

MINUTES OF THE MEETING OF THE HOUSE TAXATION COMMITTEE
February 21, 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 Harrington, who was present later in the meeting.

Testimony was heard on HB 697, HB 722, HB 730, HB 750, HB 766 and HB 789 during this meeting.

Executive action was taken on HB 697, HB 750, HB 766 and HB 789.

HOUSE BILL 697

REPRESENTATIVE FRITZ DAILY, District 87, chief sponsor of the bill, said HB 697 is a bill that would require a taxpayer who pays more than 25% or more of the taxes levied by the taxing district to retire a bond issue to pay the same amount of tax to retire the bonds until the bonds are retired.

REPRESENTATIVE DAILY said the citizens of Butte passed a \$4.2 million bond for the Vo-Tech school in Butte. He said the Anaconda Company pays 35% of the total taxes in Butte-Silver Bow. Besides losing the property taxes paid by the Anaconda Company, Butte-Silver Bow will lose the gross proceeds tax that is paid by the Anaconda Company.

There were no further proponents testifying on HB 697.

There were no opponents testifying on HB 697.

REPRESENTATIVE DAILY, in closing, said the Anaconda Company also pays property tax on equipment and a lot of the equipment has been removed from Butte-Silver Bow.

REPRESENTATIVE BERTELSEN asked the sponsor of the bill if he has discussed this issue with an attorney as to this being a constitutional question. Representative Daily said the only attorneys he has discussed this bill with are the attorneys in the Legislative Council and they had no problems with the bill.

REPRESENTATIVE DAILY told the committee members that the county of Butte-Silver Bow will experience a tax loss, as a direct result of the closure of the mining operations, of \$500,000 and the loss to school districts will be \$1 million. Two years from now, the county will lose \$1 million in taxes and the schools will lose \$2 million.

The hearing on HB 697 was closed.

HOUSE BILL 750

REPRESENTATIVE BOB DOZIER, District 61, chief sponsor of the bill, said HB 750 is an act to establish a new class of property for taxation purposes to include trailers and mobile homes, regardless of size, used as residences; to clarify when trailers and mobile homes may be taxed as personal property; and to provide for initial assessment and taxation.

REPRESENTATIVE DOZIER offered an amendment to HB 750. (See EXHIBIT 1.)

Proponents

BOB HOFFMAN, assessor from Madison County, said about a year ago the legal staff of the Department of Revenue thought the department was in trouble because mobile homes were being treated differently even though they were in the same class of property. New rules were established. It was stated any mobile home moved onto property belonging to the owner, and plugged into some utility, would be considered a permanent improvement to real estate. If the mobile home is put on property not owned by the owner of the mobile home, it would not be considered a permanent improvement. The primary purpose of this bill is to clarify that situation. The bill says all mobile homes are personal property or leasehold property on leased or rented ground. Anything else that is set down on a permanent foundation is no longer considered a mobile home but will be considered a permanent improvement on that property.

DON LARSON, assessor from Jefferson County, said mobile homes should be a separate classification because mobile homes do not appreciate like real property - they depreciate.

CHARLES GRAVELEY, representing the county assessors, said when the amendments were proposed, the Department of Revenue overlooked one thing. The words "exceeding 8 feet in width or 32 feet in length," should not have been stricken from the bill. At the bottom of the amendment there is language which says any bill that is passed which changes the exemption for class four properties should also be reflected in Subsection 2 (b).

MR. GRAVELEY said HB 750 is a good bill and mobile homes should be handled uniformly. The amendments were worked out with the Department of Revenue and hopefully they will be in concurrence with this bill.

There were no opponents testifying on HB 750.

REPRESENTATIVE DOZIER closed his presentation on HB 750.

REPRESENTATIVE WILLIAMS asked if the Department of Revenue is

satisfied with the proposed amendments. Greg Groepper, Department of Revenue, said yes.

The hearing was closed on HB 750.

