MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 2, 1987

The fifty-sixth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on April 2, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 782: Representative Sands, House District 90, presented this bill to the committee. This is a local option tax. It basically provides for two local options. One of the local options is a 10% income tax surcharge charged against the income of residents in local government units. Local government units are either county or city government. The second option available under this bill would be a local option sales tax not to exceed 3% if there is no statewide sales tax and 1% if there is a sales tax. A specific part of this bill is to make sure that any tax considered is broad based so that a local unit of government does not design a tax that can single out goods that people from outside the jurisdiction would buy. There are exemptions allowed and they are listed on page 3. The exemptions were put in the bill because they thought that the basic necessities of life and food and drugs might be items that the local governments might not want to tax. On big ticket items they could exempt any item costing more than $500. In all circumstances, this bill requires that any of the options selected must be approved by the voters. It also provides that you can not have all of the options. You can either have a local option income tax or local option sales tax, not both. The purpose of this local option tax is to provide local governments with a broader range of resources with which to meet their responsibilities. Now, they are almost entirely dependent upon property tax.

PROPONENTS: Representative Addy, House District 94, gave testimony in support of this bill. He has had a long interest in local option taxes. He feels this is the best product the House could send over in this area. This bill would seek to give local governments an option to raise revenue. Property tax is the only option available to local governments now. This bill will give the tools to the people that have the problem. They won't have to wait two years for us to meet so something can be done about their local problem. They will be able to see how their monies are being used, especially with the referendum required in this bill. It will encourage discussion of ways to solve problems because communities will have ways to grant property tax relief, develop parks and business improvement districts. It will encourage new proposals, new ideas for Montana. People who live in a community will have control over their tax structure.

Alec Hansen, representing the Montana League of Cities and Towns, gave testimony in support of this bill. He furnished the committee with a prepared report, attached as Exhibit 1, to show why this legislation is needed. He reviewed the information contained in the report with the committee. He thinks this bill is necessary because the only option they have is property taxes and they are limited by I-105. This bill provides flexibility and allows the people back home to work with their people to determine what is best for them. If this bill can be passed, we can go forward from here. We could put together a finance system in this state that will do the job for everybody.

Jim Van Arsdale, Mayor of Billings, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 2.

Don Peoples, Chief Executive, Butte Silver Bow, gave testimony in support of this bill. Local government should have some control over local government and the way revenue is produced. A local option tax will be very difficult to pass but the time has come when that need is very evident in Montana cities and towns throughout our state. In Butte, he thinks it would be very difficult to pass any local option taxes. We are doing some things in Butte that are different than we have seen in the past and we need to have some options to continue to help activities we are continuing to pursue. The annual budget for the High Altitude Center will be somewhere around $250,000 to $300,000. Hopefully a local option would be helpful in that regard. We are doing some things in economic development that we may need some help with. You can't run local governments the way they have been run in the past. The demands are different. It makes good sense to give local government the authority to place referendum options for producing property tax.

Dave Fuller, Chairman of the Lewis and Clark County Commissioners, gave testimony in support of this bill.

Everyone on this committee has heard, for many years, the varying points of view with regard to a local option tax. The local governments need this option, especially in light of CI-27 and I-105. It would be up to the local governments and the people on whether they would want a local option tax.

Jim Wysocki, City of Bozeman, stood in support of this bill.

Lorna Frank, representing the Montana Farm Bureau, gave testimony in support of this bill. We favor this if it is to reduce property tax and if it is approved by the vote of the people under the local government.

Kay Foster, representing the Billings Chamber of Commerce, gave testimony in support of this bill. A copy of her written testimony is attached as Exhibit 3.

Senator Story, Senate District 41, gave testimony in support of this bill. He supports this proposal but would like to offer some amendments, attached as Exhibit 4, which would incorporate the resort tax into this bill. If we are going to let every community help itself, then the amendments would allow an unincorporated town to create a taxing district. It would allow those communities, with a vote of their constituency, to help themselves. It would also provide a seasonal basis, so that the people of Gardner, with a tremendous flow of tourists in the summer months, could put the tax on in the summer and take it off in the off season.

Gordon Morris, representing the Montana Association of Counties, gave testimony in support of this bill. He would like to go on record as not supporting the amendments furnished by Senator Story as it could cause a falling out of the proponents of the bill. The best rationale for support of this bill, is the fact that the legislature will move the debate into the cities and counties across the state, so that the voice of the people will be heard.

Ralph Yaeger, Department of Commerce, and a member of the Governor's Council on Economic Development, gave testimony in support of this bill. The council supports allowing local governments to implement a local option sales or income tax, with the approval of the local voters. It could be used for many purposes to offset property tax mill levies. This bill would have some positive impact on local governments.

Ken Morrison, Department of Revenue, furnished the committee with amendments that he thinks are necessary for administering the local option income tax, attached as Exhibit 5. He reviewed the amendments.

OPPONENTS: Don Judge, representing the Montana State AFL-CIO, gave testimony in opposition to this bill. If the committee would choose to strike out the local option sales tax then we would support that effort. We believe a local option income tax is based on ability to pay. We support the voter approval section in the bill but have some problems with the bill itself. The category selection of the local option sales tax appears to have some benefit to those people more able to pay in the fact that the value of items in excess of $500 could be exempt. Services can be exempt, which would be accountants, lawyers, people of that nature and would not be of benefit to people of low or moderate income. If this is put into law and the general sales tax is adopted by the people, what happens then. He would support the bill if it was amended to exclude the local option sales tax. Whatever you do, don't amend the resort tax into this. How many taxes are you going to put on the people of Montana.

Vera Cahoon, Missoula County Freeloaders Assn., gave testimony in opposition to this bill. A copy of her written statement is attached as Exhibit 6.

Mrs. Mary Doubek, representing herself, friends and relatives, gave testimony in opposition to this bill. A copy of her written statement is attached as Exhibit 7.

Phil Strope, representing the Montana Innkeepers Assn., gave testimony in opposition to this bill. As an industry we are one of those who will pay and pay and pay. We will be triple taxed if the legislature passes all three of the bills that have been heard in the last three days. He did not oppose the general sales tax bill and did not oppose the accommodation tax. Our industry is in trouble and we need the accommodation tax. He would hope they could be excluded from the local option tax for two years. Those that are a full service facility would not be asking to be excluded for everything, just exclusion from the rooms.

Stuart Doggett, representing the Montana Chamber of Commerce, gave testimony in opposition to this bill. Although we fully understand the plight of the local governments across the state, our policy has long been one of opposition to a local option sales tax.

Julie Hacker, representing the Missoula County Freeholders, gave testimony in opposition to this bill. We have become familiar with the city and county budgets and what we see is that we pay the taxes and the bureaucrats spend the money. The business office has been generous with the publics money. Any amount of money you grant the local governments to collect, they will collect and spend. Please do not extend this authority to the local governments.

Terry Carmody, representing the Montana Farmers Union, said our policy is to oppose all types of local option taxes.

Jack Traxler, representing the Missoula County Freeholders, gave testimony in opposition to this bill. He noticed that all the proponents are from government agencies and the opponents are from labor, from farm communities and from citizen groups. He has nothing against taxes and believes we all should pay them. He is happy to pay taxes and proud that he can, but there is a limit to anything and he is fast reaching his limit. People at home say cut government. We need to cut government in ways that are productive for the taxpayers, not raise taxes. The legislature should legislate our taxes, he does not want to see it done on the local level.

John Wittenberg, representing the Missoula County Freeholders, gave testimony in opposition to this bill. He does not believe the cities and counties should be in a position to legislate taxes against the citizens in this manner. He does not believe that any local option tax should ever be used for credit. It should be used for current expenses if it is every used. If you use it for credit a large portion of the money will go to finance charges. This type of tax should be an emergency tax. If a local option income tax is used, that would involve a lot of people and extra book work.

<u>QUESTIONS FROM THE COMMITTEE</u>: Senator Severson asked Mayor Van Arsdale if you enacted a city tax, wouldn't this just encourage the suburbs outside the city limits to expand.

