

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE
Special Session III

June 23, 1986

The sixth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:05 a.m., Wednesday, in Room 325 of the State Capitol.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SB 19: Senator Chris Christiaens, Senate District 17, was recognized as chief sponsor of the bill. He began by discussing the disparities in the recent reappraisal cycle. He said there was no standardized, understandable revaluation form, and that people had a difficult time understanding the effects of the process on their taxes. He said that to simply put a moratorium on the process would reopen the manual disparity cases which had already been settled. He provided the committee with necessary amendments to the bill (Exhibit 1) which addressed the standardized tax reappraisal notice. He said it was important that the committee handle this very soon as the new rates would become effective on July 1.

Chairman Towe asked Senator Christiaens if comments should be addressed to the amendments rather than the original bill. Senator Christiaens said that they should.

PROPOSERS

Mr. Harold Poulson, legislative candidate in House District 39 said that the inequities in the reappraisal system were affecting the most sophisticated to the least knowledgable. He said that properties across the board were being unfairly affected. He provided specific examples of the taxable values rising from \$589 to \$3,000 on a piece of timberland; from \$338 to \$4,621 on a small mining claim; from \$50 to \$5,000 on lots in Glacier Park which could not be improved or used in any way by their owners. He concluded saying that these tax problems were destructive to Montanans and that they needed to be addressed by the committee.

Mr. Tom Harrison appeared on his own behalf. He said that he was a member of a group of lawyers who purchased a 40-acre tract near the Canadian border which could not be considered suburban at all. He said the classification went from grazing land to suburban tracts and increased from \$215 to \$16,000 in value. He said that the assessment notice did not contain mention of the taxable value. He said that because \$1,500 income is not produced from the land that it is compared with other highly desirable vacation property located some distance from this tract. He said that he is certain that this is not the only example of this and called it legal piracy. He said he had taken the time to testify on this bill because it struck such a personal note.

Mr. Robert Vandevere, testifying for himself, said that if someone outside of the legislature did this, they would be in jail. He

Senate Taxation Committee

June 23, 1986

page two

also cited examples of enormous increases in valuations. He said that in addition to that the county treasurers were making mistakes on figures and that the cost of correction had been between \$5,000 and \$6,000. He said that land values were obviously down and the appraiser's work increased them. He said that many people were being "clipped" and that was not right.

Ms. Jo Brunner, Montana Grange, said that they support SB 19.

Mr. Del Vogley, Great Falls individual, discussed two highly irregular cases. He said that one mountain pasture went from \$125 per acre to \$114,000 per acre; and that an island in the Missouri for which he paid \$6,000 had gone from \$20 per acre to \$132,000 in assessed value when it could not be used for anything.

Mr. Mons Tiegen, Montana Stockgrowers Association, said that he supported the Greenbelt amendments. He said that two years ago when the organization did that, they did not realize they were creating such a burden for others.

Ms. Lorna Frank, Montana Farm Bureau, said that her organization supported SB 19.

Representative Bob Raney, Livingston, said that in his community the majority of the work force has gone and property values are very depressed, yet the reappraisals came in much higher. He said many retired people did not understand their notices and did not protest. He said in some cases the taxes will rise from \$300 to \$5,000 per year. He said that this represented a significant amount of increase with no chance to appeal.

Representative Bernie Swift, House District 64, said that he agreed with comments made about the excessive values. He said that the extension of time and clarification of the process suggested in this bill were essential.

Mr. Greg Groepper, Administrator of the Property Assessment Division of the Department of Revenue, said that if a bill were passed rolling back values to the 1972 cycle, the Legislature would need to know the cost. He said there would be many problems with a roll back. He said that local government budgeting requires that the valuation be set early so that they can meet their own obligations. He said if there is a change made now, extensive reprogramming of county computers and renotifying taxpayers would be difficult. He said that Senator Christiaens bill represented a reasonable compromise. He said this would not jeopardize the county process. He provided the committee with a chart to demonstrate the taxable value increase (Exhibit 2). He said the chart demonstrates that the reappraisal turned out as expected but that nonetheless some people are impacted. He said the distribution of impact is normal. He said that reappraisal brought the value closer to actual value and that when land was taken out of agricultural classification the increases were dramatic. He said that the Department would welcome an extension of the

appeals deadline.