HOUSE BILL 722

REPRESENTATIVE WALDRON, District 97, sponsor of the bill, said HB 722 deals with class four properties. The difference between this bill and others introduced on the same subject is that HB 722 includes an inflation factor based on the consumer price index. The inflation factor was put in so that the legislature would not have to increase the income levels every two years.

Proponents

RENE BERERTON, representing the Montana Senior Citizens Association, said that association supports HB 722.

There were no opponents testifying on HB 722.

REPRESENTATIVE WALDRON, in closing, said most people know he is critical of cutting the tax base of local governments. However, we seem to cut the tax base anyhow and if we need relief for elderly citizens, this bill will keep that program going on.

REPRESENTATIVE WALDRON said if this committee is uncomfortable with using the consumer price index as an inflation factor, there are other indexes that could be used.

The hearing was closed on HB 722.

HOUSE BILL 766

REPRESENTATIVE TOM ASAY, District 50, sponsor of the bill, said HB 766 is an act allowing the Department of Revenue to employ a qualified independent appraiser for centrally assessed property when the owner of such property and the department agree on an appraiser, to pay part of all of the costs, and to accept the results. The only purpose of this bill is to give the department an option for a possible resolution of taxing difficulties with centrally assessed properties. Where there is such a problem, the department has the option to offer an option of agreeing on an independent appraiser. Representative Asay said it is impossible to anticipate the fiscal impact from this type of bill so he said he thinks the fiscal note is improper.

There were no other proponents testifying on HB 766.

There were no opponents testifying on HB 766.

REPRESENTATIVE ASAY closed his presentation on HB 766.

REPRESENTATIVE WILLIAMS asked the sponsor of the bill if he had a counter proposal to replace the fiscal impact of \$2 million caused by the passage of this bill. Representative Asay said we cannot anticipate the cost of the bill and so no, he does not have any intention of trying to come up with replacement money.

REPRESENTATIVE NORDTVEDT said if we cannot agree on an appraisal method, what good would it do to have the wisest and most effective appraiser if people will not accept the results of the appraisal. We should have a method of appraisal. Representative Asay said if we could agree on a method of appraisal, there wouldn't be any of the problems that we have now.

GREG GROEPPER said there is some confusion regarding the fiscal note. The department did some cost figures as to how much outside appraisers cost the department as opposed to using the department's appraisers and the cost is about 3 to 1. He said the costs on the fiscal note are probably high.

CHAIRMAN YARDLEY asked if there would be some problems with how the two parties would select an appraiser. Mr. Groepper said that will become a negotiated option.

The hearing was closed on HB 766.

HOUSE BILL 789

REPRESENTATIVE HUGH ABRAMS, District 56, sponsor of the bill, said HB 789 is an act providing that the Department of Revenue's designee instead of its agent is the party defendant in certain proceedings.

Proponents

CHARLES GRAVELEY, representing the county assessors, said the purpose of HB 789 is to clarify who appears at tax appeal hearings on the county level. The current language is the agent of the department appears and the agent is interpreted as the county assessor. In the past the county assessor has not been the individual that has appeared by the department has appointed an individual to appear at the tax appeal hearings. Therefore, the county assessors felt it was proper to have the language changed to allow for a designee.

There were no opponents testifying on HB 789.

REPRESENTATIVE ABRAMS closed his presentation on HB 789.

REPRESENTATIVE BERTELSEN asked if the cost of the tax appeal hearings is assessed against the department or the county. Mr. Groepper said the law has been that the Department of Revenue bears the cost of defending tax appeals.

The hearing on HB 789 was closed.

CHAIRMAN YARDLEY called the committee into Executive Session until the sponsor of HB 730 could be found.

EXECUTIVE SESSION

House Bill 766

REPRESENTATIVE HARP moved HB 766 DO PASS.

REPRESENTATIVE NORDTVEDT said one thing that bothers him more than state bureaucracies is the private consultants who work for the state bureaucracies. For that reason, he opposes the motion.