Jim VanArsdale said we would be glad to cooperate with the County Commissioners, they need money just as badly as we do. This would not be a detriment at all to the city of Billings or to the people living outside the city limits. I-27 would have been devastating to the city of Billings.

Senator Severson said isn't this related to increased taxes.

Jim Van Arsdale said it would let us lower our property tax.

Senator Severson said taxes are still taxes regardless of whether it is property tax, income tax or a sales tax.

Senator Halligan asked Representative Sands why not allow the flexibility to allow an income tax that would phase out property tax or a sales tax that would phase out property tax. If the sales tax bill doesn't pass, we still have to deal with the property tax relief issue.

Representative Sands said I think you could phase it in. This says there is a 3% local option tax limit. There is nothing to prevent 1% going one year, 2% another year and then 3% a third year. There is nothing to prevent the local governments from using the proceeds from any of these option taxes to reduce property tax. It is not mandated in the bill but it would certainly be his preference that this be used for property tax relief.

Senator Mazurek asked Representative Sands how he felt about the amendments presented.

Representative Sands said he had no objection to the amendments presented by the Department of Revenue. With regard to Senator Story's amendments on the resort tax, he would like to reserve judgement on that issue.

Senator Mazurek said what about exempting innkeepers for a two year period assuming HB 84 goes into effect.

Represenative Sands said he did not think it was appropriate to exempt hotels and motels. He understands their objections but the basic principle of this bill is if you are going to have a local option tax, it will have to apply across the board to all available goods and services.

Senator Mazurek referred to the bonding provisions at the bottom of page 3 and top of page 4, that allows these proceeds to be dedicated for bonding purposes and in the same section you have repealer possibility.

Representative Sands said it is useful to have the repealer section in there in the case where they have specifically pledged the bonds.

Senator Neuman asked Mr. Van Arsdale what percentage of a local option sales tax would be paid by people living in the city or county and what percentage would be paid by people living outside the city or county limits.

Jim Van Arsdale said the population of Yellowstone County is 112,000 and the city of Billings has a population of 87,000. It is a difficult question but that would be a reflection of the ratio. We do get a lot of people coming in to Billings as it is a trade center. We do provide services for the people that come in.

Senator Neuman asked how he felt about using this money for current expenses and not for long term bonding type expenses.

Jim Van Arsdale said not very good. If we put it to a vote of the people that we would use this money for a project that would take 5 to 6 years and the public okays that, then the project should be okay.

Senator Hirsch said if we put this into effect, what kind of a problem are we presenting to future legislatures in dealing with tax policies that will affect different areas different ways.

Representative Sands said it is true that if a local option tax has been imposed on a community, then the effect of a statewide change will affect them differently. Any change in the property tax system now effects local governments differently across the board.

Senator Lybeck asked if there was an assumption for the exemption for big ticket items above $500.

Representative Sands said it was thought that if there was a sales tax on big ticket items that might have a very big competitive impact. That one community selling tractors didn't have a local sales tax and another community did. The bill would not exempt the first $500 but everything in excess of that.

Senator Neuman sees this as solving one problem with a local option tax and then all of your tax base will move outside the city limits.

Representative Addy said you are looking at problems that could occur. This bill doesn't say what the local tax structure will be.

Senator McCallum said you keep talking about a local option tax but the bill indicates that the Department of Revenue is going to administer it. He asked how many FTE's it would take in the Department of Revenue to administer this.

Representative Sands said we have authorized the Department to collect this tax because it is purely a piggyback tax. We did not want to create a situation where every local government unit would have the authority to write its own tax structure. It is appropriate that the state collect the tax because they are doing it anyway.

Representative Sands closed.

CONSIDERATION OF HB 876: Representative Ramirez, House District 87, presented this bill to the committee. This is a bill that affects exclusively one industry in Montana and that is Big Sky Airlines. Big Sky is an extremely important airlines for the state of Montana. The problem that they have is they need to buy new airplanes but they can't with the cash flow that they have and the revenue that they have to pay for a new aircraft. What this bill would do would be to allow them to purchase new aircraft and phase in, by periodic increases of 8% per year on the values of the aircraft, until the valuation equals full and true valuation. Even doing this would result in an increase in the taxes.

PROPONENTS: Terry D. Marshall, Chief Executive, Big Sky Transportation Company, gave testimony in support of this bill. Our company is a publicly owned Montana corporation with the majority of our $2.4 million shares being owned by Montanans. We serve 160 cities in Montana, Washington, Idaho and North Dakota, 130 of those cities are in Montana and many are essential air service stations located in eastern Montana. The majority of our service is in Montana. Our goal has been to constantly improve the quality of service to the state and to do so with a reasonable return after costs and expenses. We are in a position of needing larger aircraft but cannot possibly afford those with the increase that would mean on our property taxes. We take the position that without some form of relief in property taxes, the chances to upgrade our company are extremely remote.

Jase Norsworthy, Chairman of the Board of Big Sky Transportation Company, gave testimony in support of this bill. If Big Sky Transportation does not acquire any new aircraft, then there is absolutely no change in either the method of taxation or in the taxes paid. This would only effect regularly scheduled airlines in this state who purchased new aircraft. The Department of Revenue determines the total value of any scheduled airlines equipment, regardless of where it is. It then determines the percentage of time that aircraft spent within the state and that particular number is called allocation of value within the state and that percentage number would be multiplied by the total value of their fleet. That establishes that we would be at 70% of the total taxation of the company. This proposed legislation would value new aircraft, for tax purposes, at 28% of the original purchase price in the first year of taxation and from that point forward it would be taxed at 8% more each year until the total tax would be 100% of the fair market value. He furnished the committee with tax information on their fleet, attached as Exhibit 8.

Ted Mathis, Chairman of the Montana Aeronautics Board, gave testimony in support of this bill. If an airline company serving Montana is going to provide the type and class of service that Montana customers are used to from other airlines, then this bill is necessary.

Pete Peterson, representing the EAS Task Force in Eastern Montana, gave testimony in support of this bill. It is time we passed legislation in support of keeping air carriers in Montana. This bill will not reduce revenue to the county and would provide better air service to the Montana taxpayers. He furnished the committee with a letter which he had written to Jase Norsworthy on Big Sky Airline taxation and proposed amendment to section 15-23-403, attached as Exhibit 9.

Jim Van Arsdale, Mayor of the City of Billings, said the City Council is very supportive of this bill. It behooves us to do everything in our power to improve the airline service in Montana with our Big Sky NW Airline in Billings.

<u>OPPONENTS</u>: None.

<u>QUESTIONS FROM THE COMMITTEE</u>: Senator Lybeck asked Mr. Marshall if a bill such as this one passes, do you have plans for expansion of your services here in Montana. He was specifically concerned with the Kalispell area.

Terry Marshall, we had plans for Kalispell but they fell through. As far as Calgary, he would not make any promises at this point.

Senator Neuman said since you pass your cost on to the customers, is it your concern that with the cost of the new airplanes and the property taxes on top of that, that you will not remain competitive. He asked Mr. Norsworthy to respond.

Jase Norsworthy said to some extent that is true. We have to be competitive and if we don't remain competitive then some other airline could come in. Our concern is that if that happens then eastern Montana will be totally without anything.

Representative Ramirez closed with a reference to the amendment suggested by Mr. Petersen in his letter attached as Exhibit 9. He said you might want to put this amendment in the bill to clean-up the language.

FURTHER CONSIDERATION OF HB 666: John Lawton said our tax increment bonds have been fully supported by tax increment revenue. The bond underwriters and bond insurers have looked at the Montana tax reform climate and have said they do not like that climate because it creates some uncertainty in tax revenue. Given that uncertainty we will impose some requirements and that is you need some back-up sources of tax income revenues. This bill is designed to provide a back-up source which we believe will never be used. He does not believe that it is conceivable that the tax increment district would be reduced to the point where bonds would not be paid off. We are required to have at least 130% revenue coverage by the underwriters.

Senator Mazurek asked if his concern was for existing bonds.

John Lawton said this is designed to cover bonds. This would cover new and existing bonds.

Senator Crippen said if this is not passed, how will that affect your bonding program. Will you be able to sell the bonds at a higher interest rate.

