purposes.

REPRESENTATIVE SWITZER said what difference does it make if the condominium is owner-occupied or not because the department taxes the property. Mr. Wilke said HB 723 addresses owner-occupied condominiums. He said the department could get that information but it would require additional staff.

MR. WILKE explained the present situation versus the reappraisal situation. At the present time, the department can value duplexes and triplexes using the state appraisal manual. Fourplexes and above are valued out of the Marshall Valuation Services. Reappraisal is done by using one appraisal manual to value all property types.

CHAIRMAN YARDLEY asked if the department reappraises, the difference between residential and commercial properties will not exist. Mr. Wilke said that was correct.

The hearing on HB 723 was closed.

HOUSE BILL 739

REPRESENTATIVE NANCY KEENAN, District 89, sponsor of the bill, submitted an amendment to HB 739 which is a technical amendment. (See EXHIBIT 2.) Representative Keenan said the second amendment is not actually drafted but the amendment would delete line 18, after the word "amended", through line 21, on page 1 of the bill, and line 22, after the word "amended" through line 25, on page 4 of the bill. She that language is in reference to the rehabilitation costs.

REPRESENTATIVE KEENAN said HB 39 is an investment credit bill. The current credit investment is 30% of the federal credit for small businesses and this is costing the state nearly \$11 million annually. Neither the executive budget nor the legislative fiscal analyst's budget included funding for continuation of the small business investment credit.

REPRESENTATIVE KEENAN said there is some ambiguity as to the status of the investment credit law. For tax years beginning after December 31, 1982, the law may have expired entirely or it may have reverted to the prior law. The prior law provides for 20% credit of the federal credit. If the prior law is in effect, the cost to the state is likely to be \$7.5 million annually. Because this cost is not included in the two budgets before this legislature, she feels it is critical to address this issue at this time. Subsequent to the 1981 legislative session, Congress enacted the Economic Recovery Tax Act (ERTA) which included provisions for accelerated depreciation (ACRS) and because Montana law conforms to federal law ACRS is incorporated into our corporate and individual tax laws. Businesses deduct depreciation on their investments both inside and outside Montana before computing Montana taxable income. The cost to the state of ACRS deductions is estimated at approximately \$13 million over the next biennium.

The current investment credit law has some technical problems. It does not explicitly exclude investments made outside of Montana and one out-of-state firm is challenging the disallowance of the credit for non-Montana investments. It also allows corporation eligible to elect, but not actually electing, to be small business corporation to claim the credit. Legislation has been introduced to expand the number of shareholders to 35 for small business corporations. If the current investment credit language is retained and the shareholder legislation is enacted, some large, out-of-state corporations are expected to qualify for the credit while continuing to file as regular corporations. The result would be a significant increase in the cost of the credit. There is no direction in the law concerning the practice

of assigning the credit between spouses.

There are several options for dealing with the investment credit issue. They are as follows:

1. Repeal the credit entirely.
2. Continue the credit under the prior law, and cut the budget by \$15 million for the biennium to cover the anticipated cost.
3. Enact a scaled-down credit for investments in Montana that would be accompanied by a financing measure that adds back a portion of the ACRS deductions.

REPRESENTATIVE KEENAN said she thinks option 3, which happens to be HB 739, is the best option. The option eliminates the need to cut the budget to finance the credit. It eliminates a state tax break for investments outside Montana by businesses of all sizes, and allows a state tax break for investments inside Montana by small businesses. It offers a viable alternative to proposals that would continue the current credit into the future which we cannot afford at this time.

REPRESENTATIVE KEENAN said HB 739 has the following provisions:

1. The rate of the credit would be 20% of the federal credit (which is a reduction from the current 30% rate).
2. The credit would be limited to property purchased in Montana, placed in service in Montana, and used for the production of Montana income.
3. Small businesses, for the purposes of the credit, would be defined to be sole proprietorships, partnerships, small business corporations, and regular corporations that meet the current shareholder rules (principally 10 or fewer shareholders) for small business corporations, but that have not elected small business status.
4. The maximum credit would be limited to \$500. The current credit is limited to \$5,000 plus 50% of the tax liability in excess of \$5,000. The average credit for individual taxpayers for the 1981 tax year was \$214. The average for corporate taxpayers for FY'82 was \$584. The combined average was \$259.