The motion was voted on and PASSED. All committee members voted yes except Representative Nordtvedt, who voted no.

House Bill 750

REPRESENTATIVE WILLIAMS moved the PROPOSED AMENDMENTS TO HB 750 DO PASS.

CHAIRMAN YARDLEY said he would have Jim Oppedahl, legal researcher for the Legislative Council, fit the amendments into the bill.

The motion was voted on and PASSED. All committee members voted yes except Representative Asay, who voted no.

REPRESENTATIVE WILLIAMS moved HB 750 DO PASS AS AMENDED.

The motion was voted on and PASSED unanimously.

House Bill 789

REPRESENTATIVE KEENAN moved HB 789 DO PASS.

CHAIRMAN YARDLEY asked if the Department of Revenue is not always named as the party defendant. Mr. Groepper said the law says the Department of Revenue or its agent. The assessors want to make it clear that someone other than the assessor can act on an appeal.

The motion was voted on and PASSED. All committee members voted yes except Chairman Yardley, who voted no.

House Bill 697

CHAIRMAN YARDLEY said HB 697 provides that the Anaconda Company will continue paying property taxes for the bond on the Vo-Tech School no matter whether they have money or not. He asked Mr. Groepper if he saw any problem with that. Mr. Groepper said

he had talked with the department's attorney and asked if the state has the authority to set schedules for taxation. The attorney said yes, the state does have that authority.

REPRESENTATIVE WILLIAMS asked if there might not be a problem with discrimination since the state is picking out taxpayers paying more than 25% in taxes when a bond is issued. Mr. Groepper said there might be problems when a company or corporation is protected under federal regulation.

MR. GROEPPER said the department does not have a position on HB 697 but if this committee is looking for advice, he said the state has a statute for prepayment of taxes and the state could institute something like a postpayment of taxes.

REPRESENTATIVE DOZIER said he didn't think this bill does what the sponsor wants it to do and this committee should give the bill a quiet death. For that reason, Representative Dozier moved HB 697 BE TABLED.

The motion was voted on and PASSED. All committee members voted yes except Representatives Asay, Harp, Keenan, Nordtvedt and Zabrocki, who voted no.

The committee then went back to the hearings portion of the meeting.

REPRESENTATIVE SHONTZ, sponsor of HB 730, could not be found so Representative Abrams, cosponsor of the bill, presented the bill.

HOUSE BILL 730

REPRESENTATIVE HUGH ABRAMS, District 56, cosponsor of HB 730, said he had not prepared a presentation on this bill.

REPRESENTATIVE ABRAMS said HB 730 is an act creating a 10-year highway reconstruction trust fund account; allocating portions of the coal severance, gasoline license, and special fuels taxes to the account; allocating to the account all funds received by the Department of Highways pursuant to Section 17-3-201, MCA; directing the Department of Highways to develop a program for the reconstruction and preservation of highways based on need; changing the percentage allocation of coal severance tax proceeds.

REPRESENTATIVE ABRAMS turned the presentation of the bill over to Gary Wicks, Director of the Department of Highways.

Proponents

MR. GARY WICKS said when he talked before the Taxation Committee

on HB 16, he presented a list of priorities and needs for Montana's highways. One of those priorities was to complete the interstate system. The department proposed to do that with a bonding program which would require no additional revenue but would allow the department to complete the interstate system earlier than the original proposal. The second priority was to do something about the primary system. Over half of the primary system has an efficiency rating of below 60% and 10% of the primary system is in critical need of repair.

HOUSE BILL 730, the reconstruction trust account, addresses the problem with the primary system. The funding mechanism for this program would be to increase the fuel tax, which has already been passed out of this committee. Other funding mechanisms would be to take the Highway Patrol funding out of the earmarked highways fund and instead, fund the Highway Patrol out of the state general fund, and to use coal tax money. This is a program of preventive service. House Bill 730 allows HB 16 to be put to work. House Bill 730 will allow the department to perform maintenance work, such as seal coats, which is not covered by federal funding.