Mr. Groepper said the amendments were intended to deal with real property limited to class 4 and perhaps class 13 and that they should specifically address those classes. He asked the committee to so amend the bill. He also noted that Exhibit 2 did not include the Greenbelt numbers, which would make a difference in the distribution.

OPPONENTS

None were heard.

Questions from the committee were called for.

Mr. Groepper said that the standardized notice and the increase of time for appeal by 15 days would be okay. He said that the Department and local assessors offices needed chances to explain the increases in value. He said that any notice should give clear indication of what is happening and that the majority of taxpayers could not tell that from their notice. He said that taxpayers should be treated in a fair and equitable manner.

Senator Brown asked if the bill did enough. Senator Christiaens said that the bill does not do as much as he would like, but that it does take care of some immediate problems. He said better planning and ideas are needed.

Senator Severson said that time is not a solution to exorbitant increases in appraisals. He said that many have been told simply that "that is the law," and given no explanations. Senator Christiaens said he would be happy to work with the committee to improve the bill. He said taxpayers everywhere are concerned and this is at least a step in the right direction.

Senator Towe said he wanted to make some comments in support of the bill. He said that many counties have done a good job. He noted that the significant figure is taxable value and not market value. He said that should be clearly illustrated by the notice. He said that next time the Legislature should be certain of consistent, informative notice. He said that most have found the appraisers easy to deal with in justified changes. He said that two-thirds to three-fourths of those who go to the appraiser get some relief. He said the question is that many do not know how to easily get to an appraiser. He said the long waits were also a problem and that the appeals process was also not easily understood. He suggested that an amendment be drafted to start the appeals timing after the amended notice has gone out.

Senator Christiaens said he would be agreeable to the change.

Mr. Groepper said that the amendment would in principle do what the Department is trying to do now. He said that the language

Senate Taxation Committee
June 23, 1986
page four

should not use the notice time as the date because in the instances where the valuation does not change, no new notice is sent out.

Senator Goodover asked about people who took lengthy vacations and returned after the time deadline for appeal had expired. Mr. Groepper said that the county appeals boards have been making exceptions for legitimate reasons.

Senator Goodover asked if the valuations were in accord with the court decision. Mr. Groepper said that there are several court decisions and that to the best of the Department's ability all class 4 was valued as of January 1, 1982 by the same manual and the same people to treat this as required in the Constitution.

Senator Goodover asked if there could be a moratorium until 1987. Mr. Groepper said it would not be easy to do this. He said that 38 counties use computers and that they are reprogrammed from 12 to 17 classes with corresponding value changes. He said to redo that work could take an additional six months.

Senator Goodover asked if the reappraisal was revenue neutral. Mr. Groepper said that statewide it is revenue neutral, but that changes in market value disallow the possibility of making it revenue neutral in each county.

In response to a question from Senator Eck, Mr. Groepper said that in 1986 all commercial property was treated the same as residential property and that most disputes were settled. Mr. Groepper said the Department tried not to substitute its own judgement for the judgement of the person who was paying. He said they looked to the market value of what the property was selling for.

Mr. Groepper said that Livingston property was somewhat unique. He said that property values changed dramatically after the 1982 base year because of the railroad pulling out of Livingston. He noted the same was true in Glendive which experienced an oil boom in 1982 and 1983. He said that picking a different year would help the situation in certain counties. He did say that adjustments in Park County were being made.