5. No carryovers of carrybacks of unused portions of the credit would be allowed. The current credit can be carried forward 15 years and back 3 years.
6. The assignment of the credit among spouses would be limited to cases where there is an actual sharing of the ownership of the property.
7. The credit would be applicable for tax years beginning after December 31, 1982. A termination date for the credit would not be included

REPRESENTATIVE KEENAN said she thinks this piece of legislation is a compromising effort. We are up against some very severe fiscal restraints. This legislation is a viable and responsible piece of legislation. Representative Keenan said she is very set on the \$500 cap. If that is changed, we are eliminating the intent of the bill and will have ourselves in a very serious situation.

#### Proponents

DAN BUCKS, Deputy Director of the Department of Revenue, said the state would still allow a percentage of the federal credit. At the present time, there is a 10% credit for most tangible personal property. There is also a 6% credit for what is classified under the ACRS system as three-year property. Most of that was not eligible prior to 1981. The base credit is the 10% credit for most tangible personal property. There is also an additional credit, in the case of renewable energy property, of 10-15% which is added to the base credit of 10%. There is a separate credit within the investment credit, which is computed separately, for rehabilitation expenditures. That credit, for rehabilitation of buildings (basically for commercial use), is 15% of the total investment for buildings 30 years old or older; 20% of the investment for buildings 40 years old or older; and 25% of the investment for historical structures. The rehabilitation expenditure feature was expanded in 1981 in the federal tax law but did not become effective until 1982.

MR. BUCKS went over the cost of the current credit. He said if we assume the growth rate on investments is 5%, the prior law would cost \$21 million. If the 30% credit is continued, the next biennial cost would be \$32 million.

MR. BUCKS said the fiscal note is still being prepared. The anticipated cost of the investment credit bill, HB 739, is \$13.4 million: \$1.8 million - carryover from the previous investment credit; and \$11.6 million - new investment credit costs.

MR. BUCKS said the department has not revised the estimate to include the proposed amendments but he said the department would "guesstimate" an increased cost of \$100,000-\$200,000.

This measure is roughly in balance with the companion financing measure which will raise \$13 million. This bill and its companion measure is an affordable approach.

BOB ARCHIBALD, representing the Montana Historical Society, said he supports HB 739 with the proposed amendment. However, he said there is a concern with the rehabilitation of historical structures. In watching the operation of the investment tax credits in Montana, several things have occurred:

1. There is an intangible type of quality of making a contribution to quality of life, sense of heritage and sense of continuity.
2. The investment tax credit has encouraged investment of money from out-of-state which has resulted in increases in local tax bases.

While the Montana Historical Society supports the bill, because it is the best that can be done, there are some adverse consequences. The bill, as amended, still places a \$500 limit on the credit and in cases of major rehabilitation projects, there will be no incentive at all.

#### Opponents

JANELLE FALLEN, representing the Montana Chamber of Commerce, said there are a number of problems with the bill:

1. Politically, it is unwise for the executive to base the budget on the assumption that the entire investment tax credit would cease.
2. An investment tax credit should be just that. The credits we have now have so many stipulations that it is pretty hard to take the credit.
3. The requirement that something be purchased in Montana would eliminate the tax credit. A lot of the investing that needs to be done cannot be purchased in Montana.
4. The purpose of an investment tax credit is to spur economic development. The \$500 credit limit is not enough to make it feasible to hire more employees to get the job done. This bill will not help the job market at all.

ALAN NICHOLSON, a local developer, said if you believe the investment tax credit is not a sufficient stimulant to the business economy of Montana to be returned many times over, then he said the figures given during testimony might be accurate. He said it would be stretching the imagination to say there would be no return to the state in terms of increased tax base and increased economic viability. On the national level, the current thinking is that the credit is returned several times over. Instead of costing Montana money, Montana is actually making money. If you are going to stimulate business in Montana, the best way to do that is to collect \$22 million in taxes from small business, spend \$800,000 to administer the tax, and then return the balance to stimulate business in some other way, which is also stretching the imagination.