HOUSE BILL 730 will accomplish the following:

1. Sets up a reconstruction trust account. This is a ten-year program.
2. Allocates enough funds out of the coal severance tax, out of the mineral royalties. Money from the fuels tax will be appropriated to this account.
3. Allows the Department of Highways to spend money outside of the financial district laws.
4. Provides for a priority to areas that are impacted by mineral development. (Which complies with the Attorney General's opinion.)
5. Provides authorization for a preservation program. (Seal coats and overlays that do not add to the structural strength of the highways, and, therefore, are not covered by federal funding.)

MR. WICKS said earmarked money from the coal tax would be used for the highways. The department would not be taking money from the coal trust fund. The Department of Highways would capture the growth expected in the coal tax (in 1986 and 1987) and use that money for highways. There would be no reduction in the coal tax money.

MR. WICKS said HB 730 is keyed to revitalization of the primary system in the state of Montana.

MARY NIELSEN, representing Women Involved In Farm Economics (WIFE), rose in support of HB 730. She read a prepared statement to the committee. (See EXHIBIT 2.) Ms. Nielsen said the recent federal legislation increasing fuel taxes in April does little to help our primary road system. The biggest concern is the current speculation that the federal government will vote to designate highway funding on an "equal turnback basis", meaning a further \$30 million or so less for our highways. At the state convention last October, WIFE voted overwhelmingly to apportion 25% of the coal severance tax trust fund into Montana's highways.

BEN HAVDAHL, representing the Montana Motor Carriers Association, supports HB 730. He said the ability to spend funds in the highway reconstruction fund without restrictions of the financial districts is a real plus. He said the highways financial districts and the restrictions they created over the years is one reason our highways are in the condition they are in.

MIKE STEPHEN, representing the Montana Association of Counties, said we are destined to try to improve Montana roads. The only area of concern is the allocation of funds outside the financial districts law. He said he hoped the department will expend the funds throughout the state according to need. Priority should be given to those projects necessitated in whole or in part by the impact of mineral development.

Opponents

SARAH PARKER, representing the State Library Commission, testified in opposition to HB 730. The libraries use coal tax funds to support library federations and to share resources through inter-library loans. Libraries would receive 1% of 44% in 1986 and 1987 and 1% of 38% in 1988. If the bill passes, libraries would have two alternatives: 1) to request money from the general fund; or 2) to cut services. If services are cut, access to materials would be a function of where one lives or the wealth of the local library.

REPRESENTATIVE KEN NORDTVEDT also opposes HB 730. He said part of the bill is a camouflaged way of taking general fund money to fund the highways. He said HB 730 impacts the general fund considerably. There may not be a growth in the coal revenue. He said Montana should take money from the trust account because that money is in the form of bonds and the purchasing power is lowered more and more each year.

REPRESENTATIVE ABRAMS, in closing, said HB 730 is a set up to capture the growth of the increase in coal tax. He said we could have a decline in production, but we might have an increase. Representative Abrams recommended a do pass on HB 730.

Questions from the committee were heard at this time.

REPRESENTATIVE ASAY referred to line 19, page 4, of the bill and asked if the 6% of the coal severance tax is 6% of the 50% or 6% of the total tax. Mr. Wicks said it is 6% of the total tax.

REPRESENTATIVE REAM asked if he was correct in saying this is an accelerated program over the next ten years to bring our highways up to standard. After that, the state would maintain some standard. Mr. Wicks said we are trying to make up for a number of years of neglect of the primary system. Like other states, if Montana wants to do something about the highway system, we have to spend state dollars. Every two years the department will have to come before the legislature and ask for an appropriation and at the end of the two year period, we will see if this kind of program should be extended in the future.

