

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

March 27, 1985 P.M.

The fifty-second meeting of the Taxation Committee was called to order by Chairman Gerry Devlin in room 312-1 of the capitol at 8:08 p.m.

ROLL CALL: All members were present as were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

CONSIDERATION OF SENATE BILL 431: Senator Eck, District 40, Bozeman, distributed to the committee Exhibit 1, which are amendments to this bill. She stated that there is confusion over whether a farm house should be assessed at full market value or 80% of full market value. She informed the committee that Senator Aklestad had drafted a bill to put farm houses in a separate class, but to do that would have cost the state and the counties a lot of money and there was also disagreement with the agricultural communities over what was a good definition of agricultural land. She continued that there was a packet of amendments trying to define agricultural land and this was what became the green belt law. She pointed out all the provisions of this bill to the committee.

PROPONENTS: Dennis Burr, representing the Montana Taxpayers' Association and the Montana Stockgrowers' Association, testified that this bill is the result of preferential treatment that most states give to agricultural land and this tries to tighten up the definition so that land not used for agricultural land will not receive the deduction that agricultural land will receive.

Terry Murphy, representing the Montana Farmers' Union, said that their intention was the same as Senator Aklestad was originally, which was to reinstate the 20% reduction for farm homes and they were proponents of this bill.

Jo Brunner, representing the Montana Grange, the Montana Cattlefeeders, the Montana Cattlemen, Women Involved in Farm Economics, the Cowbelles and the National Farm Organization, gave a statement in support of this bill. See Exhibit 2.

Taxation Committee  
March 27, 1985 P.M.  
Page Two

Terry Carme, representing the Montana Association of Realtors, indicated that they have no problems with the majority of the bill but suggested an amendment on page 3, lines 18 through 29 where it denies the same right of those people who have decided to develop their land or to make it available for development, they feel that as long as that land still meets all the qualifications that are spelled out in the rest of the bill that it is not fair just because they happen to plat it after January 1, 1986 they should be denied the same right as those who have platted before January 1, 1986.

Randy Wilke, Bureau Chief of the Department of Revenue, stated that this bill deals with the second largest problem that they face and the existing green belt law is very difficult to administer and without some adequate language, it makes fair treatment almost impossible.

There were no further proponents.

OPPONENTS: Steve Pilcher, a resident of the Helena valley, stated that he did not oppose the intent of this legislation, but he does oppose the criteria used to define agricultural land. He informed the committee that he owns 10 acres of irrigated land in the valley and he works hard to make something out of it - he raises quarter horses and he would like 1,000 acres, but he cannot afford 1,000 acres and he felt that this bill should have some amendments to cover such situations.

Rita Tenneson, representing herself, offered testimony in opposition to the bill. See Exhibit 3.

Written testimony was also offered by Laurence Bird, Marty and Giles Walker, and Rudy Schmidt. See Exhibits 4, 5 and 6.

There were no further opponents.

QUESTIONS ON SENATE BILL 431: Representative Raney asked if \$1500.00 was not a little excessive.

Senator Eck responded that there are some people who think that \$1500.00 is not enough and this is the figure they came up with.

Taxation Committee  
March 27, 1985 P.M.  
Page Three

Representative Asay said that there was a real discrepancy when you are talking about \$1,500.00 being the criteria and 24 animal unit months.

Senator Eck replied that the 24 animal unit months was in the amendment that was sent around.

Representative Asay noted that the woman who testified could very definitely feed two cows on 10 acres of hay.

Senator Eck acknowledged that there were farmers on this committee and they would know much more than she would.

Senator Eck responding to the question by Representative Koehnke, said that if a person raises horses for his own use, he ordinarily would not get \$1,500.00, but a lot of people who raise horses as a business would be able to gross \$1,500.00.

Representative Hanson asked if the taxpayer would have to provide eligibility every year.

Mr. Wilke responded that they would have no intention of having them provide proof every year and they do not do that now.

There were no further questions.