MR. NICHOLSON said he is trying to renovate several historical buildings in Helena. If the tax credit is only going to be \$500, then don't even give the credit. The accounting costs will cost more than \$500. One reason he has been able to do the historical renovation in the past is because of the investment tax credit. It is short-sighted of this legislature to say they are pro-business but then to turn around and say the credit costs too much and take the credit away.

ERIC MYHRE, a local developer, said the investment tax credit is not a handout or subsidy. Mr. Myhre said he is renovating a structure and he could build a new building for 25% less than what the renovation costs will be. He needs the tax credit. Mr. Myhre urged this committee to modify HB 739.

ESTHER RUUD, representing the Montana Cattlemen, said at a time like this where jobs are needed so desperately, it would not be right to take away this type of credit.

JOE SHEVLIN, a certified public accountant, said he had an opportunity to invest in and renovate a building in Helena. That was only possible because of the investment tax credit. Speaking as an accountant, the \$500 limitation would basically eliminate the tax credit.

REPRESENTATIVE KEENAN said she appreciates and sympathizes with the Chamber of Commerce's stand on the purchases done out-of-state but that should be encouraged in-state. She said this is a serious problem and this bill is a compromise but it is the best we have.

REPRESENTATIVE ABRAMS asked how much business was accumulated by the investment tax credit. Mr. Bucks said they had not done a survey but they have studied other surveys that say there is little or no economic impact from the investment tax credit.

REPRESENTATIVE VINGER asked if there is no net increase in jobs in the state, would there be a job loss if we did away with the investment tax credit. Ms. Fallen said the members of the Chamber of Commerce that she has talked with have said the credit is very important to their businesses.

The hearing was closed on HB 739.

#### HOUSE BILL 740

REPRESENTATIVE TED NEUMAN, District 33, sponsor of the bill, said HB 740 is an act requiring the add back for certain property of a portion of the depreciation deduction provided for by the accelerated cost recovery system as enacted by the federal Economic Recovery Tax Act of 1981. He said that act groups property into different classes by the life of the property, taking a percentage of that cost for income tax purposes. This bill says, for Montana income tax purposes, you have to add back a percentage of that deduction on the state income tax form.

#### Proponents

DAN BUCKS, Deputy Director of the Department of Revenue, said HB 740 is a measure designed to finance the small business investment credit which is HB 739.

Forty-four states in this country have corporate income taxes. Twenty-five of those forty-four state have changes in response to ACRS. Twelve of them have flatly decoupled or said you have to use the prior laws of depreciation in the calculation of your state tax return which requires several accounting books. Nine states have used an add back approach something like this bill, or some other percentage method. Four states raised their tax rates in response to compensate for the effect of ACRS on state revenues.

In HB 740, the percentages that would be added back are identical to the add back bill that was adopted in West Virginia. That state adopted an approach that appeared to be more carefully calculated than the other states. Their add back percentages were based upon a U.S. Treasury study that indicated the percentages that would have to be added back so that you would equate the economic value of the depreciation after the add back with the economic value of depreciation under prior law so that the net economic effect would be you could keep the business person in the same economic position as before the ACRS system was adopted.

In doing these calculations, the Treasury Department used the fastest method of writing off available under prior law. That means these add back percentages are low because not everyone was using the fastest methods of depreciation. The actual percentages in this bill are rounded down. Three-year property was rounded down 1/2%, down to zero; five-year property was rounded down from 11% to 10%; ten-year property was rounded

down from 16.5% to 15%; fifteen-year property was rounded down from 33% to 25%; and fifteen-year real property was rounded down from 82% to 35%. There is some leeway if you want to raise additional revenue and still leaves the taxpayer in the same economic position as before ACRS.

The ACRS provides a tax deduction earlier in the life of an asset and a tax deduction, now, is worth more than a tax deduction later which is why the taxpayer gets a benefit under ACRS and is why the state loses money under ACRS.