REPRESENTATIVE NORDTVEDT referred to the section on deposits of gas and oil royalties. It says the state treasurer shall pay 37 1/2% of the moneys received from the treasurer of the United States as the state's share of gas, oil, and other mineral royalties.... He asked what is included in the other mineral royalties. Mr. Wicks said Montana gets 50% of all mineral royalties earned on public lands in Montana. Thirty-seven and a half percent of that money is allocated to highways and schools. All of that money will be put into the reconstruction account. Representative Nordtvedt asked if coal is included in the other mineral royalties. Mr. Wicks said yes.

REPRESENTATIVE HARRINGTON was present at the meeting at this time.

REPRESENTATIVE HARP asked if the reconstruction trust account is going to be separate from the earmarked account. Mr. Wicks said yes.

REPRESENTATIVE DEVLIN asked Mr. Wicks if he would oppose the following amendment: Following the sentence, "Priority must be given to those projects necessitated in whole or in part by the impact of mineral development" add "in an allocation directly in proportion to the collections of federal minerals leased within that highway district." Mr. Wicks said he would be opposed to that amendment. The department has to give a priority in the use of the money but they also have to distribute the money in the way the legislature sets it. It is better to give priority to those impacted areas instead of setting up allocations.

REPRESENTATIVE SWITZER asked how much impact will the decision of the highway commission have on the determination on impact money. Mr. Wicks said they have to approve every project we have to spend money on.

REPRESENTATIVE HARP said for so long, we have been tied to the financial districts law and it is hard to move away from such a law. Is there any other state in the union that has a financial districts law like Montana. Mr. Wicks said he could not find one.

The hearing on HB 730 was closed.

CHAIRMAN YARDLEY asked for a consensus from this committee as to whether this committee should take action on this bill or wait until after transmittal.

REPRESENTATIVE NORDTVEDT said HB 730 is a major bill and there is no reason to rush through executive action on the same day the bill was heard. He said it is clearly a revenue bill.

REPRESENTATIVE NILSON said if HB 730 is a revenue bill, this committee should not do anything before transmittal because the House has a lot of work to do between now and Wednesday night.

REPRESENTATIVE HARP said he is concerned with the fact that if this bill is not passed by the 45th legislative day, the Senate may not accept the bill.

REPRESENTATIVE NILSON moved this committee DELAY ACTION ON HB 730 UNTIL THE 45th LEGISLATIVE DAY, AT LEAST.

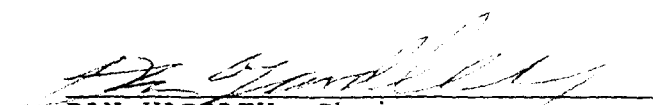
REPRESENTATIVE HARRINGTON said we have to recognize the question of whether or not this bill will be accepted by the Senate.

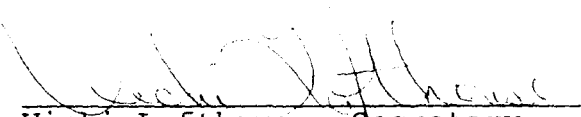
CHAIRMAN YARDLEY said HB 730 has a delayed effective date and that is the only difference between this bill and other bills the Senate has agreed to take after the 45th legislative day.

CHAIRMAN YARDLEY said this committee won't take action on HB 730 today. He also said a motion is not needed to delay action.

REPRESENTATIVE NILSON withdrew his motion.

The meeting was adjourned at 10:40 a.m.


DAN YARDLEY, Chairman


Vicki Lofthouse, Secretary

AMENDMENTS TO HB - 750

Page 1, line 9 strike " ; "
insert "AND TO PROVIDE A DEFINITION OF LEASEHOLD
IMPROVEMENTS;"

Page 2, line 17 strike "and axles"

Page 2, line 21 strike "as personal property"

Page 2, line 22 insert after classification "and the taxes are due
and payable in two payments as provided in Section
15-24-202."