Senator Mazurek said that people don't fully understand what is happening and that notice needs to be given to the people. Mr. Groepper said that all are interested in helping the taxpayer understand. He said that the Department of Revenue had informed the assessors what should have been in the notices. He said that when an explanation and conversation can be done that the appeals were dropped three to one. He said it generates a lot of staff time to do that explanation. Therefore, he suggested that the opportunity to explain should be encouraged, rather than the generation of more appeals.

Senator Towe asked what this bill would cost the Department. Mr.

Groepper said that three months of the 15 FTEs being cut would be needed. He said that would be, with materials and postage costs, about \$109,000. He said that when the amendments were enacted the cost could be detailed.

Senator Hager said that he had waited five hours to talk to an appraiser in Yellowstone County. Mr. Groepper discussed the Department's explanatory meetings in Yellowstone County held on May 2 and 3.

Senator Christiaens closed saying that something must be done quickly. He said that some counties do not even have tax notices out. He urged the committee to pass the bill.

CONSIDERATION OF SB 20: Senator George McCallum, Senate District 26, was recognized as chief sponsor of the bill. He said that SB 20 addresses problems directly, forcefully and to the point. He said the time for parcels of land missed by the Greenbelt legislation would be extended to August 1, 1986. He said that the bill also addressed the value on property not used for agriculture or timber land; and contiguous parcels of land used as a unit even if they were separately owned. He noted that another amendment dealt with small tracts of land not zoned either commercially or residentially. He said the bill is simple, that it handled the problems and that there would be no difficulty with administration of the bill in the Department of Revenue.

PROPONENTS

Representative Bernie Swift, House District 64, said that the bill is straight forward. He said that the reappraisal in his county was arbitrarily done and that no consideration was given to the fact that it would be impossible to use a certain tract of land for the purpose by which it was classified. He said that this bill would give relief without a full board appraisal process. He said that things like water level needed to be addressed. He said that agricultural land should be valued as such.

Representative John Mercer, Polson, discussed a ranch which had come under separate ownerships though no change in the use of the land had occurred they were taxed differently. He said that the question also arises with family ownership. He said that regardless of the arrangement of the ownership if it was operated as one entity it should be considered such for taxation purposes.

Mr. Bruce A. Nelson, Sr., Montana Association of Realtors and the Montana Association of Home Builders, said that the bill does not go far enough. He said that the taxation in the state precluded people from coming here. He said to have such an enormous tax increase at one time made the Boston Tea Party pale. He said this kind of policy keeps people away from Montana. He said that young people are precluded from buying recreational properties and that rural land is taxed too high. He said that the Legislature is killing the goose that laid the golden egg. He said the incentive

to risk capital is gone. He said that his organizations encouraged a serious look at this.

Mr. Bob Tossen from Great Falls, retired F.B.I. agent, said that he had decided to stay in Montana. He said that he had owned a place near Craig since 1978. He said that he travels for long periods of time and that he had thus missed his chance to appeal the appraisal. He said that taxable value went from \$1,308 to \$16,505; and from \$2,152 to \$9,490. He said that anytime the county or state intends to change the classification of a piece of property the land owner should be given adequate notice. He said that notice would have been less costly than the appeals process.

Mr. Harold Poulson, Great Falls, said the protest notice provisions would be negated if SB 20 passes.

Ms. Julie Hacker, Missoula County Freeholders Association, said that her organization supports SB 20.

Representative Paul Rapp-Svrcek, House District 51, said that he was in favor of both SB 19 and SB 20. He said that he had received an education by helping constituents deal with property tax problems. He said that there are currently small farms classified as suburban property in Sanders Co.

OPPONENTS

Mr. Bob Randall, Chairman of the State Tax Appeals Board, said there is a problem with Section 3 of the bill allowing until August 1 for hearing appeals. He suggested amendment to 15-15-102 to change the 15 days to 30 days to delay the appeal process. A few counties have already finished hearing tax appeals, he said. He said that setting them sooner would help the problem. He also called to the committees attention an extreme case south of Livingston where a large subdivision with underground power, water, etc., was leased back to a church group at \$22 per parcel.

