

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 17, 1985

The eighth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:05 am, in Room 415 of the Capitol Building.

ROLL CALL: All members of the committee were present, except Senator Severson who was excused.

CONSIDERATION OF SB 37: Senator Joseph Mazurek was recognized as chief sponsor of the bill. He said the bill originated in the Revenue Oversight Committee but was not requested by the Department of Revenue. The bill, he said, takes the State Tax Appeal Board (STAB) out of the business of liquor license hearings. The bill grew out of a problem in letting liquor licenses in Billings, he said. The current process requires an application to the Liquor Division of the Department of Revenue, followed by a hearing run by the Attorney General's staff. A second hearing is argued before the Director of the Department who then issues an order to STAB. Again STAB holds a formal hearing before an applicant can appeal to District Court. The intention of the bill, he said, was to save time and money for the applicants.

PROPOSERS

Phil Strobe appeared on behalf of the Tavern Owners Association. He said the current process burdens both those for and against a license. He said there is "too much administrative opportunity".

OPPOSERS

There were no opposers to SB 37.

Bob Raundal, Chairman of the State Tax Appeal Board, was recognized to offer information on the bill. He said that STAB had never been overturned at the District Court level. In 1984 they made five reviews and one was appealed; in 1983 they made 10 reviews and none went to district court. He indicated that appealing to STAB could be a faster process than district court. He said that STAB has no opinion on the bill.

Questions from the committee were called for.

In response to a question by Senator Towe, Mr. Raundal said that only once has STAB reversed the Department of Revenue. Mr. Strobe said that STAB may be solving some problems, but that there is an absolute right to appeal beyond that.

Senator Mazurek closed by saying that in the Billings cases the STAB decision was immediate, and added that regardless of the speed of STAB there is still a long legal process. When asked if STAB decisions were upheld in Billings it was pointed out that additional licenses were granted and no appeals were made.

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Senator Hager asked about a case that involved distance from a church. Mr. Raundal said that case went directly to district court. Senator Hager asked for statistics on hearings and appeals from 1982. Mr. Raundal said they would be provided.

Senator Eck asked about Bozeman cases. Mr. Strobe said there were cases in both Bozeman and Billings on the proximity to a church issue. He said following expanded liquor license quotas in 1983 many litigants walked away from those cases. He said currently there is a case in Browning which has had three hearings and is on its way to court.

Senator Eck commented that liquor licenses are no longer worth so much. Mr. Strobe agreed saying that public drinking is way down. He said there are currently five licenses available in Great Falls.

Senator Hirsch asked if STAB heard only applications or also transfers, suspensions and revocations. Mr. Raundal answered that they heard transfers and floater questions, but primarily heard issuance matters.

Senator Mazurek closed without further comment.

FURTHER CONSIDERATION OF SB 48: Senator McCallum was recognized and wanted it understood that no action would be taken until a fiscal note was available to the committee.

Senator Towe, in response to the January 16 direction from the committee, discussed the bills introduced by Representative Ramirez on the same subjects. He said there are three: first, a bill that carries the adjustment language which is a bill by the Revenue Oversight Committee; second, he has a bill that is nearly a carbon copy of SB 48 except that it decouples commercial and residential property, and, third, he has a backup bill that is not yet introduced which he will use if neither introduced revision bill passes. The backup bill, said Senator Towe, would only be a stopgap measure.

Senator Goodover asked if the committee could wait until these bills came to the Senate to act on SB 48. Senator Towe said that Representative Devlin, Chairman of the House Taxation Committee intended to wait until SB 48 reached his committee before acting on the Rameriz bills. Secondly, he said that one bill or the other must pass and that the issue to be addressed is decoupling of residential and commercial property. Thirdly, he said it is a major bill and must be passed so that other law can be correctly written and codified.

Senator McCallum asked if Senator Towe objected to combining residential and commercial property. Senator Towe said, yes.