Page 2, line 22 strike "and d"
insert "D" and after taxes insert "on leasehold
improvements"

Page 9, line 11 strike "All class twelve property is subject to
initial assessment and taxation"
insert "The county assessor shall assess all class
twelve property"

It is further intended that any amendments to Section 15-6-134 MCA
on raising the income limits on qualification for property tax re-
lief for the elderly shall apply to New Section 4 on pages 8 and
9 of this bill.



WIFE Women Involved in Farm Economics

MY NAME IS MARY NIELSEN AND I REPRESENT WOMEN INVOLVED IN FARM ECONOMICS, AND I RISE IN SUPPORT OF THIS BILL, H.B.730.

THE REPORT TO THE LEGISLATURE ON THE MONTANA HIGHWAY PROGRAM BY THE DEPT. OF HIGHWAYS SHOWS THAT-AS OF DEC.31, 1981- 458 MILES OF JUST THE PRIMARY SYSTEM ARE NOW CRITICAL AND 2203 MILES WILL NEED RECONSTRUCTION OR REPAIR WITHIN 10YEARS. MANY OF THE ROADS DESIGNATED IN THE SEOND CATEGORY APPEAR TO MOST DRIVERS- ESPECIALLY TRUCKERS - THAT THEY SHOULD BE MOVED UP TO THE FIRST CATEGORY. MONTANA HAS 105 MILES OF HIGHWAY FOR EVERY 1000 CITIZENS - THE HIGHEST RATIO IN THE NATION.

THE RECENT FEDERAL LEGISLATION INCREASING FUEL TAXES IN APRIL DOES LITTLE TO HELP OUR PRIMARY ROAD SYSTEM. MONTANA CONTRIBUTES OVER \$30 MILLION TO THE FEDERAL HIGHWAY TRUST FUND AND HAS RECEIVED UP TO \$98 MILLION ANNUALLY IN THE PAST, BUT THAT AMOUNT IS DOWN TO AN ESTIMATED \$65 - \$69 MILLION A YEAR FROM 1982-1985, WITH ONLY \$18 MILLION OF THAT TO GO INTO PRIMARY HIGHWAYS.

OUR BIGGEST CONCERN IS THE CURRENT SPECULATION THAT THE FEDERAL GOVERNMENT WILL VOTE TO DESIGNATE HIGHWAY FUNDING ON AN "EQUAL TURNBACK BASIS", MEANING A FURTHER \$30 MILLION OR SO LESS FOR OUR HIGHWAYS. THE GOVERNMENT IS ALSO REPORTED TO BE CONSIDERING A 50/50 APPORTIONMENT FOR STATE PRIMARY AND SECONDARY ROADS INSTEAD OF THE PRESENT 78%/22% ALLOCATION. UNDER THE PRESENT CLIMATE IN WASHINGTON IT MAY WELL BE THAT THIS WILL HAPPEN BEFORE THIS LEGISLATURE CONVENES IN 1985.

AT OUR STATE CONVENTION LAST OCTOBER, W.I.F.E. VOTED OVERWHELMINGLY TO APPORTION 25% OF THE COAL SEVERANCE TAX TRUST FUND INTO MONTANA'S HIGHWAYS. WE STILL URGE MONIES FROM THAT FUND FOR THE ROADS- WITHOUT GOOD ROADS, NEITHER BUSINESS ENTERPRISES OR TOURISTS WILL COME TO THE STATE. AGRICULTURE NEEDS GOOD ROADS TO ENCOURAGE TRUCKING COMPETITION TO OUR ONE RAILROAD.

WE URGE PASSAGE OF THIS BILL.

WITNESS STATEMENT

Name Sara Parker Committee On Taxation
 Address 1616 E. Fifth Date February 21, 1983
 Representing State Library Commission Support _____
 Bill No. HB 730 and Montana Oppose X
Library Association
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Libraries use coal tax funds to support library federations and to share resources thru interlibrary loan.
2. Libraries would receive 1% of 44% in 1986-87 - and 1% of ~~44~~ 38% in 1988+. Amount would be \$48,000 per year and 96,000 per year at present coal tax levels.
3. If bill passes, libraries would have two alternatives: to request amount in general funds or cut services.
4. If services cut, access to materials would be a function of where one lives or the wealth of the local library.