Ms. Jo Brunner, Montana Grange, said that agriculture continued to protest the inclusion of small non-productive parcels as agricultural land and to calling people farmers when they are not. She said that this skewed agriculture statistics. She said that the Legislature should perhaps look at another class in Class 4 to take care of these small parcels working with the Legislature and the Department of Revenue. She said nothing should be done to change the Greenbelt law.

Mr. Terry Murphy, President of the Montana Farmers Union, said that the Department was building into a new system and needed time to work out the inequities. He said the bill is an overreaction to a problem that is greater in perception than it is in reality. He said that urban people should not be allowed to move out of cities simply to avoid paying taxes. He said when they do this the crop

Senate Taxation Committee
June 23, 1986
page seven

spraying, the residential dogs and other things become a problem. He said the tax incentive for this to happen needed to be taken away. He said, that while some blame problems with reappraisal on the Greenbelt bill, that reappraisal has been fair in many instances. He asked the committee not to overreact and throw away some good things.

Mr. Mons Tiegen, Montana Stockgrowers Association, said that the appraisal process and lack of understanding of the issues dictated that the status quo prevail for now. He suggested that a third category for this kind of land needed to be added in the future.

Ms. Lorna Frank, Montana Farm Bureau, said the problem was too complex to address in this session. She said the committee should wait until January 1987.

Mr. Phil Campbell, Montana Education Association, said that they continued to oppose any erosion of the tax base. He said that particular problems could be addressed without eliminating the entire concept.

Mr. Greg Groepper said the Department would present amendments to the bill as some parts of the bill were not workable.

Chairman Towe said that questions would be held for another time.

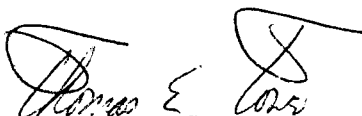
Senator McCallum closed saying that he had no objection to the proposal Mr. Randall made on the 30-day extension. He said that only farm people needed the farm classification, but that property with water problems or a grade "steeper than a cow's face" that was unproductive should not be excessively taxed. He said those looking at small pieces of property were not all out just for a tax break. He talked about his daughter who was working at another job to try to hang onto their ranch and said that it should not be classified as suburban if they could not meet the needs test. He said the enactment was not what the Legislature had intended and that this bill represented a chance to do what was right.

MOTION: Senator Mazurek moved that the committee reconsider its action of yesterday in not passing SB 13.

He said that the options were being killed and he wanted to table rather than kill the bill. The motion carried unanimously.

MOTION: Senator Mazurek moved that SB 13 be tabled, as amended. With Senator Goodover voting no and all others voting yes, the motion carried.

Chairman Towe adjourned the meeting at 10:03 am.


Chairman

COMMITTEE ON

DATE

6/23/84

Senate Bill 20

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Harold Gordon	Self & Others	20	✓	
Ernest	N 9 A			✓
Carol Mascher	Mt. Battlewoman	20		✓
Tracy D. Nelson	Mt. Assoc. of Realtors	20		
J. B. Burrell	George			✓
Bob W. W. W.	Self	20		
Bob W. W. W.	Self	20	✓	
J. M. Rollins	Adrian Ave	20	✓	
Terry M. M.	MT Farm & Ranch			✓
Mary T. T.	Mt. Stockgrowers Ass'n	20		X
Phil Campbell	M E A	20		X
Julie Hacker	Mt. Co. Truholders	20	X	
Nora Cahan	Mt. Co. Truholders	20	X	
Betty Lewis	Self	20	✓	
Linda Frank	Mt. Farm Bureau	20		X
DEL VOEGEL	SELF		X	

6/23/86

DATE Senate Bill 19

[illegible]

(b) Statement _____

NAME: Mons Tregon DATE: C/2B/86

ADDRESS: H/Pléua

PHONE: 442-3420

REPRESENTING WHOM? Mont. Stockgrowers Assn

APPEARING ON WHICH PROPOSAL: SB 19

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: The bill as amended should adequately address
most of the present concerns re small tract assessments.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Mons Teyon DATE: 6/23/86