John Lawton said the answer is we do not know because of the tax reform climate. We need to issue bonds in April or May.

Senator Crippen asked if I-105 was the problem.

John Lawton agreed that it is the problem.

Senator Crippen asked if they could use the local option tax.

John Lawton said if we had the authority and the approval we would be able to use the local option tax. The voters would have to approve that in advance.

Senator Halligan asked if a public hearing shouldn't be a requirement before the provisions of this bill take place. Also, we could build in I-105 language that says if I-105 doesn't take effect, this language will not take effect.

John Lawton said he is not sure whether tax bonding requires a public hearing. He believes they may. He would certainly have no problem with building a public hearing requirement into this legislation. With regard to the language that would eliminate this if I-105 does not take effect, one of the other measures could come up and we would really have to worry.

FURTHER CONSIDERATION OF HB 743: Senator Mazurek said several people have come to him expressing concern over the one year provision in this bill.

Jim Wysocki, City of Bozeman, said as the Mayor of the City of Bozeman has written in a letter he furnished to the committee, attached as Exhibit 10, the one year period actually affords these lands two years of time.

Senator Mazurek said that is from your prospective, but from a taxpayers prospective, he or she will have to make up the difference in one-fourth the time.

ADJOURNMENT: The meeting adjourned at 11:00 a.m.

George McCallum

SENATOR GEORGE McCALLUM, Chairman

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ROLL CALL

TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 4-2-87

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.

DATE April 2, 1987

COMMITTEE ON Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Mrs Mary E Doubek	myself/family/friends	HB782		
Kay Foster	Billings Chamber of Commerce	782	X	
Jim Van Arsdale	City of Billings	782	X	
[illegible]	Missoula Co. Freeholder	782		X
John R Wittenberg	Missoula Co Freeholder	782		X
Gordon Morris	MACo	782	X	
Julie Harker	Msla Co. Freeholders	782		X
[illegible] Cahoon	Msla Co Freeholders	782		X
Jim Wysocki	City of Bozeman	782	X	
Ed Schallte Kennedy (mayor)	City of Kalispell	HB782	X	
Terry Carmody	Mt Farmers Union	HB782		X
Lorna Frank	Mt. Farm Bureau	HB782	X	
[illegible]	Missoula	HB782	X	
[illegible]	Missoula	HB782	X	
Stuart Doggett	Mt Chamber of Commerce	HB782		X
Vern Sitter	Dw Colonial Inn			X
Don Judge	MT STATE AFL-CIO	HB782		X
Herbert [illegible]	MIKA	HB782		X
[illegible]	MT Innkeepers Assn	HB782		X
Phil Strope	Mont Innkeepers Ass	HB782		X
Kay Foster	Billings Chamber	HB876	X	
Ken Morrison	DOR	HB782	Tech.	
Greg Bryan	MIKA	HB782		X
Jim Van Arsdale	City of Billings	HB876	X	
Ted Mathis	Mont Aero. Bd.	HB876	X	
Pete Pederson	EAS Task Force Eastern MT.	HB876	X	

(Please leave prepared statement with Secretary)

DATE April 2, 1987

COMMITTEE ON Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppo
JASE O. NORSWORTHY	Big Sky TRANS. Co.	876	X	
Terry D. Marshall	" " " "	"	X	

(Please leave prepared statement with Secretary)

NAME: John Hooper DATE: 2-2-87

ADDRESS: R Brenner

PHONE:

REPRESENTING WHOM? Mola Co Taxpayers

APPEARING ON WHICH PROPOSAL: 782

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

COMMENTS: In regard to Sen Mazurek's question - the initiative process is our constitutional right. We are questioning cost-saving by not taking the issue to court before the election. If the issue is defeated at the polls the petitioners and defendants save both time and money!

Last session you granted authority to community for $500,000 bonded indebtedness without a vote of people (not for cap. improvements) but to [illegible]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

MONTANA LEAGUE OF CITIES AND TOWNS

STATISTICAL PROFILE OF MONTANA MUNICIPAL GOVERNMENT

SOURCE: ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

SENATE TAXATION

EXHIBIT NO. 1

DATE 4-2-87

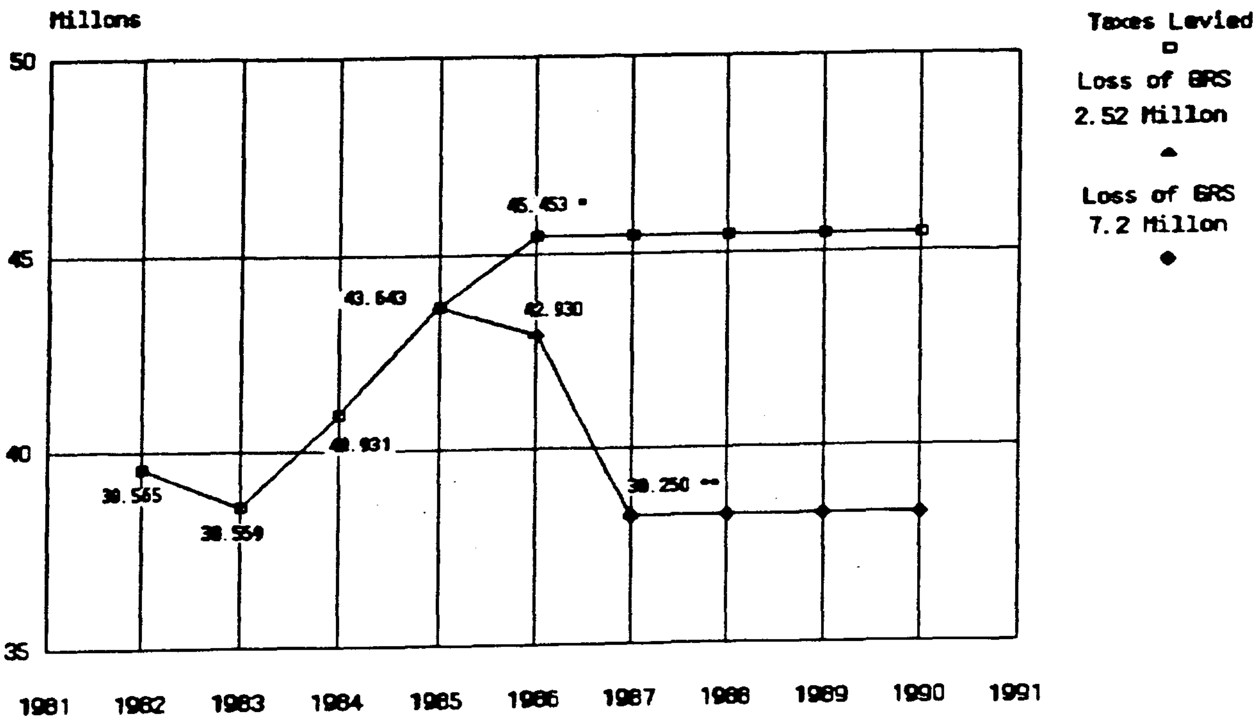
THE CRISIS OF GOVERNMENT FINANCE IN THIS COUNTRY REACHES FROM THE FEDERAL CONGRESS TO THE STATE LEGISLATURE AND DOWN TO THE TOWN HALLS OF MONTANA. THERE THERE IS A NATIONAL MOVEMENT, COMPELLED BY PUBLIC OPINION AND ECONOMIC CONDITIONS, TO REDUCE AND REFORM TAXES AND CONTROL GOVERNMENT SPENDING.

CITIES AND TOWNS ARE AT THE BOTTOM OF THE STAIRS ON ISSUES OF FINANCE POLICY, AND DECISIONS IN WASHINGTON AND HELENA HAVE DIMINISHED THE CAPACITY OF MUNICIPAL GOVERNMENTS TO DELIVER ESSENTIAL PUBLIC SERVICES.

