

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
49TH LEGISLATURE  
SPECIAL SESSION III  
HOUSE OF REPRESENTATIVES

June 25, 1986

The fourth meeting of the taxation committee was called to order by chairman Gerry Devlin in room 312-1 of the capitol at 8:09 a.m.

ROLL CALL: All members were present with the exception of Representative Iverson, who was excused. Also present were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE BILL 34: Representative Devlin, house district 25, informed the committee that this bill will make a change in the time period that they do appraisals in the state of Montana. He noted that back in 1974, they put the time for reappraisal at five years and the last reappraisal cycle started in 1979 and it has just been completed now. He stressed that he believed that instead of trying to squeeze this into five years, it should be done on a ten-year cycle. He contended that they could reduce some staff in the remaining part of this first five years and they could start right out of the shoot in the next five years and, maybe, people could get their new reappraisals by January.

He advised the committee of the savings this would incur, which was figured by the legislative fiscal analyst as per exhibit 1.

PROPONENTS: There were none.

OPPONENTS: John LaFaver, director of the department of revenue, stated that they oppose this bill and he understands the frustration that everybody feels during a reappraisal year, especially when the last time it was done was seven years ago, and during that time, their adjusting values were from a 1972 book to a 1982 book so there is a ten-year adjustment period.

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He advised that they should look at technologies to do reappraisals more often so that the adjustment is less than they are having now.

He also noted that no matter which bench year they choose to do reappraisal, it is for some counties an unfair year and that might be a high year in terms of property taxes and he gave Livingston as an example, saying that in 1982, it was a much higher value than in 1986 and if they go to 1996 or the year 2000, that unfairness will last for more years.

Eric Feaver, president of the Montana Education Association, testified that basically the problem with property taxes in this state is inequity and they do not see how this bill would address inequity.

There were no further opponents.

QUESTIONS ON HOUSE BILL 34: Representative Ellison asked what they (the department) are going to do different next time to cut down the seven years.

Mr. LaFaver replied that efforts to get started on reappraisal really didn't get started until 1981, and they were limited by the number of staff.

Representative Ellison asked when they start the new appraisal, what book are they going to use.

Mr. LaFaver responded that they will use as late a year as they possibly can and he would imagine that it would be 1988 values, but they may have to use 1987.

Representative Asay asked if there were not on-going adjustments made during the year if property is added and changed.

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Mr. LaFaver answered, "No, we do not." He added that during the process of appraisal, they find value that they would not otherwise find.

Representative Asay indicated that he could not understand why they have to depart so radically from true value as they have this year and he thought these adjustments were made on a regular basis.

Mr. LaFaver replied that he did not understand his contention that they have departed from value.

Representative Asay clarified that in 1982, values are so far out of reality.

Mr. LaFaver explained that new construction goes on the books at 1982 values and until they do a reappraisal, it will still go on at 1982 values as the supreme court says that they have to value all property the same whether it is a new piece of construction or an old one, it has to be the same.

Representative Harp asked what it would cost the department of revenue to annually reappraise every piece of property in the state of Montana.

Mr. LaFaver responded that the only way realistically to do it, would be to keep it within the \$10 million number and that would take utilization of technologies that they do not now have, but he would hope over the next two to three years, that systems people would come up with a proposal that would allow the legislature to move in that direction.

Representative Switzer questioned if the department has the authority to change the appraisals if there are obvious errors.

Mr. LaFaver replied that they do if the property was measured wrong or if the value of the land is wrong, but they do not have the ability to change the year.

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Representative Switzer asked what would happen to a house in 1986, that was constructed in 1984 and the taxes were paid in 1985.

Mr. LaFaver responded that in 1985, it was put on as a 1972 value and in 1986, it was put on as a 1982 value and the next cycle will be as late of a year as possible.

Representative Ream noted that reappraisal has taken seven years and he asked if they cut the reappraisal staff by one-half, isn't it going to take fourteen years.

Representative Devlin replied that he did not think so, because they would have a well-trained nucleus of staff and they could be the trainers for the new people that come on for the next five years and the appraisers are doing a lot of work the first couple of years just defending their work at the last appraisal.

There were no further questions.

Representative Devlin stated that the county assessor is the one who is suppose to pick up the new property as on the reporting list a taxpayer gets every year, it requires that you list any new construction. He asked if someone was successful in their protest, should they not go back and reduce all like property just to be fair.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 44: Representative Keenan, house district 66, advised that this bill was requested by the revenue oversight committee and this bill would revise the procedures for the payment of a tax or license fee under protest.

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She gave some history on previous proposed legislation in dealing with this problem and she advised that with this bill, they worked with the county commissioners in those counties that were specifically affected and she walked through the bill with the committee page by page.