ADDRESS: Alma

PHONE: 442-3420

REPRESENTING WHOM? Montgomery Assn

APPEARING ON WHICH PROPOSAL: S.B. 20

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? X

COMMENTS: Should consider establishing a third class in the
1987 session to be somewhere between agric + development.
This legislation is premature in this special session

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Amend Senate Bill 19, introduced copy

1. Title, lines 4 through 7.

Following: "REQUIRE" on line 4

Strike: "STATE TAX APPEAL BOARD REVIEW OF"

Insert: "THE DEPARTMENT OF REVENUE TO STANDARDIZE PROPERTY TAX CLASSIFICATION AND APPRAISAL NOTICES; TO REQUIRE THE DEPARTMENT TO SEND A STANDARD NOTICE TO TAXPAYERS WITH"

Following: "IN" on line 5

Insert: "1986"

Following: line 5

Strike: "BEFORE PLACEMENT ON ASSESSMENT BOOKS"

Following: "BOOKS;" on line 6

Insert: "ALLOWING TAXPAYERS WITH EXCEPTIONAL INCREASES IN 1986 ASSESSMENTS AN EXTENDED TIME TO APPEAL;"

Following: line 6

Strike: "15-8-112"

Insert: "15-7-102"

2. Page 1.

Following: line 7

Insert: "WHEREAS, each property taxpayer in the state should be properly notified regarding the classification and value of the taxpayer's property for property tax purposes; and

WHEREAS, the lack of a standardized property tax classification and appraisal notice results in a variety of notices being sent by the counties with a wide range in the clarity of the notices; and

WHEREAS, incomplete or incomprehensible tax classification and appraisal notices create much confusion and misunderstanding regarding the property tax system and, in particular, the property revaluation process as implemented in the 1986 tax year.

THEREFORE, the Legislature of the State of Montana finds it appropriate to direct the Department of Revenue to adopt a standardized property tax classification and appraisal notice and to send such notice to taxpayers with exceptional increases in 1986 assessments, and to allow the recipients of those notices in 1986 an extended time to appeal."

3. Page 1, line 10 through line 16, page 3.

Strike: sections 1 through 4 in their entirety

Insert: "Section 1. Section 15-7-102, MCA, is amended to read:

15-7-102. Notice of classification and appraisal to owners — appeals. (1) It shall be the duty of the department of revenue to cause to be mailed to each owner and purchaser under contract for deed a notice of the classification of the land owned or being purchased by him and the appraisal of the improvements thereon only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

SENATE TAXATION

EXHIBIT NO. 1

DATE 06-23-86

BILL NO. S.B. 19

- (a) change in ownership;
- (b) change in classification;
- (c) change in valuation; or
- (d) addition or subtraction of personal property affixed to the land.

(2) The notice of classification and appraisal provided by the department under subsection (1) shall be on a standardized form adopted by the department containing sufficient information in a comprehensible manner designed to fully inform the taxpayer as to the classification and appraisal of his property and of changes over the prior tax year.

~~(2)~~ (3) If the owner of any land and improvements is dissatisfied with the appraisal or classification of his land or improvements, he may submit his

objection in writing to the department's agent. The department shall give reasonable notice to such taxpayer of the time and place of hearing and hear any testimony or other evidence which the taxpayer may desire to produce at such time and afford the opportunity to other interested persons to produce evidence at such hearing. Thereafter, the department shall determine the true and correct appraisal and classification of such land or improvements and forthwith notify the taxpayer of its determination. In the notification, the department must state its reasons for revising the classification or appraisal. When so determined, the land shall be classified and improvements appraised in the manner ordered by the department.

