

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

June 25, 1986

The eighth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8 am, Wednesday, in Room 325 of the Capitol.

ROLL CALL: All members of the committee were present except that Senators McCallum and Mazurek were excused for a meeting of the Legislative Administration Committee.

CONSIDERATION OF HJR 1: Chairman Towe said that he felt this should be passed back to the House to allow their reaction to possible changes. He said the resolution would allow Legislative determination of the budget as opposed to determination by the Office of Budget and Program Planning and the Legislative Fiscal Analyst.

Senator Brown said it was only an estimate and that it could be off just as much as the others.

MOTION: Senator Neuman moved that HJR 1 be concurred in.

Senator Towe said that it was his intention to amend the resolution. He referred to Exhibit 12 of the June 24, 1986, meeting. Senator Hager said there was only 1 percent difference and that he saw no need to change the resolution for 1 percent. Senator Towe said that the 1 percent amounted to \$6 million of the over \$700 million budget. Senator Towe then proceeded through the exhibit explaining the changes. He concluded saying that \$6 million in impact in the budget balancing could help and that was his reason for the importance of passing the resolution accurately.

Senator Eck asked Terry Johnson to respond to the information. Mr. Johnson, Office of Budget and Program Planning, said that the estimate for 1987 may be too high based on the experience with 1986. He said the resolution should not contain any pending legislation, but be based on current law only.

Ms. Judy Curtiss-Waldron, Legislative Fiscal Analyst, said that an assumption in LFA figures were incorporating a pay plan freeze. She said that income tax collections did seem too high and that could also affect the bottom line.

Question was called on the motion to adopt HJR 1 without amendment. Senators Hager and Towe voted no. All other members voted aye. The motion carried.

FURTHER CONSIDERATION OF SB 19: Amendments addressing the questions surrounding time for appeal were discussed. Senator Christiaens said that amendments would give the Department of Revenue direction for a standard notice giving last years and this years figures and a full explanation of the changes. He said the taxpayers now have

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no way of knowing. The amendment would also extend the deadline for filing of a protest. He said that the bill does less than was intended, but that it went a long way toward solving the problems.

Senator Towe said the extension of the deadline was the subject of another amendment. Senator Christiaens said that the explanation would be required anytime changes occur, but not if they do not.

Discussion of the standardized form to be used followed.

Senator Eck said she was concerned about the number of bills pending in committee which have fiscal impact. She said she was concerned about committee time.

Senator Mazurek proposed an amendment which would add a new section 3 saying that a appeal could be filed August 1 or 15 days after the receipt of notice, whichever was later. He said that the new amendments presented to the committee in Exhibit 1 were too cumbersome.

Senator Brown said that the appraisal process was flawed and contrary and that he wasn't sure that was addressed by fiddling around with this bill. He suggested that a freeze should be made on that process and sense should be made of it in 1987. He said the gross inequities of the process should be addressed ahead of the administrative problems of the Department of Revenue.

Senator McCallum agreed with Senator Brown.

Senator Mazurek suggested that additional notice be given or that chaos would unfurl.

Senator Towe said he did not think that many would be affected.

Chairman Towe then recessed the meeting as the Senate was ready to convene.

The committee reconvened at 10:50 am.

Senator Severson resumed the discussion saying that appraisal was the problem. He said that it was not personalized, was computerized and generally terrible. He suggested an amendment to put a moratorium on land covered by SB 431 for one year, but on land only not houses or buildings. He said there was no way the problem could be addressed in so short a time. Senator Towe asked if he intended fair market value of last year, and Senator Severson said, no, he intended the assessed value of last year.

Senator Towe suggested that there would be a problem with commercial property. He said that if it was frozen to the next session then another amendment would have to be inserted to address the 34 percent

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cases.

Senator Eck said that county computers would have to understand taxable value so the budgets could be set.

Senator Mazurek asked if the information could be generated manually. He also noted that treating different items in the same class differently was the origin of the 34 percent cases in the first place. He said to take out just certain land would allow for the creation of new court cases. He said it should be done across the board.

Senator Severson said he would be amenable to a total freeze.

Senator Goodover said that computers have discs on file. Senator Eck said they were getting updated information all the time. She said the problem was with appraisal and with the local assessors.

Senator McCallum said the county assessors cannot be blamed for the appraiser's work.

Senator Hirsch said the use test alone wasn't enough and that it needed application of some variety.

Mr. Greg Groepper, Administrator of the Property Tax Division of the Department of Revenue, said that implementation of a freeze on SB 431 would leave other classes out and would not direct the 17 counties using a farm home discount.

Senator Towe said only the land is at issue. Mr. Groepper said that there is a problem with equity in valuing farm land when it doesn't qualify as a farm. He said there was a great variety of applications and that SB 431 at least put it on equal footing.