Senator McCallum asked if it was true that the bill is not necessary for compliance with federal law. Senator Towe agreed that it was true, but added that the problem is that the existing classification system must be redone and that raises a host of other problems. He added that he did not consider the backup bill a viable alternative.

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Senator Eck asked if there was a change in the definition of agricultural land to exclude subdivisions.

Senator Halligan was excused from the committee at 8:30 am.

Senator McCallum then raised the issue of timber lands and said that he believed on page 21, line 15 the figure of 30,000 was too low. Mr. Gregg Groepper discussed the administrative concerns and said that 30,000 board feet may not be reasonable. He asked the committee to find a reasonable number. Senator McCallum said it would have to be raised as 30,000 board feet could come from 30 trees or less.

In response to a question by Senator Eck, Mr. Groepper said that the Department used an obsolete stand volume table to find value, then deducted expenses and taxed the remainder. Senator Neuman responded to a question saying that taxation is not a part of the forest practices act.

Bill Kirkpatrick of Champion International said that his main problem with the timber section of the bill was the language "land in one ownership". He suggested instead the words "land primarily utilized or useful for the production of wood fiber". The committee discussed the need to clarify that wording.

Senator Lybeck was excused from the committee at 8:55 am.

Mr. Groepper said that whatever definition was used he wanted it to address recreational property not being able to be taxed only for its timber value. He said the Department's preference would be for a concrete number.

Senator Towe said that he hoped to take executive action on SB 48 on Saturday morning. He gave the committee a series of handouts (Exhibit 1, Exhibit 2 and Exhibit 3) which discuss the dilemma and reasoning behind decoupling residential and commercial property. The handouts demonstrated the effect of decoupling on the percentage of taxes paid by the two groups. Several members of the committee challenged the assumptions on which Senator Towe had based these figures.

The Committee declined to take any executive action with three members absent and, with a promise of no discussion on SB 48 during the next meeting, adjourned at 9:30 am.



Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date January 17, 1985 8:05am

Location -- Room 413-415

Name Present Absent Excused

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan			
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson		✓	
Senator Towe	✓		

DATE January 17, 1985

SIP-48

(Please leave prepared statement with Secretary)

NAME Job Rendal BILL NO. 37

ADDRESS _____ DATE 1/17/84

WHOM DO YOU REPRESENT State Tax Appeal Board

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

residential tax rate 8.55%

commercial tax rate 8.55%

assume value
increases 50%

assume value
doubles

new tax rate equals $\frac{8.55}{1.5} = 5.7\%$

new tax rate = $\frac{8.55}{2} = 4.275$

tax rate of combined
classes

$$\frac{4.275 + 5.7}{2} = 4.99$$

4.99
- 5.7
- .71%

tax rate change

4.99
- 4.275
+ .715%

- 12.5%

% change

+ 16.7%

residential tax rate 8.55%

commercial tax rate 8.55%

assume value doubles

assume value triples

new tax rate equals $\frac{8.55\%}{2} = 4.275$

new tax rate equals $\frac{8.55\%}{3} = 2.85$

tax rate of combined
class

$$\frac{4.275 + 2.85}{2} = 3.56\%$$

$$\begin{array}{r} 3.56\% \\ - 4.275\% \\ \hline - .715\% \end{array}$$

tax rate change

- 16.7%

% change

$$\begin{array}{r} 3.56\% \\ - 2.85\% \\ \hline .71\% \text{ increase} \end{array}$$

+ 25%

residential tax rate 8.55%

commercial tax rate 8.55%

assume value
triples

assume value
doubles

new tax rate equals $\frac{8.55\%}{3} = 2.85\%$

new tax rate equals $\frac{8.55\%}{2} = 4.275\%$

tax rate of combined
classes

$$\frac{2.85 + 4.275}{2} = 3.56\%$$

3.56%
- 2.85
+ .71%

tax rate change

3.56%
- 4.275
- .715%

+ 25%

% change

- 16.7%

EXHIBIT 3
Senate Taxation Committee
January 17, 1985
SB 48