~~(3)~~ (4) Whether a hearing as provided in subsection (2) is held or not, the department or its agent may not adjust an appraisal or classification upon taxpayer's objection unless:

- (a) the taxpayer has submitted his objection in writing; and
- (b) the department or its agent has stated its reason in writing for making the adjustment.

~~(4)~~ (5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. Each county appraiser shall make such records available for inspection during regular office hours.

~~(5)~~ (6) If any property owner shall feel aggrieved at the classification and/or the appraisal so made by the department, he shall have the right to appeal to the county tax appeal board and then to the state tax appeal board, whose findings shall be final subject to the right of review in the proper court or courts. v

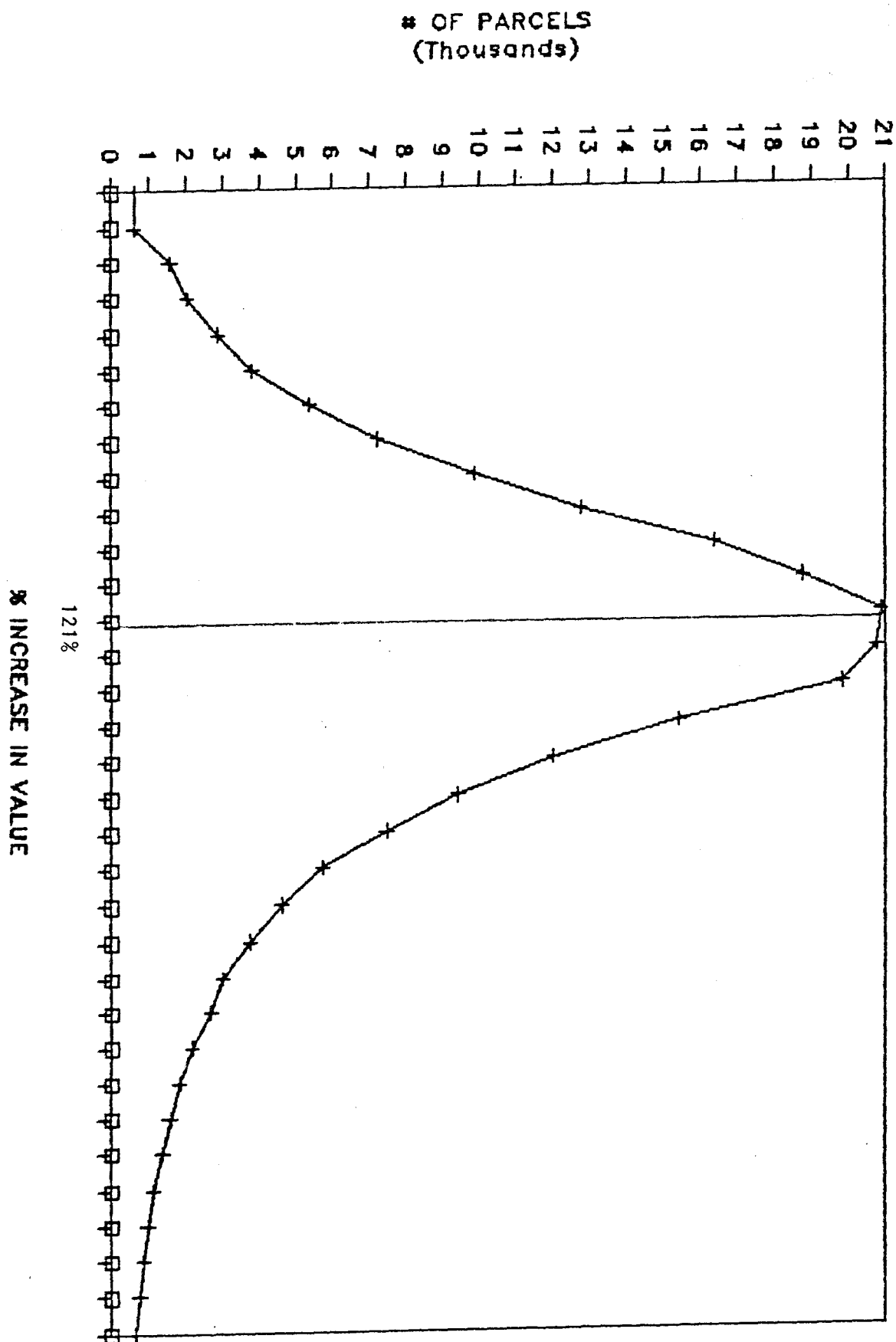
NEW SECTION. Section 2. Renotification to taxpayers with exceptional increases in 1986 assessments. The department of revenue shall send a standard property tax classification and appraisal notice as described in section 1 of this act to each property taxpayer whose 1986 assessment increased by 180% or more when compared with his 1985 assessment.