Senator Eck concluded by saying that this bill does make some very real changes and the green belt law applies all over the state and not just around the fringes of the cities. She asked the committee to give this their due consideration. The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 882: Representative Sales, District 76, Manhattan, stated that the property tax has been almost the sole base for taxes for schools and local government and this bill would offer a simple referendum at the next election to ask the electorate if they would like to take the state out of the property tax business and replace those taxes with a sales tax.

PROPOSERS: Dave Goss, representing the Billings Chamber of Commerce, acknowledged that this bill does not address

Taxation Committee  
March 27, 1985 P.M.  
Page Four

what the exemptions for a sales tax would be and this bill does allow the people in Montana to make a decision to have a sales tax and get property tax relief or if they want to stay with a property tax.

Geoff Quick, representing the Missoula Chamber of Commerce, wanted to go on record in support of this bill.

Marg Green, representing the Montana Farm Bureau, said that their members oppose increasing the property taxes and feel they can no longer bear the burden.

There were no further proponents.

OPPONENTS: Dennis Burr, representing the Montana Taxpayers' Association, stated that they have generally supported a sales tax throughout the years, but this act repeals sections 3 and 4 of the 1972 constitution and the people decided that they liked the idea of the state assessing the property because the state does not collect the revenue from that property and in returning the local assessment function to local government is putting the assessment authority into the same people's hands as those who raise the revenue. He continued that he was also concerned about the effect this would have on the school foundation program.

Sam Ryan, representing the Montana Senior Citizens' Association, stated that there is no sales tax in Montana and there never should be one and the author of such a bill deserves to be tarred and feathered.

Louise Kunz, representing the Montana Low-Income Coalition, gave a statement in opposition to this bill. See Exhibit 7.

Terry Murphy, representing the Montana Farmers' Union, declared that their policy has been to oppose any general sales tax or value-added tax at any federal or state level and they urged defeat of this bill.

Taxation Committee  
March 27, 1985 P.M.  
Page Five

Jo Brunner, representing the Montana Grange, testified that they have a long-standing policy to be in opposition of any sales tax.

Tony Jewett, Executive Director of the Montana Democratic Party, offered testimony in opposition to this bill. See Exhibit 8.

Jim Murry, representing the Montana AFL-CIO, stated that they have a long-standing tradition against a sales tax and they have opposed this since 1947 no matter how large or how small the percentage.

There were no further opponents.

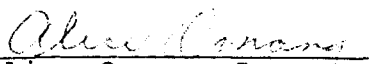
QUESTIONS ON HOUSE BILL 882: There were none.

Representative Sales indicated that there was absolutely no intention of addressing any of the present budget problems; this is not a tax increase but would be a direct replacement of property taxes and if anyone looks at this bill as a way to increase revenue to make it easier to spend money in state government, then they do not want this bill. He noted that this would free up some money, but that is not the intent of the bill.

The hearing on this bill was closed.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:05 p.m.

  
GERRY DEVLIN, Chairman

  
Alice Omang, Secretary

## DAILY ROLL CALL

HOUSE TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 27, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, GERRY, Chrm.	✓		
WILLIAMS, MEL, V. Chrm.	✓		
ABRAMS, HUGH	✓		
ASAY, TOM	✓		
COHEN, BEN	✓		
ELLISON, ORVAL	✓		
GILBERT, BOB	✓		
HANSON, MARIAN	✓		
HARRINGTON, DAN	✓		
HARP, JOHN	✓		
IVERSON, DENNIS	✓		
KEENAN, NANCY	✓		
KOEHNKE, FRANCIS	✓		
PATTERSON, JOHN	✓		
RANEY, BOB	✓		
REAM, BOB	✓		
SANDS, JACK	✓		
SCHYE, TED	✓		
SWITZER, DEAN	✓		
ZABROCKI, CARL	✓		

