

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 4, 1987

The sixteenth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on February 4, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present with the exception of Senator Crippen.

CONSIDERATION OF SB 192: Senator Boylan, Senate District 39, presented this bill to the committee. He said since the new evaluation has been put in place, people are very disenchanted with the reappraisals. He said we have the local Tax Appeal Board but the Board is not working. With this bill, if they value your property higher than what you feel it is worth, you will have the recourse of listing it with a bona fide realty. This bill would allow people to have some recourse if they are not in agreement with the reappraisal.

PROPOSERS: Dennis Burr, representing the Montana Taxpayers Assn., gave testimony in support of this bill. He said what he thinks this bill is doing is trying to get back to market value and also to establish a method of what is the highest market value that could be applied to a piece of property. If the property is offered for sale and doesn't sell, it certainly shouldn't be valued at a price that is higher than what the property will sell for. He does not think this will be used very often unless the owner of a piece of property has the property up for sale anyway. He would suggest what this legislature needs to establish is whether we are taxing property on 1982 levels or whether we are taxing property according to market value. There is some disagreement between the taxpayer and the Department of Revenue on that point. It would seem that the market value would be the value preferred by taxpayers. If one person in an area proves that his property is valued too high, it should be incumbent upon the Department to make that adjustment for all property in the same area.

OPPOSERS: Greg Groepper, Administrator, Property Assessment Division, Department of Revenue, gave testimony in opposition to this bill. He said the way the law is presently structured, 1982 values has to hold up. In an area where land evaluation in a subdivision is determined

to be too high, if the reasons are stated in the County Tax Appeal Board Decision as to why they are too high and this is appropriate to other property in the same area, we will go back and make those adjustments. In handling personal property we go to a guide book and open it up and that is all there is to it. We have no flexibility. This legislature needs to address the tax structure and make it reasonable. This bill is not the best way of doing that. He would be glad to work with the committee in what the committee sees to be a problem but this is not a workable concept.

QUESTIONS FROM THE COMMITTEE: Senator Lybeck asked Greg Groepper how many of the taxpayers in the state have filed an appeal on their assessment.

Greg Groepper said about 10,800 appeals have been filed so far and they anticipate another 3,000. With 28 million properties in the state, 13,000 appeals at the County Tax Appeal level is only 2.3% of the property in the state that has been appealed.

Senator Lybeck said in his area a very small percentage of people have protested their taxes and in looking at the aggregate that is a minimal percentage.

Senator Boylan said it varies throughout the state. Some appraisers are doing a good job and others are not. There are different economic conditions in different areas of the state.

Senator Bishop is in agreement with Senator Boylan for his area in Yellowstone County.

Senator Mazurek asked Dennis Burr if he thought there could be some problems with putting property up for sale as this bill provides.

Dennis Burr said there is a possibility of problems but he does not really expect there will be problems. He thinks probably the only people that would use this mechanism are people who were really selling anyway.

Senator Severson said he came from a county where there were long lines of people disgruntled over their tax appraisal. He agrees that the percent of people that actually go through the appeal process is a very small percentage.

Senator Boylan closed.

DISPOSITION OF SB 44. Senator Severson made a motion that SB 44 DO PASS AS AMENDED. This bill was previously amended to include trailers, see attached Exhibit 1.

Senator Neuman asked Greg Groepper if the \$4.8 million from the Gross Vehicle Weights Division is passed down to the local jurisdictions.

Greg Groepper said heavy trucks are handled in two different ways by two different departments. If you have an eighteen wheeler and you do not prorate your tax, then you would be assessed on the wholesale value and a mill levy from your county would be applied to you. If you elect to have your vehicle prorated, the Gross Vehicle Weights Division assesses a statewide average mill levy to you and collects your fees and distributes those to the 56 counties.

Senator Eck asked if he had any idea how equally across the state the \$2 million impact will be spread.

Greg Groepper said his understanding is that each portion the counties receive from the GVW's effects each county pretty closely with the taxes that they are levying right now. The county receives a portion of the GVW based on how many dollars they are levying.

Senator Eck said at the bottom of the fiscal note it says that the impact on counties and local school districts is \$2 million but up on #4 it says that the GVW corrected \$4.8 million and some of that went to other states. She asked if that was included in the \$2 million.

Mike Walsh said the \$3.8 is handled through the property tax system and the \$4.8 is handled through the GVW.

Ben Havdahl said that is the total amount of property tax collected by the GVW Division and then returned to the 56 counties in the state. None of the \$4.8 million goes out of the state. That is the total amount of property tax collected on Montana based carriers that prorate as well as carriers based out of state that prorate miles into Montana. The reason for the revised fiscal note was the original fiscal note only had the impact of the payment of property tax received in the counties and not the GVW Division.

Senator Eck said the \$2 million reduction in revenue includes what is collected by the counties and what is collected by the GVW Division.

Mike Walsh said that is correct.

Senator Neuman said it appears to him that we are looking at SB 44 as an offset to the fuel tax increase. He said essentially what we are doing with this bill is reducing the revenues to the county, whereas the fuel tax comes to the state. We are hitting the counties for the effect of the fuel tax and putting this reduction on taxpayers in the counties which will have to pick up this loss of revenue. The testimony was that 40% of these trucks are farm vehicles. Most farmers get a fuel tax break on a flat rate system anyway. He will vote against this bill for these reasons mentioned.

Senator Halligan asked what the impact of the 3 cent diesel tax increase would be on the trucking industry if HB 136 is passed.

Ben Havdahl said on 17 cents the total collected is \$19 million. With the 3 cent increase that would be more than a \$3 million increase.