NEW SECTION. Section 3. Extension of time to appeal property tax classification or assessment. Notwithstanding the provisions of 15-15-102 to the contrary, a taxpayer who receives a standard property tax classification and appraisal notice under section 2 of this act has 15 days after receiving such notice to file an appeal with the county tax appeal board.

NEW SECTION. Section 4. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act "

INCREASES IN APPRAISED VALUES

FROM 1972 TO 1982



Senate Bill 20
Bill Summary

Senate Bill 20 is an act to revise the way certain property is classified in Class 3 and Class 4 to address concerns that have been raised about the impact of Senate Bill 431 on 1986 property taxes. The bill changes the greenbelt law in a couple of ways and also changes how certain idle land is taxed under Class 4. Since the bill would apply to this tax year, the application deadline for reduction in 1986 valuations is extended to August 1, 1986.

There are two changes to the greenbelt law's definition of agricultural land in section 2 of the bill:

First, parcels of land containing 20 acres or more under one ownership get the agricultural land designation as long as the land is not devoted to a commercial or industrial use. The owner does not have to meet the \$1500 income test on this size parcel. As drafted, the bill would allow someone to put a house on the land and it would still get the agricultural classification. But, if the land were devoted to a commercial or industrial use, it would lose the agricultural classification.

Second, land under 20 acres would still have to meet the \$1500 income test under existing law, except that contiguous parcels of land could be combined to meet that test even if they were under separate ownership. In order to do that, though, there has to be "one combined operating entity" and the parcels must, in fact, be devoted to agricultural use. This would allow land that has been classified as agricultural to continue under that classification after being divided if the owners continue to operate it as one unit.

Two other minor amendments were made to 15-7-202 to delete meaningless language, in the opinion of the bill drafter: First, subsection (2) is nonsensical. It says that if land does not meet the \$1500 income test it can't be classified as agricultural land, even if it's in a platted subdivision. Subsection (1) makes it perfectly clear that all ag. land must meet the \$1500 income test. Second, subsection (4) is deleted because it is unnecessary to say that grazing hobby animals does not qualify. Again, under existing law the \$1500 income test is the only criterion.

The bill also contains amendments to section 15-6-134 to cut the Class 4 tax rate in half for two categories of idle land:

First, land containing more than 5 acres and less than 20 acres as long as it is not devoted to a residential, commercial, industrial, agricultural, or timberland use. This land could contain incidental improvements like corrals, fences, sheds, garages, etc. as long as the land isn't used for a purpose that would put it in another tax category.

Second, land containing not more than 5 acres that is basically unusable because of laws, regulations, or ordinances of the state or local government. This land must be precluded from use as residential, commercial, or industrial. The limited utility of the land should be reflected in appraisals, but the reduced tax rate addresses the belief of many people that this type of property is not being accurately appraised.

This bill has an immediate effective date and applies to this year's tax. The Department of Revenue would have to redo the affected taxpayers' assessments and send them a new notice. For this reason the application deadline for reduction in 1986 taxable valuation is extended to August 1.

SENATE TAXATION

EXHIBIT NO. 3

DATE 06-23-86

BILL NO. S.B. 20