Senator Goodover asked how this affected commercial reappraisals. Mr. Groepper said that commercial values did not raise as much. He said at this late date very little could be done without a great influx of staff time. He said that all taxpayers deserved to be equalized, to have similar factual situations treated in the same way.

Senator Mazurek said that a half step had been taken in the McCallum bill (SB 20). He said that extending the appeal deadline and re-noticing would help. He said that commercial problems could also go to the county tax appeals board.

Mr. Groepper said that the committee could look at the time between now and January and direct the Department to make adjustments in the second half of 1987.

Senator Severson said that perfect would not happen. He said that SB 431 had turned out more imperfect than before. He said that the Department cannot use a blanket value on property.

Senator Eck suggested that Department of Revenue appraisers could be directed to assess at a lesser value.

Senator McCallum asked if the appraisals were done from topographical maps or done personally. Mr. Groepper said that some were done with ariel photography because they couldn't always go to the field. He said counties with good agricultural land values were left alone. He said that photography was used with about 95 percent of the commercial land values. He said that private firms had been contracted for some land values. He said that association professionals had been brought in to train the appraisers in the counties that were not contracted. He said they used sales in a manner professionally described. He said that 1985 values were less than in 1982 and that created some of the problem. He said it would be quicker to fix by adjusting the 1982 values forward to 1985. He said that different counties would be impacted differently.

Senator Towe said that whenever a lot of values change there are a lot of complaints. He said that many of the values are very valid. He asked if the committee wanted nonproductive prices taxed at fair market value. He said that many of the values really were bad. He said the system can pick those up and the county tax appeal boards can adjust values. He said two things need doing: First, the publicity needs to get out to folks about talking to the appraisers. Second, the time needs to be extended for the appeals to be sure that those making an attempt to work it out have that chance.

Senator Mazurek noted that Senator Christiaens bill required re-notification and he felt that was very important.

Senator Halligan asked if all properties were covered or only those in class 4. Mr. Groepper said that they could notify any whose values went up 180 percent. Senator Towe said it did cover class 4 only. He asked if class 13 were covered. Mr. Groepper said that 55 percent of the commercial timber in the state is owned by three companies. He said the value has remained pretty much the same and that renoticing would not be necessary.

Senator Brown said the appraisal process was helped by sending a second notice. He said that if the appraisal process is off, however, a second notice won't help. He said that despite administrative hassel, the process should be stopped.

Mr. Groepper said that it had taken six to eight months to install new values in the county computers at a cost of about \$2 million in personal services. He said the renoticing would cost upwards of \$200,000. He said that if it were stopped it would aggravate the manual disparity cases, railroad property, and commercial values which was now close to fair market value. He said that the counties have three months to set the budget, then the tax bills go out. He said the time value of \$280 million for three months could result in a loss of perhaps \$40 million. He said the agreements on the manual disparity cases expired in 1985 and 1986 and this could reopen

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those cases.

Senator Severson said that the people are the ones to whom the Legislature is responsible. He said that gross errors have been made in appraisal and that the committee has to represent what is right and fair.

Mr. Groepper said that the Legislative Audit Committee has been auditing the Property Assessment Division for nine or ten months. He said that perhaps they could shed some light on the appraisal process. He said that they had only 4,000 appeals as of two weeks ago on about 54,000 properties. He said that they don't share the committee's concern about the work product.

MOTION: Senator Eck moved that nothing broader than Senator Christiaens bill be considered.

After brief discussion she withdrew the motion.

MOTION: Senator Severson moved that language be drafted for amendment to SB 19 that would freeze land properties covered by SB 431 of last session for one taxable year.

It was clarified that the vote would be on whether the committee wanted to adopt a freeze.

MOTION: Senator Halligan moved to amend SB 19 per the exhibit, absent section 3.

Senator Hager commented that there had been a 30-minute debate on the freeze and that the committee was all over the place after an hour of work.

Senator Halligan asked if the committee were ready to vote on a motion to freeze. Senator Halligan withdrew his motion.

Question was called on that motion by Senator Severson. Senators Brown, Goodover, Lybeck, McCallum and Severson voted yes. Senators Eck, Hager, Halligan, Hirsch, Neuman, Mazurek and Towe voted no. The motion failed.

MOTION: Senator Halligan moved to amend SB 19 per Exhibit 1 deleting Section 3.

Senator Mazurek brought up the subject of inclusion of timber here. In response to a question from Senator McCallum, Mr. Groepper said that no forest management plan was necessary and that there had been no complaints on Class 8 property. He said that if the assessed value went up 180 percent or more a renotification would be sent and everybody would be given additional time to appeal, including timber interests.

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Senator Mazurek discussed Section 2 and the need to add the language "or any change as a result of SB 20".