BUDGET PRESSURES IN CONGRESS FORCED A TWO-STEP CANCELLATION OF FEDERAL REVENUE SHARING. IN FY-86 CITIES AND TOWNS LOST 35 PERCENT OF THEIR FEDERAL REVENUE SHARING PAYMENTS, AMOUNTING TO $2.5 MILLION. THIS YEAR, THE ENTIRE PROGRAM WAS TERMINATED AT AN ANNUAL COST OF $7.2 MILLION, WHICH IS 16 PERCENT OF TOTAL PROPERTY TAX COLLECTIONS FOR CITIES AND TOWNS IN THIS STATE.

IN 1982, THE COMBINATION OF MUNICIPAL PROPERTY TAXES AND FEDERAL REVENUE SHARING PROVIDED MONTANA CITIES AND TOWNS WITH $46.76 MILLION. THIS YEAR, THE SAME COMBINATION WILL PRODUCE $45.45-MILLION, AND THIS DOES NOT ACCOUNT FOR A 13.5 PERCENT INCREASE IN THE CONSUMER PRICE INDEX OVER THE PERIOD.

Municipal Property Taxes (1982 - 1990)
and Federal Revenue Sharing
(Including the Effects of I-105)

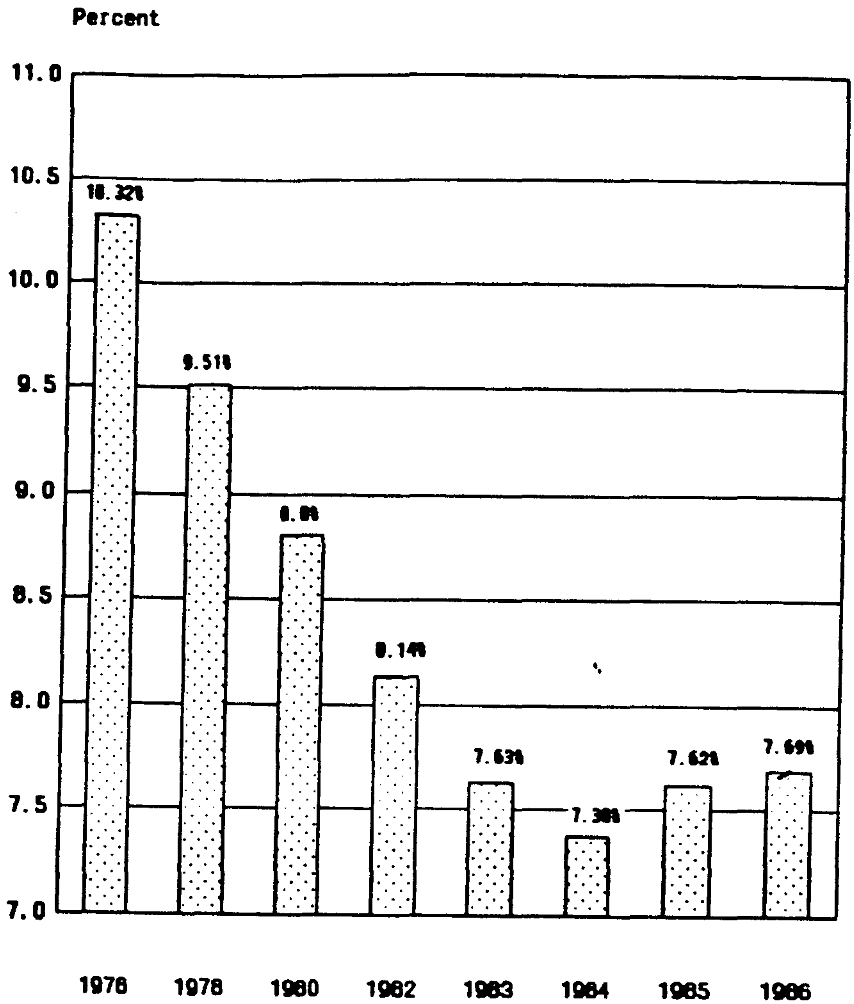


1986 Loss of 2.52 General Revenue Sharing
* 1987 Projected to Include Effects of I-105
** Loss of General Revenue Sharing

SENATE TAXATION
EXHIBIT NO. 1
DATE 4-2-87
BILL NO. H.B. 782

Municipal Property Taxes

As a Percentage of Property Tax Collections



IN RECENT YEARS, CITIES HAVE BEEN DRIVEN INTO A FINANCIAL CORNER.

MUNICIPAL GOVERNMENTS DERIVE ABOUT 50 PERCENT OF THEIR REVENUES FROM ASSESSMENTS ON PROPERTY, AND THIS TAX BASE HAS BEEN CONSTRICTED BY LEGISLATIVE ACTION, LEGAL DECISIONS AND ECONOMC CONDITIONS.

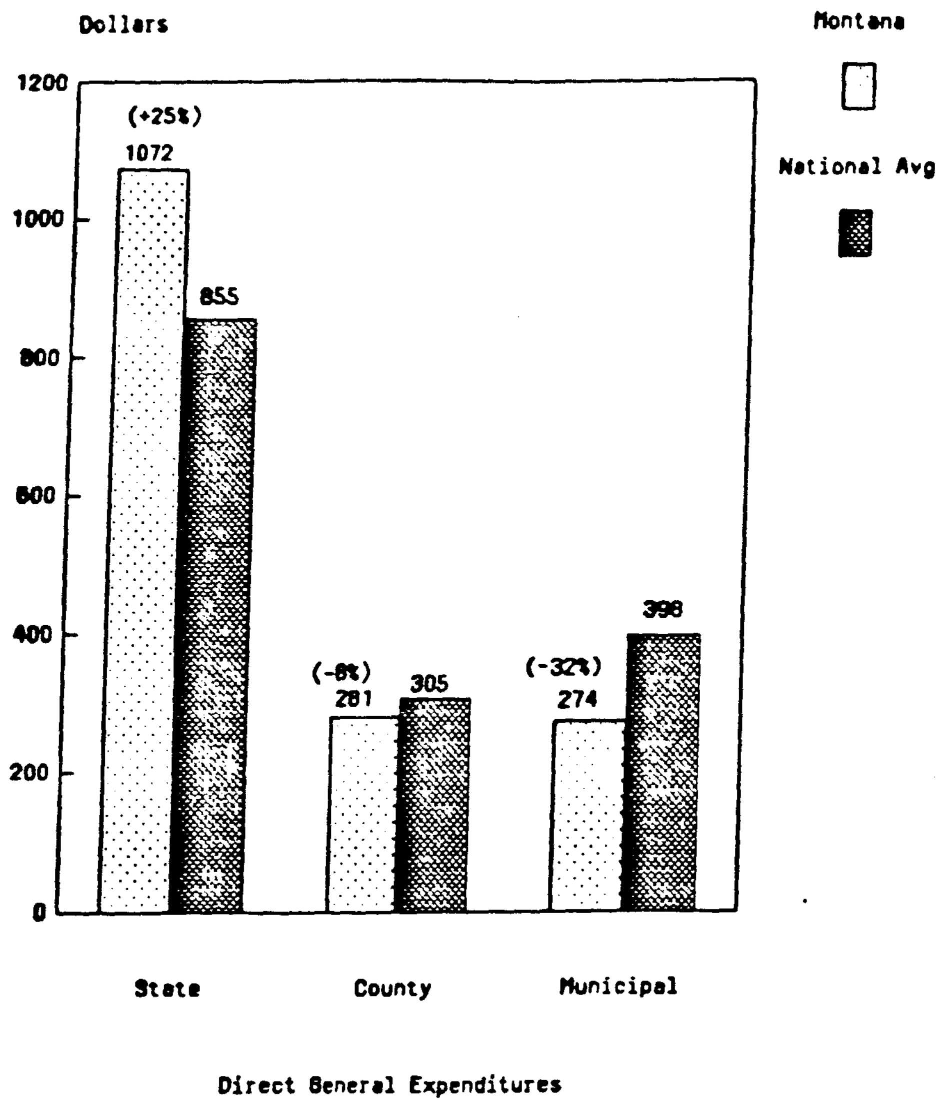
CITY SPENDING HAS BEEN LIMITED BY STATIC VALUATION, CEILINGS ON MILL LEVIES AND PUBLIC RESISTANCE TO PROPERTY TAXES. IN THIS "NO GROWTH" SITUATION, EVERY MUNICIPAL TAX DOLLAR HAS TO WORK HARDER, AND COST EFFECTIVE MANAGEMENT HAS BECOME A CONDITION OF SURVIVAL.