The procedure contained in this bill will return depreciation to status quo before the federal law was passed in 1981. The approach of this bill is administratively superior to decoupling from the federal depreciation because there will be no requirement that the books of the taxpayer have to be redone and that they keep two depreciation books. All the calculations will be done on the tax forms. You will take the total for each category of property from the depreciation schedule and apply the percentages and add it to the state tax return. This will not be a major burden for either the taxpayer or the Department of Revenue. Mr. Bucks passed out copies of the depreciation schedule.

#### Opponents

MR. JOE SHEVLIN, a certified public accountant, said there are no provisions as to what will happen after the asset is fully depreciated for federal tax purposes. There is no provision to increase the depreciation for Montana tax purposes. That is confusing but is an important point that will not be looked at for five years. Can a taxpayer further depreciate assets when they have been fully depreciated on the federal level?

REPRESENTATIVE NEUMAN, in closing, said HB 740 would require an add back of a percentage of the deduction you take for Montana tax purposes. Is an investment tax credit, in any form, worth the cost to the state? Any type of investment tax credit continuation will take more from the general fund. This bill is a simple way of recovering some of the income that was lost by the ACRS.

REPRESENTATIVE BERTELSEN asked when you get to the end of the depreciation period, do you go to the regular depreciation schedule? Mr. Bucks said you would be done at the state level, with depreciation, but you would be in the same position, economically.

REPRESENTATIVE BERTELSEN asked if it is the assumption of the Department of Revenue that this measure will raise \$13 million. Mr. Bucks said that is a preliminary estimate.

REPRESENTATIVE DEVLIN said if we are so hard up for money in this state, we should just raise the taxes. Representative Neuman said if you believe that investment credit stimulates the economy, then you need to have some proposal to finance the credit.

The hearing on HB 740 was closed.

#### HOUSE BILL 742

REPRESENTATIVE HELEN O'CONNELL, District 34, sponsor of the bill, said HB 742 is an act to allow the options of assessing street lighting district costs according to the taxable valuation of the property or according to a combined area-frontage method. Representative O'Connell said some people are paying \$16 per year for the street lighting costs and some are paying \$100 plus per year. She is trying to make a more equitable solution to this problem.

#### Proponents

BILL VERWOLF, representing the City of Helena, said HB 742 provides a method for the allocation of lighting costs based on the benefit that is received. Developed property receives more protection from the lights. It is reasonable to choose this alternative of assessing street lights by value of property and not by square footage of the property. Not all towns know the square footage of each lot but they will know the value of the lot.

MIKE YOUNG, representing the City of Missoula, said he concurs with testimony given by Mr. Verwolf and supports HB 742.

There were no opponents testifying on HB 742.

REPRESENTATIVE O'CONNELL, in closing, said she hopes this committee will give HB 742 a do pass.

REPRESENTATIVE DOZIER said everyone in a lighting district shares the cost of the lights. There might be someone who has a vacant lot in that district. Does the rest of the neighborhood then pay for his share of the cost of the lights. Mr. Verwolf said yes.

The hearing on HB 742 was closed.

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

#### EXECUTIVE SESSION

#### House Bill 649

REPRESENTATIVE VINGER moved HB 614 BE TABLED.

The motion was voted on and PASSED unanimously. Representatives Harrington, Harp, Keenan, Nilson, Nordtvedt and Underdal were excused during the vote.

House Bill 649

CHAIRMAN YARDLEY said Charles Graveley opposed the bill because he assumed the bill applied to the total tax delinquency but was then told the bill would apply to just the individual tax bills, if the bill is amended.

REPRESENTATIVE ASAY said he thinks we are overreacting to what has happened in the past because of economic conditions.

REPRESENTATIVE DEVLIN said the cost to the counties to borrow money on a registered warrant is 9%. Counties will be making 3% on interest and therefore would not be overanxious to collect the taxes. He said he feels the bill should be tabled.

REPRESENTATIVE DEVLIN made a motion to TABLE HB 649.