Exhibit 1  
SB 431  
3/27/85  
Sen. ECK

Amendments to SB431

1. Page 3, lines 5 through 6  
Following: Line 4  
Strike: "Subsection (b) in its entirety"  
Renumber: subsequent subsections
2. Page 5, line 15  
Following: "SUBSECTION"  
Strike: "(1) (C)"  
Insert: "(1) (A)"
3. Page 5, line 16 through 17  
Following: "INSERT:"  
Strike: Remainder of line 16 and all of line 17  
Insert: "(B) IT CONTAINS OVER 15 CONTIGUOUS ACRES UNDER ONE OWNERSHIP AND IS CAPABLE OF PRODUCING TIMBER OF COMMERCIAL QUALITY THAT CAN BE ECONOMICALLY HARVEST-ED IN COMMERCIAL QUANTITY."

①

Exhibit 2  
SB 431  
3/27/85 - P.M.  
Jo Brunner

Jo Brunner

AGRICULTURE LEGISLATIVE WORK

\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

NAME JO BRUNNER COMMITTEE House Taxation  
ADDRESS 1496 Kodiak Road, Helena DATE 3/27/85  
REPRESENT Montana Grange, Cattlefeeders BILL NO. SB 431  
Cattlemen, W.I.F.E. Stockowners, Cowbells, N.F.O.  
SUPPORT X AMEND            OPPOSE           

Mr. Chairman, members of the committee, for the record my name is Jo Brunner and I am speaking today for the Montana Grange, the Montana Cattlefeeders and the Montana Cattlemen.

Our organizations wish to go on record as in support of SB 431, with the amendments concerning the portions that were inadvertently left out in the Senate work, and the inclusion of the timberland. It is not our desire to segregate timber from the rest of agriculture, and we approve of this amendment.

Mr. Chairman this is the third session that I have worked on the so-called Green Belt law, and I am hopeful that we will finally produce a law that will not only satisfy the agriculture community, but will be fair to others concerned.

It is not agricultures desire to request unfair taxation, at our expense, on any segment of our citizens, and we certainly sympathize with anyone who will have an increase in thier property taxes, no matter how small. However we feel it is time identify the property owners who are--for lack of a better definition 'Bonafide farmers and ranchers.'

While we do recognize, and certainly believe ourselves, that living away from towns and cities has it benefits, we do not recognize that just because you own a few acres out in the county, or on the edge of town, that you automatically are a farmer or rancher, no more than if you or I decided to open an office that said "Doctor" so and so on the door, and had no other necessary criteria than CPR training, or a first aid course.

We certainly do applaud those who make the move and are more or less self-sustaining, growing and canning their own vegetables, beef, chickens, milking their own cows, whatever, and who choose to raise thier children in the country with the benefits of chores, and responsibilities. We have no problem with the concept--but again, that does not automatically make them farmers and ranchers. They, quite simply are people who choose to move to the country and live there with its blessings and its drawbacks and we believe that they should not be classified as farmers and ranchers.

We realize that this will bring badly needed money into the government coffers, but our prime concern is to establish more accurate and comprehensive statistics on agriculture operations.



Each and every plot above 5 acres even though it produces practically nothing, and contributes nothing to the agriculture production community is nevertheless counted as a productive agriculture operation.

I am sure that you have all heard in the last couple of years declarations that we need not worry about the demise of the small family farm--that it is alive and thriving---well, according to the Director of the Montana ASCS office the increase in small family farm numbers is primarily in the small, unproductive, as far as marketable crops go, tracts of land owned by people who were able to get under agriculture land classification, but have neither the intention nor the production capability to qualify otherwise.

They raise thier own needs, barter with neighbors, enjoy the good life--so to speak---but that does not make them farmers and ranchers. They do not have the intention to make thier living off the land.

Frankly, in dicussing this with the many various people in the last few weeks, it has been suggested more often than not, that \$1,500.00 is too low a figure for qualifying. And of course wa have those who are very irate that they are not considered agriculture producers with thier large gardens, a couple of cows or horses and I have been told quite often, and very emphatically that if they live outside the city limits and own more than two lots, they are agriculture people. One lady insisted that they had moved out to @0 acres, in order to get away from subdivision laws and taxes, did not feel it necessary to do anything with the land production wise, and did not feel I was very fair to question her agriculture status.