IN 1986, CITIES AND TOWNS COLLECTED 10.32 PERCENT OF ALL THE PROPERTY TAXES LEVIED IN MONTANA. IN 10 YEARS, MUNICIPAL COLLECTIONS DECLINED TO 7.69 PERCENT OF THE STATEWIDE TOTAL. THIS IS A STATISTICALLY SIGNIFICANT 25 PERCENT REDUCTION.

THE RATE OF INCREASE IN MUNICIPAL PROPERTY TAXES HAS BEEN THE LOWEST AMONG ALL LEVELS OF GOVERNMENT IN MONTANA.

SENATE TAXATION
EXHIBIT NO. 1
DATE 4-2-87
BILL NO. H.B. 78

Expenditures Per Capita By Category



THE PER CAPITA COST OF MUNICIPAL GOVERNMENT IN MONTANA IS 32 PERCENT LESS THAN THE NATIONAL AVERAGE. THE COST OF COUNTY GOVERNMENT IS EIGHT PERCENT BELOW THE MEDIAN, WHILE STATE SPENDING IS 25 PERCENT ABOVE THE NATIONAL AVERAGE.

THE LEVEL OF SERVICES OBVIOUSLY AFFECTS THESE STATISTICS, BUT MONTANA CITIES AND TOWNS ARE TYPICAL. THEY PROVIDE POLICE AND FIRE PROTECTION, WATER, SEWER AND SANITATION SERVICE, STREET CONSTRUCTION AND MAINTENANCE AND RECREATION AND CULTURAL PROGRAMS.

THESE STATISTICS INDICATE THAT MUNICIPAL GOVERNMENT IN MONTANA IS COST EFFECTIVE. THEY ALSO SUGGEST THAT CITIES ARE OPERATING ON A NARROW MARGIN, AND DO NOT HAVE THE CAPACITY TO COMPENSATE FOR THE LOSS OF ADDITIONAL REVENUES.

PATTERNS OF PUBLIC SPENDING IN MONTANA

	1976	1986	INCREASE
MUNICIPAL PROPERTY TAX	$28.9-M	$45.5-M	57.5%
COUNTY PROPERTY TAX	62.5	125.0	100.0
SCHOOL PROPERTY TAX	122.7	343.1	179.6
STATE GENERAL FUND	166.3	366.8	120.0
CONSUMER PRICE INDEX	181.5	328.3	80.8

CITIES AND TOWNS HAVE DONE THE JOB OF CONTROLLING SPENDING THROUGH COST EFFECTIVE MANAGEMENT. IF CITIES ARE FORCED TO REDUCE BUDGETS THAT HAVE ALREADY BEEN KNOCKED DOWN TO THE SUBSISTENCE LEVEL, CUTS WILL HAVE TO BE MADE IN POLICE AND FIRE PROTECTION, STREET MAINTENANCE, SANITATION AND OTHER SERVICES THAT ARE THE LIFE LINE OF SAFE AND DECENT COMMUNITIES.

1

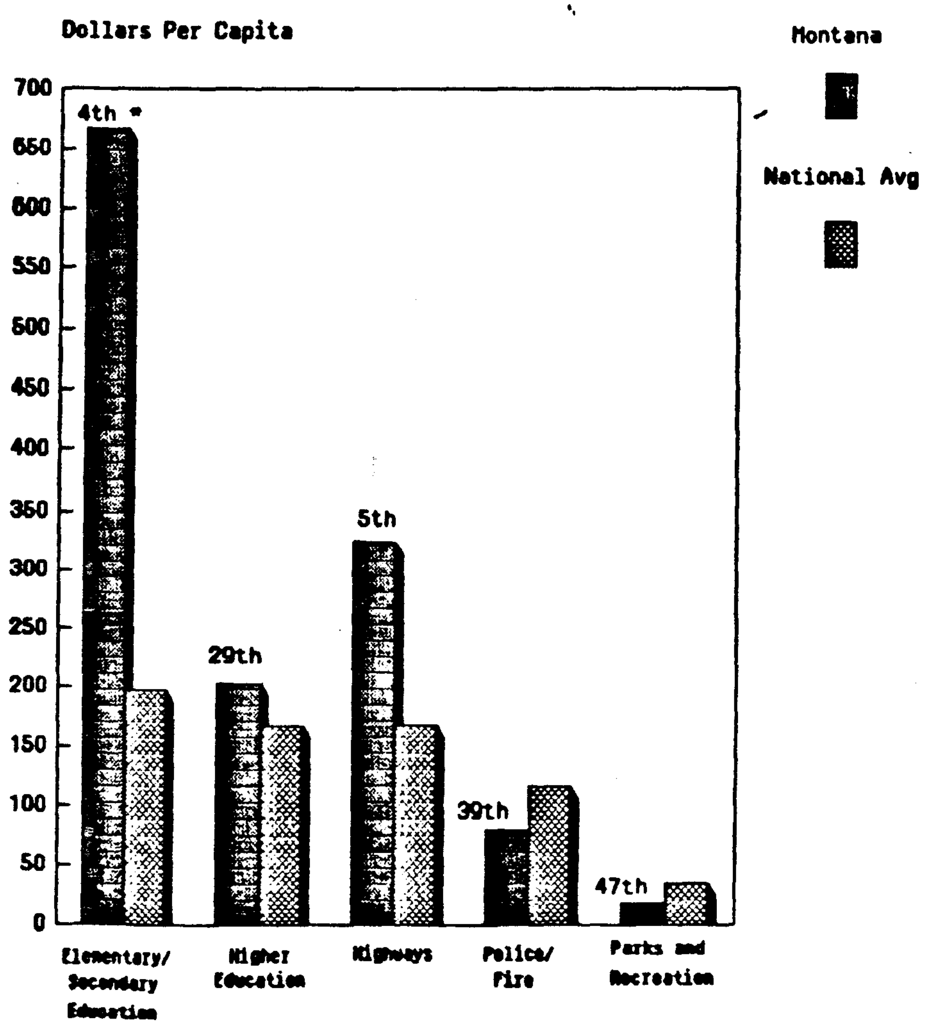
DATE 4-2-87

H.R. 782

COMPARED WITH OTHER STATES ACROSS THE NATION, MONTANA CONCENTRATES ITS FINANCIAL RESOURCES IN EDUCATION AND HIGHWAYS. IN EACH OF THESE CATEGORIES, THE STATE RANKS HIGHER THAN THE NATIONAL AVERAGE.

THE TYPICAL CITY OR TOWN IN MONTANA SPENDS ABOUT HALF OF ITS OPERATING BUDGET ON POLICE AND FIRE PROTECTION. IN THIS CATEGORY, PER CAPITA SPENDING IN MONTANA IS SUBSTANTIALLY BELOW THE NATIONAL AVERAGE, AND THERE ARE ONLY 11 STATES THAT SPEND LESS MONEY ON THESE CRITICAL PUBLIC SAFETY SERVICES.