Senator Severson said it is unfair to relate diesel tax to personal property tax. He thinks that 16%, as far as trucks are concerned, is way out of line. In looking at the fairness issue, trucks are taxed at 16% of value and farm equipment is taxed at 11%. Trucks are taxed higher than railroads and they are comparable to railroads as carriers. It is unfair to tax trucks in the state of Montana at 16% of their value and railroads in the neighborhood of 12%.

Senator Eck is in agreement with Senator Severson that this is not a fair tax that the trucks have now but she is uncomfortable about passing this bill at this time. She still feels the committee needs to look at the total amount of property tax relief we are going to give.

Senator Severson's motion that SB 44 DO PASS AS AMENDED carried 7-4. See attached roll call vote sheet.

FURTHER CONSIDERATION OF SB 228: Senator Halligan made a motion to amend SB 228 per attached Exhibit 2. These amendments were presented by Senator Van Valkenburg at the hearing on this bill. The motion carried.

Senator Halligan made a motion that SB 228 DO PASS AS AMENDED.

Senator Brown said this concept was one that was considered in June. We went along with the quick fix and temporary fix to the budgetary problems then. He expressed disappointment with the Governor in looking at this method instead of looking further into the future.

Senate Taxation
February 4, 1987
Page Five

Senator Eck said this bill does sunset June 30, 1989. When this same bill was before this committee during the special session there was an amendment to provide for a pay back and she thinks that would be appropriate now.

Senator Mazurek said that was discussed but the bill did not pass with that language.


Senator Halligan said we will never repay this so why even talk about it.

Senator Brown said he thinks we have just violated the trust by doing this more or less on a permanent basis. This is a long term decision that we will violate the educational trust.

Senator Lybeck said the Governor does realize what we are doing to school districts in taking funds from them. You have to realize and recognize that we are in tough times and this is one of the measures that we have to take. If things improve we would look at this totally differently in two years.

Senator Halligan's motion failed on a tie vote 5-5. See attached roll call vote sheet. Senator Hirsch had to leave the hearing early.

ADJOURNMENT: The meeting adjourned at 9:05 A.M.



SENATOR McCALLUM, Chairman

ah

ROLL CALL

TAXATION

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-4-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN			✓
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

Amend Senate Bill No. 44
Introduced Copy

1. Title, line 5.

Following: "TRUCKS"

Insert: "AND TRAILERS"

2. Page 1, lines 20 and 21.

Following: "trailers" on line 20

Strike: "up to and including 18,000 pounds maximum gross
loaded weight"

Following: ", " on line 21

Insert: "including those prorated under 15-24-102 and"

3. Page 2, lines 17 through 20.

Strike: subsection "~~(e)~~ (d)" in its entirety

Renumber: subsequent subsections

SENATE TAXATION

EXHIBIT NO. 1

DATE 2-4-87

BILL NO. SB-44

AMENDMENTS TO SB 228
(Introduced Bill)

1. Page 16.
Following: line 2
Insert: "NEW SECTION. Section 12. Coordination instruction. If section 3 of this act and House Bill No. 12 are both passed and approved, the amendment to 20-9-343 (3)(c) contained in House Bill No. 12 is void."
Renumber: subsequent sections
2. Page 16, line 10.
Following: "March 31,"
Strike: "1986"
Insert: "1987"
3. Page 16, line 16.
Following: "approval"
Insert: "or April 1, 1987, whichever occurs later"

SENATE TAXATION

EXHIBIT NO. 2

DATE 2-4-87

BILL NO. SB-228

2-3-87
to the Hon. Mr. [unclear]

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date February 4, 1987 Bill No. SB 44 Time 8:55 A.M.

<u>NAME</u>	<u>YES</u>	<u>NO</u>
SENATOR CRIPPEN	EXCUSED	
SENATOR NEUMAN		✓
SENATOR SEVERSON	✓	
SENATOR LYBECK	✓	
SENATOR HAGER	✓	
SENATOR MAZUREK	✓	
SENATOR ECK		✓
SENATOR BROWN	✓	
SENATOR HIRSCH	✓	
SENATOR BISHOP		✓
SENATOR HALLIGAN, VICE CHAIRMAN		✓
SENATOR McCALLUM, CHAIRMAN	✓	

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Severson's motion that SB 44 DO PASS AS AMENDED.

The motion carried 7-4.

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date February 4, 1987 Bill No. SB 228 Time 9:05 A.M.

NAME	YES	NO
SENATOR CRIPPEN	EXCUSED	
SENATOR NEUMAN	✓	
SENATOR SEVERSON	✓	
SENATOR LYBECK	✓	
SENATOR HAGER		✓
SENATOR MAZUREK	✓	
SENATOR ECK		✓
SENATOR BROWN		✓
SENATOR HIRSCH	EXCUSED	
SENATOR BISHOP		✓
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN		✓

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Halligan's motion that SB 228 DO PASS AS AMENDED.

Motion failed 5-5.

STANDING COMMITTEE REPORT

February 4, 1937

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 44

first reading copy (white)
color

TRANSFER LARGE TRUCKS FROM CLASS 10 TO CLASS 8 FOR PROPERTY TAXATION

Respectfully report as follows: That SENATE BILL No. 44

be amended as follows:

1. Title, line 5.

Following: "TRUCKS"

Insert: "AND TRAILERS"

2. Page 1, lines 20 and 21.

Following: "trailers" on line 20

Strike: "up to and including 10,000 pounds maximum gross
loaded weight,"

Insert: "including those prorated under 15-24-102^{1/2}"

3. Page 2, lines 17 through 20.

Strike: subsection "(e) (d)" in its entirety

Renumber: subsequent subsections

AND AS AMENDED
DO PASS

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.