I have definitely learned to not use the term 'hobby farmer!'

As I said before, our purpose is not to unjustly tax other citizens. We just simply believe that we are being unjustly identified with those citizens addressed in this bill. Our farm programs take those small acreages into consideration, our overall statistics include those small acreages, and along another line, too many times the owners of those small tracts, getting an agriculture assessment, vote into existence mill levies that are indeed a burden on the true agriculture community.

If the landowners meet the criteria of this bill, we have no complaints, But otherwise please relieve us of this burden.

Thank you.

HOUSE TAXATION COMMITTEE  
March 27, 1985  
SB 431

Exhibit 3  
SB 431  
3/22/85-P.M.  
Rita Tenneson

For the record, my name is Rita Tenneson. I live at 75 Alfalfa Rd, Helena, MT.

SB 431 is not a fair bill.

My husband and I are not some of the people who moved to the country for a tax shelter.

We bought 10 acres of land several years ago when it was sold by the Wm. Harrer Ranch Company. This is prime agricultural land and, at that time, Mr. Harrer placed stipulations that the land would be sold to people wishing to farm a small area and carry on the agricultural history and practices the land was originally used for. We would have bought many acres of land but all we could afford was the 10 acres.

Since that time, we have been raising hay on this land both for our own use and for sale. We have worked hard, invested in equipment and an irrigation system. We have not abused the Green Belt Appraisal in any way.

In Lewis & Clark County, our house and the ~~one~~ acre it sits on has always been taxed at a higher rate and we have not been concerned about this. What we are concerned about is the remainder of the land and the outbuildings. The outbuildings are used to keep the machinery and hay and we cannot afford higher taxes on either these or the land.

We are approaching retirement age, not too far down the road. This year my husband was given a pay cut. The way things look where he works, we may be looking at a REAL early retirement. We would like to live out the remainder of our lives on this property. However, if we are forced to pay more and more taxes, we stand to eventually loose our land as we cannot continue on at this rate.

Our current taxes are \$1680. A large farmer or rancher does not pay this much for an entire section of land. Next year we will pay even more because we built a sidewalk and a small deck so we would be able to

Ex h. b. + 4  
SB 431  
3/27/85 - P.M.

WITNESS STATEMENT

NAME Lawrence Bird BILL NO SB 0431-03  
ADDRESS 4500 paydirt Dr. DATE 3/26/85  
WHOM DO YOU REPRESENT? Jane Bird (Wife)  
SUPPORT \_\_\_\_\_ OPPOSE Oppose AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We have 10 acres of land of which 7 acres are  
Class agriculture 2 acres grazing 1 as Dwelling  
taxes 1685.00

I oppose the SB 431 because I believe the  
methods of obtaining the necessary requirements  
for assessment purposes, are impossible and  
discriminatory against small land owners  
and would in effect cause all small land  
owners to apply for subdivision permits because  
of tax liabilities

Evk. 6/5  
SB431  
3/27/85 P.M.

NAME: Marty and Giler Walker

DATE: 3-27-85

ADDRESS: 4355 Pay Dirt

PHONE: 442.6375

REPRESENTING WHOM? Ourselves & other residents of  
Pay Dirt subdivision & RaceTrack - Helena & other  
owners of 10 acre agricultural tracts -  
APPEARING ON WHICH PROPOSAL: Bill 431

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? \$1,500.00  
minimum -

COMMENTS: \_\_\_\_\_

It is impossible to set the \$1,500.00 min  
limit for Alfalfa on 10 acres. I feel  
there should be an exemption for 10 acre  
parcels which are being used for agricultural  
purposes. As the amendments proposed stand  
such limits are discriminatory - it will tend  
to facilitate the trend toward diminishing of  
good farm land.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Ex 431 + 6  
SB 431  
3/27/85, P.M.