REPRESENTATIVE WILLIAMS agreed with Representative Devlin and said the mechanics and administration problems involved would not be worth passing the bill.

The motion was voted on and PASSED. All committee members present voted yes except Representatives Dozier, Bertelsen and Ream, who voted no. Representatives Harp, Harrington and Nordtvedt were excused.

House Bill 723

REPRESENTATIVE JACOBSEN moved HB 723 DO PASS.

REPRESENTATIVE WILLIAMS made a substitute motion that HB 723 BE TABLED. He said the legislature spent a lot of time, last session, trying to solve this problem and the measure was soundly defeated. With the interim study on the classification system, we should be able to come up with a more equitable system. This is a very complicated area and we should wait until the study is completed.

REPRESENTATIVE DOZIER said he wants to keep the language in the bill as simple as possible. There is no enforcement of any of our tax laws except for penalties.

REPRESENTATIVE BERTELSEN said when you take one unit out of a major building and treat it differently, you are not solving an inequity problem - you are starting an equity problem.

The motion was voted on and FAILED because of a tie vote. A roll call vote was taken and all committee members voted yes except Representatives Abrams, Dozier, Jacobsen, Ream, Switzer

and Zabrocki. Representatives Asay, Harp, Harrington, Keenan, Nilson, Nordtvedt and Underdal were excused during the vote.

The committee then went to the original motion of DO PASS.

REPRESENTATIVE DOZIER made a substitute motion that this committee PASS CONSIDERATION OF HB 723 FOR THE DAY.

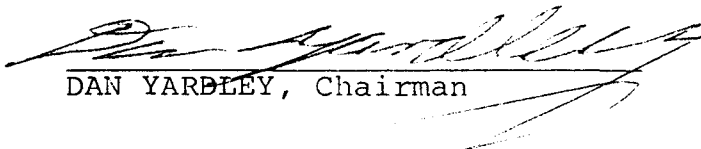
The motion was voted on and PASSED with all committee members present voting yes except Representative Switzer, who voted no.

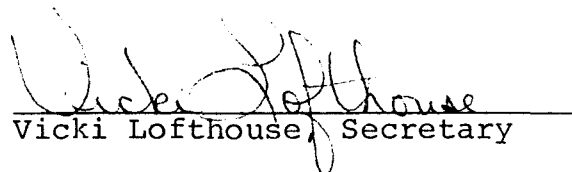
House Bill 742

REPRESENTATIVE DOZIER moved HB 742 DO PASS.

The motion was voted on and PASSED with all committee members present voting yes except Representative Switzer, who voted no.

The meeting was adjourned at 11:45 a.m.

  
DAN YARBLEY, Chairman

  
Vicki Lofthouse, Secretary

Mr. Chairman and Members of the Committee:

I am Chris Johansen and appear here in support of HB 723 and represent myself and other owners of Queen's Court Condominiums in Great Falls, Montana.

My wife and I purchased our unit on February 1, 1979 and moved into it February 15, 1979 and have lived in it continuously since that date. Needless to say, when we found out that condominiums were assessed and taxed as commercial property, we were indignant. Upon inquiring at the State Department of Revenue, we were informed that they were using the 1976 Marshall Swift Appraisal Manual to place a value on condominiums, which is the same manual used for commercial enterprises and that the 1972 Marshall Swift Appraisal Manual was used to value residential property which is a difference of 34% in valuation.

The 24 units in Queen's Court are located on four lots, so we own the equivalency of 1/6 of a lot. We have common walls with another unit so in reality our units should be valued less than residential homes which are an individual building and normally have a full lot.

In 1980 and 1981 we paid our taxes and protested the 34% excess payment. The Department of Revenue finally gave a 12% reduction in valuation in 1982, so we paid those taxes, protesting the 22% excess payment. To this date, we have received no refunds and have nothing to show for our efforts except legal fees.

Members of the Committee, I think this is grossly unfair and owner-occupied condominiums should be taxed on the same basis as residential property and I urge your favorable consideration of HB 723.

Thank you.