State and National Expenditures In Selected Government Service Categories



State Services

* Montana National Ranking

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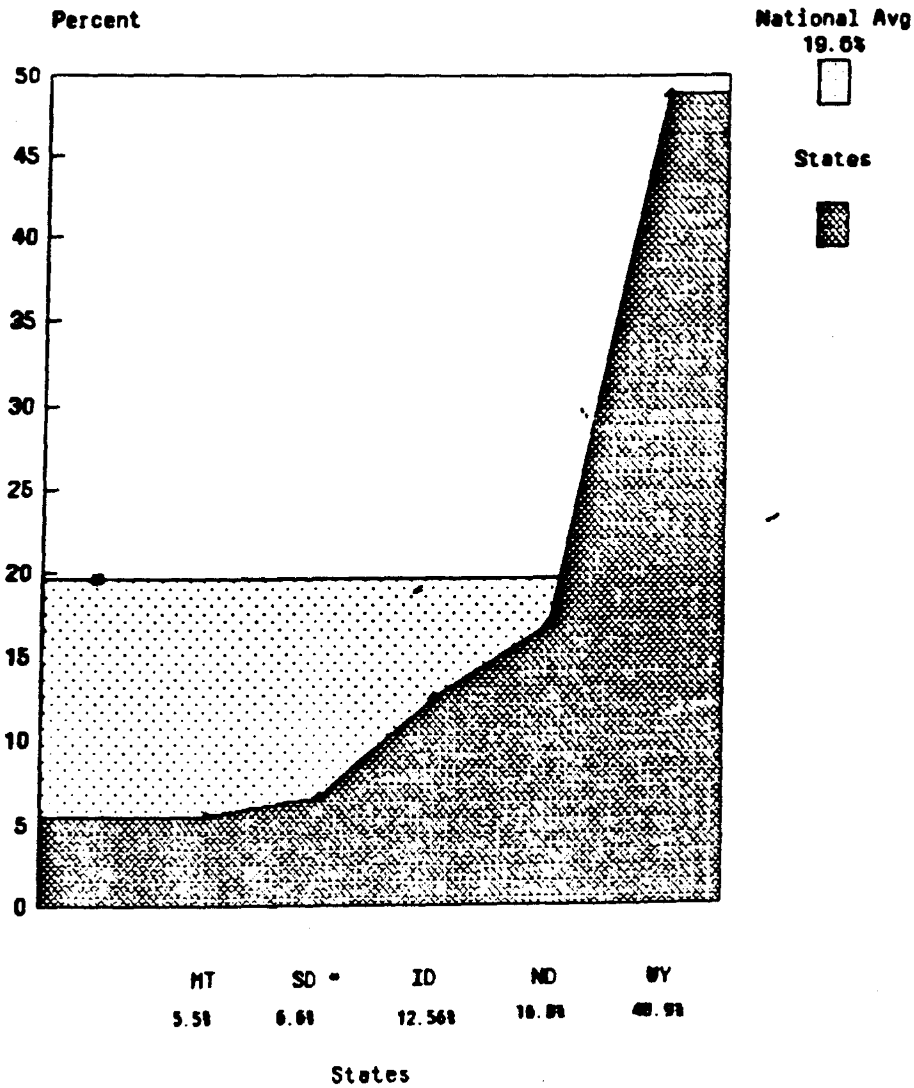
State Support of Municipal Governments

Rocky Mountain Region



* South Dakota - Local Option Taxes

IN MOST STATES ACROSS THE COUNTRY, CITIES AND COUNTIES DEPEND ON A COMBINATION OF MILL LEVIES, LOCAL OPTION TAXES AND STATE ASSISTANCE PROGRAMS TO FUND THEIR OPERATIONS. IN MONTANA, LOCAL OPTION TAX AUTHORITY HAS NOT BEEN APPROVED, AND THE LEVEL OF STATE ASSISTANCE IS ABOUT 25 PERCENT OF THE NATIONAL AVERAGE. IN THIS SITUATION, CITIES AND COUNTIES HAVE BECOME HEAVILY DEPENDENT ON PROPERTY ASSESSMENTS. LOCAL OPTION AUTHORITY AND OTHER FUNDING ALTERNATIVES ARE NECESSARY TO BUILD A MORE BALANCED AND EQUITABLE SYSTEM OF FINANCE AT EVERY LEVEL OF GOVERNMENT IN MONTANA.

TABLE 57--LOCAL GOVERNMENT UNITS WITH INCOME TAXES, SELECTED YEARS 1976-85

State	1985	1984	1981	1979	1976
Alabama					
Cities	10	8	5	5	6
Delaware					
Cities (Wilmington)	1	1	1	1	1
Indiana					
Counties	44	43	38	37	38
Iowa					
School districts	57	57	26	21	3
Kentucky					
Cities	67	61		59	59
Counties	11	9		8	
Maryland					
Counties	24	24	24	24	24
Michigan					
Cities	16	16	16	16	16
Missouri					
Cities (KC & St. Louis)	2	2	2	2	2
New York					
Cities (NYC & Yonkers)	2	2	1	1	1
Ohio					
Cities	467	460	n.a.	417	385
School districts	6	6	n.a.	0	0
Pennsylvania					
Cities, boroughs, towns, townships, and school districts	2,758	2,644 est.	n.a.	2,585 est.	2,553 est.
TOTAL (excluding Penn.)	707	688	n.a.	597	535
TOTAL (including Penn.)	3,465	3,332 est.	n.a.	3,182 est.	3,088 est.

Source: ACIR staff compilations based on State Tax Guide, Commerce Clearinghouse.

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TABLE 63--LOCAL GOVERNMENT UNITS WITH SALES TAXES, SELECTED YEARS

State, Type of Government	1985	1984	1981	1979	1976
Alabama (Total)	368	353	321	301	265
Municipalities	318	310	281	270	
Counties	50	43	40	31	
Alaska (Total)	92	99	92	93	86
Municipalities	85	92	85	86	
Boroughs	7	7	7	7	
Arizona (Total)	65	70	59	39	--
Municipalities	64	70	59	39	38
Counties	1	--	--	--	--
Arkansas (Total)	79	60	2	1	1
Municipalities	59	44	2	1	
Counties	20	16	--	--	
California (Total)	497	497	442	442	455
Municipalities	434	434	381	381	
Counties	58	58	58	58	
Transit District	5	5	3	3	
Colorado (Total)	211	205	183	165	121
Municipalities	181	175	159	144	
Counties	29	29	23	20	
Transit District	1	1	1	1	
Florida					
Counties	12	--	--	--	--
Georgia (Total)	143	133	104	84	16
Municipalities	0	0	0	3	
Counties	142	132	103	80	
Transit District	1	1	1	1	
Illinois (Total)	1373	1353	1359	1359	1342
Municipalities	1269	1249	1256	1256	
Counties	102	102	102	102	
Transit District	2	2	1	1	
Kansas (Total)	163	139	40	20	7
Municipalities	104	87	35	15	
Counties	59	52	5	5	
Louisiana (Total)	267	253	251	217	183
Municipalities	173	158	152	136	
Parishes	41	30	30est.	21	
School Districts	53	65	66	60	
Minnesota					
Municipalities	2	2	1	1	1
Missouri (Total)	528	487	333	215	152
Municipalities	439	406	332	214	
Counties	89	81	1	1	
Nebraska					
Municipalities	15	12	7	4	--
Nevada* (Total)	2	1	n.a.	13	12
Municipalities	n.a.	n.a.	n.a.	1	
Counties	2	1	n.a.	12	
New Mexico (Total)	124	120	84	99	32
Municipalities	98	98	76	93	
Counties	26	22	8	6	
New York (Total)	85	87	74	70	68
Municipalities	27	29	29	25	
Counties	57	57	45	45	
Transit District	1	1	--	--	
North Carolina					
Counties	100	100	99	99	96
North Dakota					
Municipalities	1	--	--	--	--
Ohio (Total)	77	65	55	51	33
Counties	75	62	52	50	
Transit District	2	3	3	1	
Oklahoma (Total)	462	447			
Municipalities	449	441	398	398	356
Counties	13	6	--	--	--
South Dakota					
Municipalities	72	82	61	46	18
Tennessee (Total)	105	102	105	104	115
Municipalities	11	8	11	12	
Counties	94	94	94	92	
Texas (Total)	1122	1120	949	946	854
Municipalities	1117	1117	921	921	
Transit District	5	3	28	25	
Utah (Total)	248	248	n.a.	230	204
Municipalities	219	219	n.a.	201	
Counties	29	29	29	29	
Virginia (Total)	136	136	136	136	133
Municipalities	41	41	41	41	
Counties	95	95	95	95	
Washington (Total)	305	306	302	302	300
Municipalities	266	267	264	264	
Counties	39	39	38	38	
Wisconsin					
Counties	2	--	--	--	--
Wyoming					
Counties	14	15	15	13	5
U.S. Total	6668	6492	5702 1/	5448	4893
Percentage change from previous year cited	3%	14%	5%	11%	

1/ In a small number of states, the exact number of units using the tax in 1981 is not provided. Total figure is an estimate.