PROPONENTS: Gordon Morris, representing the Montana Association of Counties, stated that this bill has been worked on by the revenue oversight committee and they participated in that process and they feel that it is reasonable for all jurisdictions. He emphasized that they support this bill.

Eric Feaver, representing the Montana Education Association, testified that they support this bill and urge a do-pass.

Dennis Burr, representing the Montana Taxpayers' Association, contrasted how this bill would work compared to HB 704. He advised that they are supporting this bill as they think there are enough safeguards in it.

Martha McGee, county treasurer of Lewis and Clark county, said that she thought the treasurers could work with this bill and if there are any serious side effects, it could be taken care of at the next legislative session.

Doug Schmitz, commissioner from Jefferson county, stated that they are quite strongly in support of this bill as protests have been a difficult issue in Jefferson county and they have had to lay people off because of it. He advised that in one small school district over 88% of the taxes paid were under protest.

Representative Williams, house district 85, said that as chairman of the revenue oversight committee

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he requested this bill because after they passed HB 704 in the 1985 session and tried to implement that bill, they found they were in a difficult situation and it provided more problems than it did answers, and as a result of that, they got people involved to deal with these problems. He recommended support of this measure.

There were no further proponents.

OPPONENTS: Les Loble, representing Northwest Airlines, noted that on page 6, line 12, subsection 9, the wording is "may" and he would suggest that if it is the intent that the taxing jurisdiction must pay it back in one year, this should be changed to "shall". He continued that he believed that the temptation of the various taxing jurisdictions is almost going to be irresistible.

There were no further opponents.

QUESTIONS ON HOUSE BILL 44: Representative Devlin referred to the bottom of page 1 and asked if he wanted to protest that his values were too high even though his taxes had stayed the same, does it say that he could not protest anything.

Representative Keenan answered no, unless a different amount results from the specified grounds of protest and on page 2, lines 1 and 2, this provides for all the other problems that might arise.

Representative Devlin asked if this would preempt him from appealing his taxes next year even though there is not a change in value, i.e. if he missed that window of opportunity this year and it was a short period, and his taxes are the same this year and the same next year, could he protest his taxes under this bill.

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Mr. Morris replied that this is a very legitimate concern and he would have to say that this might very well bar someone from protesting next year if they missed this year.

Mr. Bohyer clarified that there is a difference here too, because there is an opportunity to appeal your appraisal for a period for about fifteen days after receiving your appraisal and it is a separate process to pay your taxes under protest and paying your taxes under protest will occur after you get your tax bill in November.

Representative Devlin asked if someone missed that opportunity to protest in November, could they then protest in May.

Mr. Bohyer replied that it is his understanding that a person can pay their taxes under protest any time they wish. He added that in May of 1987, when the second half of the taxes become due, the person will also have the opportunity to appeal their appraisal to the county tax appeal board by June 15, 1987, and they will have several opportunities to appeal this year and pay their taxes under protest.

Representative Devlin asked if he missed the first half, but appealed his taxes in May, would he then only be able to appeal one-half of those taxes.

Ms. McGree responded that if you protested on November 30, and only paid one-half, you could only protest what you paid; if you paid the full amount, the full amount would be in the protest, but if you paid one-half, you could only protest the second one-half.

Mr. Burr clarified that if they do not protest their assessment and wait until the time it becomes due in November and then pay them under protest, the department of revenue has been pretty successful in the last few years in getting these thrown out.

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Chairman Devlin noted that property values in the state of Montana have gone up an average of 120% and if a home was valued at \$10,000 previously, that valuation would go up to \$22,000, even though his taxes stayed the same, would he be able to protest that valuation.

Mr. Burr answered that he hoped that the language on top of the page would cover if he said that he was protesting X amount because he thought the value of this house is \$10,000 and any tax above the value of \$10,000 he would want to pay under protest. He indicated that he hoped the language was good enough that they would accept this.

Chairman Devlin asked if he thought that this language at the top of page 2 could reflect this in a better manner.

Mr. Burr replied that the language has been kicked around for about a year now and no one has come up with anything worse or better.

Representative Switzer asked in connection with delinquent taxes, if personal property has a three-year limit before it is sold to recover the taxes or is it shorter.

Mr. Burr answered that it is thirty days and he didn't think there was a three-year limit on anything as when somebody is going to pay the taxes on real property and try to take it on assignment, they have three years, but if the county wants to seize that property and sell it, they can do it as of the first of December as soon as they miss that first payment and they can do this on real property and it is the same on personal property.

Representative Asay indicated that it seems to him that the message throughout this bill is that the

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counties can make money on this and that the protestor is wrong and that the king is all mighty and he doesn't think their whole system is set up with the assumption that the taxpayer is wrong.