(rev. September 1981)  
Department of the Treasury  
Internal Revenue Service (0)

- ▶ See separate instructions.
- ▶ Attach this form to your return.

ie(s) as shown on return

**Identifying number**

Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

**Part I** Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
<b>1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):</b>						
(a) 3-year property						
(b) 5-year property						
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
<b>2 Property subject to section 168(e)(2) election (see instructions):.....</b>						
<b>Totals (add amounts in columns C and G)</b>						

Amendment to HB 739

1. Page 3, line 2.

Following: line 1

Insert: "the taxpayer's tax liability for the taxable year or"

Following: "\$500"

Insert: "whichever is less"

6014  
State of Montana

# County of Gallatin

Bozeman



February 16, 1983

John Vincent  
Majority Floor Leader  
House of Representatives  
State of Montana - Capitol Station  
Helena, Montana 59620

re: HB 649

~~HB 649~~

Dear John & Gallatin County Legislators:

The Gallatin County Commissioners urge your "DO PASS" vote on above House Bill #649 which would increase on a graduated basis for late payment of property taxes within Gallatin County.

Thank you,

GALLATIN COUNTY COMMISSIONERS

*Joy I. Nash*  
Joy I. Nash - Chairman

*Ruthmary Tonn*  
Ruthmary Tonn - Member

*Wilbur Visser*  
Wilbur Visser - Member

jn

cc: Gallatin County Legislators

~~HB 649~~

AMENDMENTS TO HB 649

Page 4, line 9

Following: "taxes"

Insert: "and special assessments collected by cities  
and towns"

Page 4, line 10

Following: "taxes"

Insert: "and special assessments collected by cities  
and towns"

Page 4, line 12

Strike: "delinquent tax due"

Insert: "cumulative delinquent tax and assessment due"

## VISITOR'S REGISTER

HOUSE \_\_\_\_\_ TAXATION \_\_\_\_\_ COMMITTEE \_\_\_\_\_  
 BILL HB 740 DATE February 18, 1983  
 SPONSOR Representative Keenan

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Ed Blackman	Clancy	Lewis & Clark Co.	✓	
Janella Fallon	Helena	Mt Chamber		HB 739
Alan Nicholson	"	Self		HB 739
GEORGE BOUSLIMAN	HELENA	URBAN COALITION	649 ✓	
ERIC Myhr	Helena	Self.		739 740
Robert Archibald	HELENA	Mt. Hist. Society	740	
Bill Verwill	Helena	City of Helena	614 742	
Normant Ella Higginbotham	Great Falls	Self		
RG Gaswoda	Cascade Co.	County Commissioners	649	725
John Wilkinson	Lewis & Clark	County Comm	649	
Mike Young	Missoula	CITY OF MISSOULA	649	
Esther Rued	Malta	Mont. Cattlemen		
Joe Strubin	Helena	Self		HB 739
Joe Shervino	Helena	Self		HB 740
John W. Hansen	Spokane	D.R.C. of S.P.C.		
Esther Rued	Malta	Myself		X HB 739

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## STATE OF MONTANA

REQUEST NO. 325-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, 1983, there is hereby submitted a Fiscal Note for House Bill 614 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). 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 614 changes the interest for delinquent property tax payment from 5/6 of 1 percent a month to 1 percent a month for all delinquent property taxes until such taxes are paid, and provides an immediate effective date and applicability dates.

FISCAL IMPACT:

There is no data available to estimate the fiscal impact of the proposal. It is felt that the proposal will hasten the payment process and produce some expenditure savings at the local governments level.

A survey of county treasurers done by the Department of Revenue in 1981 indicates that there were a total of \$12.99 million of delinquent real estate taxes at that time.

FISCAL IMPACT 11:EE/1

  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-9-83

STATE OF MONTANA

REQUEST NO. 330-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 649 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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:

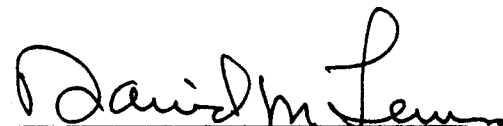
House Bill 649 changes the penalty for delinquent property tax payment from 2 percent per month to a penalty percentage based on the amount of unpaid delinquent property taxes; and provides an immediate effective date and applicability dates.

