

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 29, 1985

The sixtieth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:00 am in Room 413-415 of the State Capitol.

ROLL CALL: Senators Brown and Eck were absent. Senators Goodover, Neuman and Halligan were excused after roll call. Senator McCallum arrived at 8:19 am. All other members were present for the duration.

CONSIDERATION OF HB 425: Representative Gary Spaeth was recognized as chief sponsor of the bill introduced on behalf of the county treasurers and assessors. He submitted a written statement from Mr. Charles Graveley on behalf of the Montana County Assessors' Association with the blessings of the Montana County Treasurers' Association (Exhibit 1).

Representative Spaeth said that the important thing about the bill is that leasehold improvements are owned by a highly mobile sector of the society which is not always concerned about paying taxes. He said that when this is considered real property the assessors cannot do anything until the tax is three years delinquent. He said this bill will allow them to act in 30 days.

PROPONENTS

None were heard.

OPPONENTS

None were heard.

Questions from the committee were called for.

In response to a question from Senator Mazurek, Mr. Gregg Groepper of the Department of Revenue said that the bill addresses problems with moveable real property. He said that the treasurers' problems are not with mobile homes. He said that the property will be billed and taxed at the same rate in the same way, but that it would allow treasurers' to solve problems when leases are lost and property is moved.

Mr. Groepper said that now the status of a business can change between assessment and the first tax bill and that the treasurer has no recourse for three years.

Senator Mazurek questioned the definition of "leasehold improvements". The committee directed some attention to HB 172 which defines leasehold improvement and was currently tabled in committee. Mr. Groepper said that the term is currently defined by the court as something permanently affixed to the ground. He said the appraisers

March 29, 1985

look first at the building and permanent fixtures taxed in Class 4 at 8.44 percent and then look at anything moveable which is taxed at 13 percent. He said if there is a doubt benefit is given to the taxpayer and the property is put in Class 4. Now the problem is that no lien can be made for three years and by then the property itself is not traceable.

Senator Mazurek asked if the bill would result in a tax shift from the owner to the tenant. Mr. Groepper said he did not think so. He said the appraisers now work from blue prints provided by the owner and any additions are already assessed to the tenant.

In response to a question from Senator Towe, Mr. Groepper said that leasehold improvements should not technically be included in Class 4 because it would make the taxation of mobile homes shakey. He said the bill does not address classification, but lien provisions and asked the committee to respectfully stay away from classification in this bill.

Representative Spaeth closed saying that this bill is not a problem, that nothing lurks in the bushes, that it addresses and corrects a problem area. He also wanted to note for the record that he is a proponent of HB 844, to be heard next by the committee.

CONSIDERATION OF HB 844: Representative John Patterson, House District 97, was recognized as chief sponsor of the bill. He explained that the bill would exempt idled sugar beet machinery from taxation and that the bill contained safeguards against the abuse of the provision. He said the bill was introduced when no sugar beet contracts were available. He said the machinery was named by piece to avoid problems.

#### PROPONENTS

Mr. Leroy Gable, a former and future sugar beet producer, said they may again have a viable sugar industry. He said that the three year contract they are being offered is contingent on 24,000 acres being planted and on the national farm bill remaining the same. He said the world market is uncertain and that the industry is not stable and that they need this bill. He also noted that their machinery is very specialized and cannot be modified or used elsewhere.

Ms. Lorna Frank, Montana Farm Bureau Federation, submitted written testimony supporting the bill (Exhibit 2).

Ms. Lavina Lubinus, Women Involved in Farm Economics, also supported the bill.

Senator Tom Hager asked to go on record as a proponent of the bill.

#### OPPONENTS

None were heard

March 29, 1985

Questions from the committee were called for.

Senator Hager questioned the use of the phrase "surrounding area" and felt it should be more tightly drawn. Representative Patterson said there are two separate areas in Montana and that sugar beets cannot be transported because of freight costs. Senator Towe suggested that "market" or "contract" area might be better language for the bill.

Senator Lybeck asked if any bad precedent would be set with this bill. Mr. Groepper said that Montana historically has handled agricultural concerns in this way. He said industrial concerns are also given reduced taxation for obsolescence, but that their markets are much larger.

Senator Severson noted that at one time sugar beets grown in the Bitterroot were taken to the Billings factory. Representative Patterson said that transportation costs have solved that problem. He said that sugar beets produce about 20 tons to the acre and that the growers are paying the freight as contracts are based on a price that includes delivery to the factory.

Senator Severson suggested the two years on line 8, page 2, could be amended down to one year. Representative Patterson said that would be okay but that he also wanted fairness to the county commissions in setting budgets.

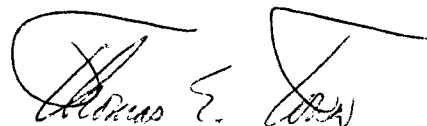
Senator Hirsch asked if there was any market for the machinery elsewhere. Representative Patterson said, no. He said it has usefulness only as scrap iron and that transportation costs were too great to ship it to another growing area.

Mr. Gable said that there are not many sugar beet farmers in the whole country and that only one company even builds this equipment. He told the committee that a used beet harvester selling new for \$14,000 recently sold at a farm auction and brought \$3.00. He said normally it would have sold for \$3,000 to \$4,000.

Senator Severson noted that a market would exist only for the very newest equipment.