Representative Keenan responded saying that they sit here at this table assuming that they know what each of those jurisdictions need and what is best for them and she prefers that local jurisdictions have the options available to them to use their discretion - they are elected officials too.

Representative Asay stated that he feels strongly that the agents of the government should be servants of the people and not the reverse.

There were no further questions.

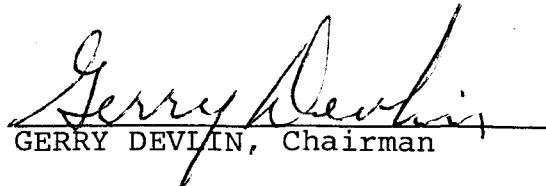
Representative Keenan explained that they have spent a year looking at this for local jurisdictions and they are back in here making amendments and she is adamantly against that, because, in essence, this guts the bill. She emphasized that most protests are solved in eighteen months.

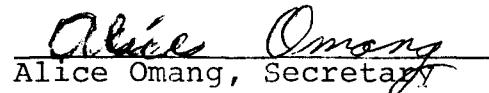
The hearing on this bill was closed.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 45: Representative Devlin suggested that they wait on this bill as he thought it was going to take some time and the session started at 10:00 a.m.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:57 a.m.

  
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GERRY DEVLIN, Chairman

  
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Alice Omang, Secretary

DAILY ROLL CALL

## TAXATION

**COMMITTEE**

49th LEGISLATIVE SESSION -- 1985

## Meeting #4

Date

June 25, 1986

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
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	✓		



STATE OF MONTANA

Exhibit 1  
HB 34  
June 25, 1986  
Office of the Legislative Fiscal Analyst Rep. Devlin

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-2986

JUDY RIPPINGALE  
LEGISLATIVE FISCAL ANALYST

June 20, 1986

Representative Gerry Devlin  
Montana House of Representatives  
Seat #41  
State Capitol  
Helena, MT 59620

Dear Representative Devlin:

The following is a response to your request for information on the cost savings if the property reappraisal cycle was changed from five years to 10 years.

The 1985 legislature authorized 441.4 FTE in the property assessment division for fiscal 1987. As part of the 5 percent reduction 15 FTE and \$214,400 were eliminated from the budget leaving a total of 426.4 FTE. Table 1 shows the breakdown of those FTE.

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Table 1  
Property Assessment Division  
FTE Breakdown

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	<u>FTE</u>
Administrative Staff Helena	8.5
Appraisal Staff Helena	23.5
County Assessor Staff	196.4
County Appraisal Staff	<u>198.0</u>
 Total	 <u>426.4</u>

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The table on the following page summarizes the staffing levels, the Department of Revenue maintains, that are required to conduct yearly functions of property appraisals.

**Table 2**  
**Property Appraisal Staff Required for Yearly Functions**

<u>Function</u>	<u>FTE</u>
A. Maintain minimum service	112
B. Larger counties new construction and land use changes	28
C. Appeals	10
D. Reappraisal	<u>48</u>
Total	<u>198</u>

The functions are explained as follows:

A. Maintain minimum service - The Department states each county office must remain open eight hours a day to do the following:

1. provide taxpayer assistance
2. handle ownership changes, splits, transfers
3. handle normal level of new construction and land use changes
4. validate and submit sales information.

There are a minimum of 2.0 FTE in each county office. To keep an office open for an eight hour period five days a week requires 1.0 FTE. The other 1.0 FTE travels throughout the county doing the field work.

B. Large county new construction and land use changes - The seven largest counties need additional staff to accomplish appraisals on new construction and land use changes. These counties and the additional staff are as follows:

	<u>FTE</u>
1. Yellowstone	7
2. Cascade	4
3. Missoula	4
4. Flathead	4
5. Silver Bow	3
6. Gallatin	<u>3</u>
7. Lewis and Clark	<u>3</u>
Total	<u>28</u>

C. Appeals - Appeals of property valuations requires an additional 10 FTE.

D. Reappraisal - 48.0 FTE devote 100 percent of their time to reappraisal work.

If the property appraisal cycle is changed from 5 years to 10 years the 48.0 FTE could be reduced to 24.0 FTE at a savings in personal service of \$370,605. Operating expenses are estimated at \$37,500 per year for the 24 FTE. Total savings would be \$408,105 per year.

If I can be of further assistance, please call me.

Sincerely,



Cliff Roessner  
Senior Fiscal Analyst

## VISITORS' REGISTER

## TAXATION

## COMMITTEE

BILL NO. HB 34

DATE June 26, 1986

SPONSOR Representative Devlin

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

## TAXATION

**COMMITTEE**

BILL NO. HB 44

DATE June 25, 1986

**SPONSOR**      Representative Keenan

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.