NAME: Rudy Schmidt DATE: 3-27-85

ADDRESS: 4310 Green meadow drive

PHONE: 442-8265

REPRESENTING WHOM? Myself

APPEARING ON WHICH PROPOSAL: House Taxation Committee Bill 431

DO YOU: SUPPORT?            AMEND?            OPPOSE? oppose

COMMENTS: My wife + I purchased 10 acres  
Purple agricultural ground, with the intention  
of living here through our retirement age  
I am now retired + am raising hay  
Garden + cattle. I have invested \$2,550.00  
for a sprinkling system to irrigate my 10 acres  
In order to raise all the ground will produce.  
I build the house in 1976 after completed  
in 1977 my Taxes for the house Haystack  
+ the ground ~~was~~ 925.00 I have not put <sup>any</sup> addition  
on any of the Buildings. But my Taxes have rise  
to 1600.00 in 6 years. I am on Social Security which  
pay ~~700.00~~ Seven hundred a month. My Blue Shield premium is 145.00  
per month, utilities are 180.00 per month + Taxes at 135.00 per month

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

you Explain to me how I can afford any more  
increase in Taxes I worked for 50 some years to  
accumulate this much. And can't see this all  
go down the Drain

Rudy Schmidt

# MONTANA LOW-INCOME COALITION



P.O.Box 1029  
107 West Lawrence  
Helena, Montana 59624  
(406) 449-8801

Statewide	MONTANA ALLIANCE FOR PROGRESSIVE POLICY MONTANA HRDC DIRECTOR ASSOCIATION MONTANA LEGAL SERVICES EMPLOYEES MONTANA PEOPLE'S ACTION LOW INCOME SENIOR CITIZENS ADVOCATES MONTANA SENIOR CITIZEN ASSOCIATION NORTHERN ROCKIES ACTION GROUP
Helena	LAST CHANCE PEACEMAKERS COALITION
Missoula	LOW INCOME GROUP FOR HUMAN TREATMENT NATIVE AMERICAN SERVICES AGENCY
Great Falls	CONCERNED CITIZENS COALITION
Butte	BUTTE COMMUNITY UNION
Bozeman	BOZEMAN HOUSING COALITION

Exhibit 7  
~~SB 431~~ HB 882  
3/27/85. P.M.  
Louise Kunz

3/27/1985

Louise Kunz

HB882 OPPOSE

We've been here in support of many revenue bills and <sup>we</sup> very much in support of tax reform but we are opposing HB882 because this is a very regressive approach to that end.

Individuals at the lowest level of the economy are taxed on every dollar that they have because they need to spend their entire income just to live while those at the upper level are able, through savings, to protect some of what they have ~~has~~ income.

To remove property from taxation means that large companies will not be bearing a fair share of the tax burden. This is an attempt to place that burden on those least able to pay.

We urge tax reform but do it fairly.

We ask a DO NOT Pass on this bill.

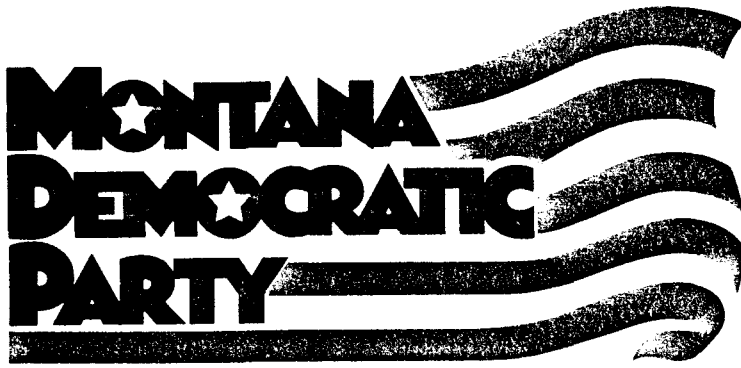


Exhibit 8  
~~SB 43~~  
HB 882  
3/27/85 - P.M.