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

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL House Bill 697

DATE February 21, 1983

SPONSOR Representative Daily

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation

COMMITTEE

BILL House Bill 722

DATE February 21, 1983

SPONSOR Representative Waldron

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL House Bill 730

DATE 2-21-83

SPONSOR Representative Shontz

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL House Bill 750

DATE February 21, 1983

SPONSOR Representative Dozier

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL House Bill 766 DATE 2-21-83

SPONSOR Representative Asay

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Taxation COMMITTEE

BILL House Bill 789

DATE 2-21-83

SPONSOR Representative Abrams

[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. 391-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 14, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 722 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 722 increases the income limitation qualifications for class four property tax relief for certain widows, widowers, disabled persons, and elderly persons; provides for an inflation adjustment based upon the consumer price index; and provides an immediate effective date and an applicability date.

ASSUMPTIONS:

- 1) The average 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 fall in the new income interval. Using the average taxable value from above, the average taxable value for these homeowners will fall 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) The figures are assumed constant.
- 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>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-18-83

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

County revenues are estimated to decline by \$297,020 each fiscal year. This estimate excludes the impact on the school equalization and university levies.

LONG-RANGE EFFECTS OR PROPOSED LEGISLATION:

The proposal will result in a greater loss of local government revenue through time than would occur without an indexed tax table. This difference could increase if the growth in the consumer price index outpaces increases in elderly household income.

STATE OF MONTANA

REQUEST NO. 412-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 15, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 766 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:

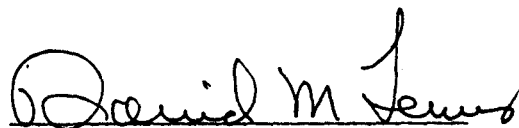
House Bill 766 allows the Department of Revenue to employ a qualified independent appraiser for centrally assessed property when the owner of such property and the department agree on an appraiser, to pay part or all of the costs, and to accept the results.

ASSUMPTIONS:

- 1) In 1981 there was a request for an independent appraisal for centrally assessed property owned by Burlington Northern that would cost approximately \$500,000.
- 2) At least three other corporations with centrally assessed property are included in the same category as Burlington Northern and include: Montana Power, Mountain Bell, and Montana Dakota Utilities.
- 3) The cost of hiring an independent appraiser for the other three corporations will be the same as that for Burlington Northern.
- 4) In addition, industrial plants may opt for an independent appraiser. Examples of the costs of independent appraisers for these plants are the Anaconda Aluminum Plant at \$45,000, Golden Mines at \$30,000, Bonner Saw Mill at \$10,000, and Missoula Pulp Plant at \$100,000.
- 5) There are a minimum of ten industrial plants at \$45,000 nine at \$30,000, 20 at \$10,000, and one at \$100,000.
- 6) The state would pay half of these appraisal costs.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Operating Expenses for Contracted Services		
Under Current Law	.335M	.335M
Under Proposed Law	<u>1.835M</u>	<u>1.835M</u>
Estimated Increase	<u>1.500M</u>	<u>1.500M</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-18-83

COMMENTS:

House Bill 766 may require additional administrative costs.

- 1) It is possible department staff would need to be increased to coordinate activities between independent appraisers, the department, and the owners of centrally assessed property.
- 2) The independent appraisals may need to be updated each year, and subsequently, need to be defended as to the maintained value.

STANDING COMMITTEE REPORT

February 21,

83

19.....