FISCAL IMPACT:

There is no data available to estimate the fiscal impact of the proposal. It is felt that the proposal will hasten the payment process and produce some expenditure savings at the local government level.

A survey of county treasurers done by the Department of Revenue in 1981 indicates that there were a total of \$12.99 million of delinquent real estate taxes at that time.

FISCAL NOTE 11:BB/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-9-83

March 21,

1983

19.....

MR. SPEAKER:

We, your committee on Taxation having had under consideration  
House Bill No. 739

First reading copy (White)

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING AN INVESTMENT  
CREDIT AGAINST THE INDIVIDUAL INCOME TAX AND THE CORPORATE  
LICENSE TAX FOR CERTAIN CORPORATIONS FOR TAXABLE YEARS BEGINNING  
AFTER DECEMBER 31, 1982; AMENDING SECTIONS 15-30-162 AND 15-31-123,  
MCA, AND CHAPTER 520, SECTION 4, LAWS OF 1981; AND PROVIDING AN  
IMMEDIATE EFFECTIVE DATE."

Verify that the following amendments to House Bill No. 739 were  
adopted by the committee on March 21, 1983:

1. Page 1, lines 18 through 21.  
Following: "amended." on line 18  
Strike: lines 18 through 21 in their entirety
2. Page 3, line 2.  
Following: line 1  
Insert: "the taxpayer's tax liability for the taxable year or"  
Following: "\$500"  
Insert: ", whichever is less"
3. Page 4, lines 22 through 25.  
Following: "amended." on line 22  
Strike: lines 22 through 25 in their entirety

ON MOTION TAKEN FROM COMMITTEE, AS AMENDED, PRINTED AND  
PLACED ON SECOND READING

.....DAN YARDLEY,.....

Chairman.

March 21, 1983

MR. SPEAKER:

We, your committee on Taxation having had under consideration  
House Bill No. 740

First reading copy (White)

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE ADD BACK FOR  
CERTAIN PROPERTY OF A PORTION OF THE DEPRECIATION DEDUCTION  
PROVIDED FOR BY THE ACCELERATED COST RECOVERY SYSTEM AS ENACTED BY  
THE FEDERAL ECONOMIC RECOVERY TAX ACT OF 1981; AMENDING SECTIONS  
15-30-111 AND 15-31-113, MCA; AND PROVIDING AN APPLICABILITY DATE."

Verify that the following amendments to House Bill No. 740 were  
adopted by the committee on March 21, 1983:

1. Page 1, line 24.

Following: "(c)"

Insert: "the deferral value of certain income that is not  
recognized for federal tax purposes, which value shall be  
an amount equal to"

2. Page 2, line 2.

Following: "deduction"

Insert: ". None of these percentages shall apply to a federal  
deduction determined by use of the straight line method"

3. Page 5, line 3.

Following: "(iii)"

Insert: "the deferral value of certain income that is not recognized  
for federal income tax purposes, which value shall be an amount  
equal to"

4. Page 5, line 6.

Following: "deduction"

Insert: ". None of these percentages shall apply to a federal  
deduction determined by use of the straight line method"

ON MOTION TAKEN FROM COMMITTEE, AS AMENDED,  
PRINTED AND PLACED ON SECOND READING

# STANDING COMMITTEE REPORT

February 18,

19 33

MR. SPEAKER:

## TAXATION

We, your committee on .....

having had under consideration ..... HOUSE Bill No. 742

First READING COPY (White)  
Color

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW THE OPTIONS OF ASSESSING STREET LIGHTING DISTRICT COSTS ACCORDING TO THE TAXABLE VALUATION OF THE PROPERTY OR ACCORDING TO A COMBINED AREA-FRONTAGE METHOD; AMENDING SECTIONS 7-12-4323 AND 7-12-4324, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That ..... HOUSE Bill No. 742

DO PASS