Note: NV: In 1981, the state made the 3.75% county tax mandatory, which in essence raises the state rate and dedicate the tax for special purposes. That same year, authority was granted for counties to levy a transit tax and two counties currently exercise this option.

Source: ACIR staff compilations based on Commerce Clearinghouse, State Tax Reporter; and National Conference of State Legislatures, Legislative Finance Paper #24, "Local Sales and Income Taxes: How Much Are They Used? Should They Be More Widespread?," Denver, CO, 1982.

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CITY OF BILLINGS
JAMES W. VAN ARSDALE
MAYOR
P.O. BOX 1178
BILLINGS, MT 59103
PHONE (406) 657-8296

HB 782

Mr. Chairman and Committee Members, my name is Jim Van Arsdale, Mayor of Billings. I am here to speak on behalf of the City Council in support of broad base local option taxing authority as exemplified in HOUSE BILL 782.

Over a year ago, the Billings City Council established, as its top legislative priority, obtaining approval of a broad based local option tax bill during the 1987 Legislature. The reasons why the Billings City Council is a staunch advocate of this concept include:

1) Residents are unhappy about the level of property taxes and local government dependence on property taxes. Local option taxes are a positive alternative. They provide the potential for a diversified tax base and a way for voters to chose whether to reduce services or seek alternative means of funding services.

2) City revenues and programs are being cut back dramatically. Federal revenue sharing has been lost at a cost of over one million dollars annually to the City of Billings. The State Block Grant Program appears to be headed for a substantial drop for cities, among a number of other negative revenue impacts.

3) A local option can reflect local desires, needs, and priorities. It is the most democratic form of taxation conceivable under the criteria proposed in HOUSE BILL 782 which includes:

1) The tax would only be authorized through referendum at the local level.

2) Voters would approve of the duration of the collection of the tax as a component of the ballot issue.

3) The ballot issue would specify the purpose for which the proceeds of the tax would be used.

Obviously, if voters do not want programs or activities, they will not authorize the tax.

Another issue that comes up is the belief of some that tax policy must be uniform across the state. We would argue that needs, resources, opportunities, political orientations, and community philosophies are not uniform throughout the State of Montana. Many other states have found local option taxes to be very workable. Local option sales taxes are allowed in 30 states. In Colorado, cities are allowed a broad base of local option taxes, including sales, franchise, occupation, accomodations, and real estate transfer. Hundreds of cities use some form of local option taxation. Although this creates diversity, business functions in these states

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effectively and would continue to function in Montana. Attached to copies of this testimony is more detailed information on tax diversity in other states.

Citizens in Montana can no longer tolerate legislative mandates which restrict our municipal funding to property taxation, if we are to be responsive to the citizens' demands for services. We are asking no more, through this legislation, than to give our citizens the right to vote for the level of services and the source of financing those services that they might desire. We see no reason why the State Legislature should not give the voters in Billings that opportunity.

We urge your support of HOUSE BILL 782. It is the most significant, positive piece of legislation for local governments that will come before you in 1987. Thank you.

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COLORADO LOCAL OPTION TAXES

The summary table below compares 1978, 1981, and January 1984 municipal tax data.

Types of Taxes Levied
(number of municipalities)

Type of Tax	1978	1981	1984
Sales and Use Taxes	132	162	171
Sales	51	84	91
Occupation			
General	19	25	28
Liquor and Beer	45	61	76
Utility (including franchise fees)	119	129	166
Miscellaneous			
Accomodations/Lodger's	2	7	14
Admissions	6	6	12
Real Estate Transfer	1	8	10

Source: CML Municipal taxes surveys and January 1, 1984, Department of Revenue Report.

SALES TAX - levied by the municipality on retail sales of tangible personal property and of some services.
USE TAX - levied by the municipality on the retail purchase price of tangible personal property which is purchased outside the taxing jurisdiction, but stored, distributed, used, or consumed within the jurisdiction.
GENERAL OCCUPATION TAX - levied by the municipality at a standard rate for all businesses and professions (Examples: $30 per business, annually; $5 per employee, annually).
LIQUOR AND BEER OCCUPATION TAX - municipally levied special occupation tax on liquor and beer businesses, but not including the annual state-imposed license fee on any municipally imposed license application fee.
UTILITY OCCUPATION TAX AND/OR FRANCHISE FEES LEVIED ON NONMUNICIPALLY OWNED UTILITIES - levied by the municipality on telephone, electric, gas, cable TV, and other utilities (does not include payments in lieu of taxes which may be paid to the general fund by municipally owned utilities).
ADMISSIONS TAX - a flat percentage of the charge paid by the customer for admission to places or events, such as athletic contests, movie theaters, and ski lifts.
ACCOMODATIONS OR LODGER'S TAX - a flat percentage of the price paid by the customer for renting or leasing lodging less than 30 days. The tax may be in lieu of, or in addition to, a municipal sales tax on accomodations.
REAL ESTATE TRANSFER TAX - levied on the conveyance of real property.

Although municipalities also receive revenues from state-shared taxes, such as the cigarette tax, specific ownership tax, and highway users fund, as well as a share of some state-imposed license fees, such as on liquor and beer outlets, this list includes only municipal tax sources.

Source: 1984 Edition, Municipal Taxes, published by the Colorado Municipal League.

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Allows Local Option Sales Tax	Basic State Tax Tax Rate Rate	No of Mun. Using Local Option 1985	Rate	No. of Counties Using 1985	Rate	Voter Approval Required
Alabama	4%	318	0.5-3.0	50	0.5 [illegible]	No
Alaska	None	85	1.0 5.0	7	1.0 4.0	Yes - Co. No - City
Arizona	5%	64	1.0 2.0	1	.5	Yes - Co. No - City
Arkansas	4%	59	1.0-2.0	[illegible]	1.0	Yes
California	4.75%	434	1.0	58	1.25	No
Colorado	3.0%	181	1.0-4.0	29	0.25-3.0	Yes
Florida	5%	—	—	12	.75-1.0	Yes
Georgia	3%	—	—	142	1.0-2.0	Yes
Illinois	5%	1269	0.5-1.0	102	1.0	No
Iowa	4%	10	1.0	—	—	Yes
Kansas	3%	104	.5-1.0	59	.5-1.0	Yes
Louisiana Allows for school districts	4%	173	.3 3.0	41	.5 5.0	Yes
Minnesota	6%	[illegible]	1.0	—	—	Yes
Missouri	4.22%	439	0.5-1.0	89	0.375-1.0	Y
Nebraska	4.5%	15	1.0-1.5	—	—	Yes
Nevada	5.75%	—	—	2	.75	Yes
New Mexico	3.75%	98	0.25-1.125	26	.125-.625	Yes
New York	4%	27	1.0-3.0	57	1.0-3.0	No
North Carolina	3%	—	—	100	1.0 1.5	No for 1% Yes for last .5%
North Dakota	4%	1	1.0	—	—	Yes
Ohio	5%	—	—	75	.5-1.0	No
Oklahoma	3.25%	449	1.0-4.0	13	1.0	Yes
South Dakota	4%	72	1.0-2.0	—	—	Yes
Tennessee	5.5%	11	.25-1.5	94	.75-2.25	Yes
Texas	4.125%	1117	1.0	—	—	Yes
Utah	4.594%	219	.75-1.125	29	.75-;1.125	No
Virginia	3%	41	1.0	95	1.0	No
Washington	6.5%	266	.05 1.0	39	.05 1.0	No for .05 Yes for second .05
Wisconsin	5%	—	—	2	.05	N
Wyoming	3%	—	—	14	1.0	Yes

The above chart does not provide information on: Exemptions from the State tax; Authority to tax not used; Local option sales tax for transit districts; How overlapping jurisdictions are handled when both wish to levy; States which grant income tax credit for the sales tax; Revenue redistribution; Amount of money collected. This information is available.

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Billings Chamber of Commerce

April 2, 1987

TESTIMONY IN SUPPORT OF HB782

My name is Kay Foster. I appear on behalf of the Billings Chamber of Commerce in support of HB782, the granting of local option taxing authority to local governments with voter approval.