Senator Halligan amended his motion to include the new language.

Mr. Lear said that SB 20 already covered that requirement.

Senator Halligan withdrew the new language from his motion.

Mr. Groepper said they would not be noticed anyway.

Question was called and the motion carried unanimously.

Senator Towe suggested that the committee look at a new Section 3. He said it was a second alternative to amending SB 19.

MOTION: Senator Halligan moved that SB 19 be amended per Exhibit 2.

Senator Goodover said that this should cover reappraisal years only. Senators Mazurek and Halligan agree that it should be done for only 1986 only. Mr. Jim Lear, committee staff, said that the broad deadline language in SB 20 should also be used in this bill so that they would be consistent.

Senator Halligan withdrew his motion.

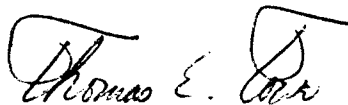
MOTION: Senator Halligan moved to amend SB 19 per the attached Standing Committee Report.

The motion carried unanimously.

MOTION: Senator Halligan moved that SB 19 do pass as amended.

The motion carried unanimously.

Chairman Towe adjourned the meeting.



Chairman

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 6-25-86

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.

(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.

(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 reasons in writing for making the adjustment.

(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.

(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.

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 in 1986.

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.

as a result of appraisal of Class 4 property or any change in classification of Class 4 property
as a result of
58-00
proposed by
for appeal shall not commence running until after the date of the appointment or receipt of a new notice from adjustment has been considered

Amend Senate Bill 19, amendments introduced by sponsor

Strike: new section 3 in its entirety

Insert: "Section 3. Section 15-15-102, MCA, is amended to read:

"15-15-102. Application for reduction in valuation.

(1) No reduction may be made in the valuation of property unless the party affected or his agent makes and files a written application with the county tax appeal board on or before the ~~first-Monday-in-June-or-15-days~~
~~--after-receiving-a-notice-of-classification-and-appraisal~~
~~--from-the-department-of-revenue, whichever is later, --a~~
~~--written-application-therefor~~ date specified in subsection

(2). The application shall state the post-office address of the applicant, shall specifically describe the property involved, and shall state the facts upon which it is claimed such reduction should be made.

(2)(a) The deadline for application for reduction in valuation is 15 days after a taxpayer receives a notice of classification and appraisal if the taxpayer does not seek an informal review by the appraiser.

(b) If a taxpayer obtains an informal review by the appraiser within the time allowed under subsection (2)(a), the deadline is 15 days after the date that the taxpayer receives notice of the disposition of the informal review.

(c) If the taxpayer is unsuccessful in obtaining an informal review within the time allowed under subsection (2)(a), but during that time has telephoned the appraiser or attempted to consult the appraiser in person to seek an informal review or has been absent from his home and unaware of the contents of the notice of classification and appraisal, the department shall continue to accept review of such cases upon affidavit by the taxpayer asserting his attempts or absence, in which case the deadline for application for reduction in valuation is 15 days after the date that the taxpayer receives notice of the disposition of the informal review.

~~(d)~~ In no case may the deadline for application for reduction in valuation under this section extend beyond August 1, 1986." or 15 days after receipt by taxpayer of a revised

notice of classification and appraisal, whichever is later.

The Dept. shall ~~for~~ allow at least 15 days after any informal ~~appraiser~~ review by an appraiser for ~~application~~ ~~for~~ reduction to the Co Tax Appeal Board, ~~provided~~.

The Board shall promulgate rules for implementing this provision.

STANDING COMMITTEE REPORT

JUNE 25

19. 86

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MR. PRESIDENT

TAXATION

We, your committee on

SENATE BILL

having had under consideration

No. 19

first

reading copy (white)
color

STAB REVIEW OF EXCEPTIONAL ASSESSMENT INCREASE BEFORE PLACEMENT ON TAX ROLLS

SENATE BILL

Respectfully report as follows: That

No. 19

BE AMENDED AS FOLLOWS:

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: "TO EXTEND THE APPLICATION DEADLINE FOR REDUCTION IN 1986 VALUATIONS;"

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

XXXXXX

XXXXXXXXXX

Chairman.

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 extend the application deadline for reduction in 1986 valuations."

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:

- (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.

JUNE 25,

1986

~~43~~ (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.

~~44~~ (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.

~~45~~ (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."

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 as a result of reappraisal of class four property by 180% or more when compared with his 1985 assessment.

NEW SECTION. Section 3. Application deadline for reduction in 1986 valuation. Notwithstanding the provisions of 15-15-102, the application deadline for reduction in 1986 taxable valuations is August 1, 1986, or 15 days after receipt by the taxpayer of a revised notice of classification and appraisal.

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."

AND AS AMENDED
DO PASS

Chairman