\*\*\*\*TESTIMONY\*\*\*\*

HB 882  
Sales Tax  
March 27, 1985

Mr. Chairman, members of the Committee. I am Tony Jewett, Executive Director of the Montana Democratic Party.

The Democratic Party is opposed to this legislation.

I am aware that the Committee has quite a bit of work to complete in order to meet the upcoming transmittal deadline, so I will make my comments very brief.

The Democratic Party has stated publicly that we will oppose any general tax increase this session. This legislation is a general tax increase, in fact the only one we are aware of presently active in the session, and we must oppose it for that reason alone.

Additionally, the Democratic Party has tried to support taxation policies that stress fairness and equity. A sales tax does not do so; rather it represents inequitable and regressive policy.

This legislation proposes to eliminate a portion of present property taxes by means of a sales tax substitute. In doing so it removes state mill levies from both commercial and residential property, both get the break. However, it is the residential property owners who will primarily be making up for the lost revenue through

(more)

Montana Democrat Central Committee • Steamboat Block, Room 306 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

Executive Board

Bruce Nelson Chairman	Donna Smal Vice Chairman	Mary Hempleman Secretary	Bobbie Gould Treasurer	Tony Jewett Executive Director	Evan Barrett Nat'l Committeeman	Sherlee Graybill Nat'l Committeewoman
Sharon Peterson	Helen Christensen	Virginia Egli	Wendy Fitzgerald	Chas Jeniker	Les Morse	Les Pallett
Sen. Bill Norman	Gracia Schall	Barb Skelton	Clara Spotted Elk	Chuck Tooley	Mike Ward	Blake Wordal
Sen. Fred Van Valkenburg		Jim Foley	Rep. John Vincent	Rep. Hal Harper	Phillis Moore	

the sales tax by their daily purchases of goods. The tax is regressive in that it discriminates against residential property owners while skewing benefits to commercial property owners.

Th regressivity does not stop there however. This tax makes an unemployed worker pay almost as much as someone who is employed; it makes the widow on a pension pay at the same rate as a millionaire, and it makes the lower income person person pay a higher percentage of their income than the wealthy person.

It continues to discriminate in other areas. It is of absolutely no benefit to those who cannot afford to buy a home. The only effect this legislation will have on the non-property owner is to force that non-property owner to pay several percent more on purchases at the cash register with no balancing offset on property taxes.

We would urge this committee to reject this legislation and put its resources into supporting taxation policies that promote fairness.



## VISITOR'S REGISTER

HOUSE Taxation COMMITTEEBILL SB 431DATE 3/22/85 A.M.SPONSOR Sen Eck

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Rita Tenneson	75 Alfalfa	Self		X
J.C. Stegner	4480 Paydirt Dr	" "		X
Laurina Bird	4500 Paydirt Dr	Self		X
Marjorie Schmidt	4318 Green Meadow			X
Bruce Schmidt	" " "			X
John Shortz	Sidney	Richland CTY	X	
BILL VAUGHN	HAUTE	SELF	<del>X</del>	
A. Morris	1714 C		X	
Dennis Burns	CLANCY	CLANCY		
K.M. Kelly	4605 Glass Dr. Hbldg	Self	X	
Laguna Lubinus	HELENA	WIFE	X	
A. Brown	1469 Kodiah	Ag Leg Work	X	
<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>	<del>XXXXXXXXXX</del>	<del>X</del>	
Kolar Sheila	Kewistown	NFC	X	
Ted Tenneson	75 Alfalfa	Self		X
Jean Coleman	4560 Green Meadow	self		X
Jean Coleman	4560 Green Meadow	self		X
Sylvia J. Coppack	4330 Green Meadow	Self		X
Leo H. Wadsworth	100 Alfalfa Rd.	Self		X
Mrs. Giles Walker	4355 Pay Dirt	Self - Spouse		X

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 SB 431

DATE March 27, 1985

SPONSOR Senator Eck

[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 HB 882

DATE March 27, 1985

SPONSOR      REPRESENTATIVE      SALES

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.