MR. **SPEAKER:**

TAXATION

We, your committee on

having had under consideration **HOUSE** Bill No. **730**

First **White**
..... **Color**

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A 10-YEAR HIGHWAY RECONSTRUCTION TRUST FUND ACCOUNT; ALLOCATING PORTIONS OF THE COAL SEVERANCE, GASOLINE LICENSE, AND SPECIAL FUELS TAXES TO THE ACCOUNT; ALLOCATING TO THE ACCOUNT ALL FUNDS RECEIVED BY THE DEPARTMENT OF HIGHWAYS PURSUANT TO SECTION 17-3-201, MCA; DIRECTING THE DEPARTMENT OF HIGHWAYS TO DEVELOP A PROGRAM FOR THE RECONSTRUCTION AND PRESERVATION OF HIGHWAYS BASED ON NEED; CHANGING THE PERCENTAGE ALLOCATION OF COAL SEVERANCE TAX PROCEEDS; AMENDING SECTIONS 15-35-108 AND 17-3-201, MCA; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE."

Respectfully report as follows: That **HOUSE** Bill No. **730**

DO PASS

STANDING COMMITTEE REPORT

Page 1 of 2

February 21, 1983

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **750**

First reading copy (**White**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A NEW CLASS OF PROPERTY FOR TAXATION PURPOSES TO INCLUDE TRAILERS AND MOBILE HOMES, REGARDLESS OF SIZE, USED AS RESIDENCES; TO CLARIFY WHEN TRAILERS AND MOBILE HOMES MAY BE TAXED AS PERSONAL PROPERTY; AND TO PROVIDE FOR INITIAL ASSESSMENT AND TAXATION; AMENDING SECTIONS 15-1-101, 15-6-134, AND 15-6-151, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **750**
be amended as follows:

(See attached sheet)

XXXXXX
DO PASS

February 21, 1983.

1. Title, line 8.
Following: "PROPERTY;"
Strike: "AND"
2. Title, line 9.
Following: "TAXATION;"
Insert: "AND DEFINING LEASEHOLD IMPROVEMENTS"
3. Page 2, line 17.
Following: line 16
Strike: "and axles"
4. Page 2, line 21.
Following: "assessed"
Strike: "as personal property"
5. Page 2, line 22.
Following: "classification"
Strike: ", and delinquent taxes"
Insert: "and the taxes are due and payable in two payments as provided in 15-24-202. Delinquent taxes on leasehold improvements"
6. Page 3, line 1.
Following: "length;"
Insert: "exceeding 8 feet in width or 32 feet in length,"
7. Page 8, line 21.
Following: "from the"
Strike: "following"
8. Page 8, line 22 through page 9, line 9.
Following: "table" on line 22
Strike: line 22 through line 9 on page 9.
Insert: "established in subsection (2) (b) of 15-6-134."
9. Page 9, line 11 through line 12.
Following: "when." on line 11
Strike: line 11 through "taxation" on line 12
Insert: "The county assessor shall assess all class twelve property"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

February 21,

83

19.....

MR. **SPEAKER:**

TAXATION

We, your committee on

having had under consideration **HOUSE** Bill No. **766**

First reading copy (**White**)
Color

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING THE DEPARTMENT OF
REVENUE TO EMPLOY A QUALIFIED INDEPENDENT APPRAISER FOR CENTRALLY
ASSESSED PROPERTY WHEN THE OWNER OF SUCH PROPERTY AND THE DEPARTMENT
AGREE ON AN APPRAISER, TO PAY PART OR ALL OF THE COSTS, AND TO
ACCEPT THE RESULTS."

Respectfully report as follows: That **HOUSE** Bill No. **766**

DO PASS

STANDING COMMITTEE REPORT

February 21, 19 83

MR. **SPEAKER:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **789**

First reading copy (**White**)
Color

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE DEPARTMENT OF REVENUE'S DESIGNEE INSTEAD OF ITS AGENT IS THE PARTY DEFENDANT IN CERTAIN PROCEEDINGS; AMENDING SECTION 15-8-115, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **789**

DO PASS