Representative Patterson closed saying that if they have no contract the equipment has no value and should not be taxed.

Chairman Towe adjourned the committee at 9:00 am.



---

Chairman, Thomas E. Towe

# ROLL CALL

## SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 29, 1985

Location -- Room 413-415

-----

Name	Present	Absent	Excused
Senator Brown			
Senator Eck			
Senator Goodover	✓		ex
Senator Hager	✓		
Senator Halligan	✓		ex
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	8:19 am		ex
Senator Neuman	✓		ex
Senator Severson	✓		
Senator Towe	✓		

March 29, 1985

Taxation

# VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

NAME Lucina Lubinus Bill No. HB 844

ADDRESS 1501 Chestnut Helena DATE 3/29/85

WHOM DO YOU REPRESENT Women Involved in Farm Economics

SUPPORT X OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Sydney Label BILL NO. 844  
ADDRESS RT 1 Box 46 DATE 3-29-85  
WHOM DO YOU REPRESENT self  
SUPPORT X OPPOSE        AMEND       

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

I am Sydney Label a former sugar beet producer from Huntley, MT

We are very optimistic about the return of the sugar industry to the Yellowstone Valley but there are many conditions which must be met before we again have a stable sugar industry.

First of all, the company must have enough acres (24,000) to efficiently run the plant.

The contract we have been offered is contingent upon the future of the Sugar Act in the Farm Bill being developed in Congress.

Because of the world market of sugar being so low, our local sugar industry doesn't have the stability of the past.

Sydney Label  
Sydney Label

LAW OFFICES OF

**Skedd, Ashley, McCabe,  
Weingartner & Graveley, PC**



222 Broadway • Helena, Montana 59601  
Telephone (406) 442-3100/442-1700

LLOYD J. SKEDD  
J. MAYO ASHLEY  
MICHAEL T. McCABE  
J.C. WEINGARTNER  
CHARLES A. GRAVELEY

March 28, 1985

Representative Gary Spaeth

Exhibit 1 -- HB 425  
March 29, 1985

Re: HB 425

Please read the following testimony into the record relative to the above numbered bill. I have a court hearing in Libby on the same date this bill is scheduled for hearing. Greg Groepper, from the DOR is supposed to be present to answer questions on my behalf.

HB 425 has been introduced at the request of the Montana County Assessors' Association. The bill also has the blessings of the Montana County Treasurers' Association.

The purpose of the bill is to provide for a shorter period of time in which delinquent taxes may be collected on leasehold improvements. Leasehold improvements include properties (improvements) made on lands or other real property belonging to another. As the law currently stands the taxes levied upon leasehold improvements are handled in the same manner as taxes on all other real property. When the owner of the leasehold improvement allows his tax bill to go delinquent, the property is scheduled for a tax sale the same as real property, but a tax deed cannot be issued, or even applied for, until the taxes have been delinquent for three years or more. In most cases where taxes have been allowed to go delinquent on leasehold improvements, when the time finally arrives for issuance of a tax deed, if anyone shows interest, the property is no longer in existence and there is nothing the county can seize to satisfy the obligation. Hence the county, and all other taxpayers are the losers.

Under the proposed changes the delinquent taxes on leasehold improvements are a lien on the leasehold improvements as if they were personal property. Hence, the delinquent taxes are then subject to collection by the treasurer within 30 days. The law, as amended, also makes it clear that the delinquent taxes on the leasehold improvements also constitute a lien on all personal property in the possession of the delinquent taxpayer on and after the date of assessment.

The taxpayer is protected in that the treasurer must notify him of the delinquencies and that the delinquencies are a lien on all of his property. (p 5, line 25 and p 26, lines 1-6.

This bill simply assures the county that the property upon which the taxes have been levied and on which the taxpayer allowed said taxes to go delinquent will be available to satisfy the obligation owing the county.



Leasehold improvements are defined in HB 172 which has been tabled in this committee. That bill should be removed from the table and given favorable consideration because it clarifies exactly what constitutes "leasehold improvements". Should this committee determine that HB 172 should stay on the table, and a concern is expressed as to the meaning of "leasehold improvements", then a definition should be provided in this bill. However, the DOR has been taxing "leasehold improvements" separately from the real property because of the different ownership.

I should make clear that the real property upon which the improvement is located cannot, I repeat, cannot, be sold to satisfy the tax obligation owing on the leasehold improvement. That property belongs to a different person who has his own tax obligation.

This bill is good legislation and I urge that you concur in its passage.

Very truly yours,

Charles A. Graveley  
Lobbyist for MT County Treasurers and Assessors



502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Lorna Frank

BILL #: HB 844 DATE: 3/29/85

SUPPORT XXX OPPOSE

Mr. Chairman, members of the committee, for the record my name is Lorna Frank, representing the Montana Farm Bureau.

Farm Bureau supports HB 844, this is a bill that will assist those farmers who have not been able to use their equipment for the past couple of years because they have not had a sugar beet contract.

The chairman of our Sugar Committee has told us that at least one lending institution in the Billings area are writing off sugar beet equipment as an asset because it has no collateral value.

Even though it appears this proposal would reduce property tax collections of certain counties, Farm Bureau feels that since the farmers have had to cut back, other segments of society should also cut back. Farm Bureau hopes this committee will give HB 844 a do pass recommendation.

Exhibit 2 -- HB 844  
March 29, 1985

SIGNED: Lorna Frank