As I have mentioned to this committee during previous hearings on the many tax issues you have before you, the Legislative Affairs Committee of the Chamber conducted a comprehensive study of our state and local tax systems and in October of 1986 published its recommendations. The basic conclusions of this study were that the heavy dependence upon property taxes to fund education and local governments must be ended...and that objective and rational tax reform could be achieved through a balance of income, property, and sales tax.

The Billings Chamber supports the enactment of a statewide sales tax which would provide significant property tax relief and replacement revenues to affected local governments. The Chamber supports HB84, which was presented to you yesterday, to impose a 4% accomodations tax to benefit the tourism industry in the state. And...the Chamber supports this legislation to give local governing bodies the opportunity to diversify their tax base and allow the local voters to determine which capital improvements or services they feel are necessary and the best method of financing.

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Billings Chamber of Commerce • P.O. Box 2519 • Billings, Montana 59103 • 406-245-4111

With the exception of West Yellowstone, the Billings area is the only place in Montana to have first hand experience with the positive effects of local sales tax revenue. In 1982 the Billings voters approved a $1.00 per night lodging fee. After 9 months of collecting the fee without a problem the Supreme Court declared it illegal, saying it was a sales tax. In those months the City collected nearly $700,000..equivalent to nearly 7 mills. 80% of this revenue, after minimal refunds demanded by the Court, went to defray general fund costs of police, fire and street construction. The remaining 20% was allocated to the Chamber of Commerce to fund a local Tourism and Convention Council and for production of a video promoting the county facility, MetraPark.

With the near passage of CI-27 in Yellowstone County and the very real effects of I-105 it is now more necessary than ever to give local governments the opportunity and the legislative authority to diversify their tax base. If this tax could be imposed solely by resolution of the governing body...if this tax could be imposed without a defined purpose...and if this tax did not include a sunset provision, the Billings Chamber would probably appear in opposition. But these provisions are integral to this bill and insure that there will be community input into the structuring of any local tax offered and local governments will have to prove its worthiness to all the voters.

HB782 offers a local opportunity to provide property tax relief and to diversify the revenue base...and at the same time allows local voters to determine which improvements and services are truly important to them.

We urge passage of HB782.

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Senate Committee on Taxation April 2, 1987

AMENDMENTS TO HOUSE BILL 782
(requested by Senator Story)

1. Title, line 9.
Following: "APPROVES;"
Insert: "REVISING THE DEFINITION OF A RESORT COMMUNITY FOR PURPOSES OF THE RESORT COMMUNITY TAX; PROVIDING FOR A RESORT TAX IN UNINCORPORATED AREAS;"

2. Title, line 11.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS 7-6-4461, 7-6-4463 THROUGH 7-6-4465, AND"

3. Page 1, line 25.
Following: "impose"
Strike: "a tax"

4. Page 2, line 1.
Following: "(a)"
Insert: "a tax"

5. Page 2, line 6.
Following: "(b)"
Insert: "a tax"

6. Page 2, line 10.
Following: "(C)"
Insert: "a resort tax"
Following: "7-6-4467"
Insert: "and [sections 9 and 13]"

7. Page 5, line 12.
Following: "INITIATED BY"
Strike: "RESOLTUION"
Insert: "resolution"

8. Page 12, following line 2.
Insert: "Section 8. Section 7-6-4461, MCA, is amended to read:

"7-6-4461. Resort ~~community~~ tax -- definitions. As used in 7-6-4461 through 7-6-4467, the following definitions apply:

(1) "Luxuries" means any gift item, luxury item, or other item normally sold to the public or to transient visitors or tourists. The term does not include food purchased unprepared or unserved, medicine, medical supplies and services, or any necessities of life.

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(2) "Medical supplies" means items that are sold to be used for curative, prosthetic, or medical maintenance purposes, whether or not prescribed by a physician.

(3) "Medicine" means substances sold for curative or remedial properties, including both physician prescribed and over-the-counter medications.

(4) "Resort area" means an area that:

(a) derives a substantial portion of its economic well-being from businesses catering to the recreational and personal needs of persons traveling to or through the area for purposes not related to their income production;

(b) has been declared a resort area by the county commissioners as provided in [section 9]; and

(c) (i) is an unincorporated town defined as a census-designated place in the most recent decennial census conducted by the U.S. bureau of the census ; or

(ii) is an area comprising not more than 10 square miles that does not include any portion of an incorporated city or town.

~~(4)~~(5) "Resort community" means a community that:

(a) is an incorporated municipality; and

~~(b) has a population of less than 2,500 according to the most recent federal census or federal estimate;~~

~~(c)~~(b) derives ~~the major~~ a substantial portion of its economic well-being from businesses catering to the recreational and personal needs of persons traveling to or through the municipality for purposes not related to their income production~~; and~~.

~~(d) has been designated by the department of commerce as a resort community.~~"

NEW SECTION. Section 9. Resort area -- taxing authority. (1) The board of county commissioners, upon receiving a written petition containing a description of the proposed resort area and signed by at least 10 registered voters residing in the proposed district, shall by resolution establish a resort area.

(2) The petition required by subsection (1) must include a proposal to impose a resort tax within the proposed resort area, and must include the rate, duration, effective date, and purpose of the tax as provided in 7-6-4464.

Section 10. Section 7-6-4463, MCA, is amended to read:

"7-6-4463. Limit on resort ~~community~~ tax rate -- goods and services subject to tax. (1) The rate of the resort tax must be established by the election petition or resolution provided for in 7-6-4464, but the rate may not exceed 3%.

(2) (a) The resort tax is a tax on the retail value of all goods and services sold within the resort community or area by the following establishments:

(i) hotels, motels, and other lodging or camping facilities;

(ii) restaurants, fast food stores, and other food service establishments;

(iii) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink; and

(iv) ski resorts and other recreational facilities.

(b) ~~establishments~~ Establishments that sell luxuries must collect a tax on such luxuries."

Section 11. Section 7-6-4464, MCA, is amended to read:

"7-6-4464. Resort ~~community~~ tax -- election required -- procedure. (1) A resort community may not impose or, except as provided in 7-6-4465, amend or repeal a resort tax unless the resort tax question has been submitted to the electorate of the resort community and approved by a majority of the electors voting on the question.

(2) The resort tax question may be presented to the electors of ~~the~~:

(a) a resort community ~~by~~:

~~(a)~~(i) by a petition of the electors as provided by 7-1-4130, 7-5-132, and 7-5-134 through 7-5-137; or

~~(b)~~(ii) by a resolution of the governing body of the resort community; or

(b) a resort area by a resolution of the board of county commissioners following receipt of a petition of electors as provided in [section 9].

(3) The petition or resolution referring the taxing question must state:

(a) ~~must state~~ the exact rate of the resort tax;

(b) ~~must state~~ the duration of the resort tax;

(c) ~~must state~~ the date when the tax becomes effective, which date may not be earlier than 35 days after the election; and

(d) ~~may specify~~ the purposes that may be funded by the resort tax revenue.

(4) The petition or resolution referring the

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resort tax question may provide for a seasonal tax, which would be effective for a period of at least 3 but less than 12 months of each calendar year.

~~(4)~~(5) Upon receipt of an adequate petition the governing body may:

(a) call a special election on the resort tax question; or

(b) have the resort tax question placed on the ballot at the next regularly scheduled election.

~~(5)~~(6) The question of the imposition of a resort tax may not be placed before the electors more than once in any fiscal year."

Section 12. Section 7-6-4465, MCA, is amended to read:

"7-6-4465. Resort ~~community~~ tax administration. (1) In this section, "governing body" means the governing body of an incorporated resort community or, if the resort tax has been approved by the electors of an unincorporated resort area, the board of county commissioners.

(2) Not less than 30 days prior to the date the resort tax becomes effective, the governing body ~~of the resort community~~ shall enact an administrative ordinance governing the collection and reporting of the resort taxes. This administrative ordinance may be amended at any time thereafter as may be necessary to effectively administer the resort tax.

~~(2)~~(3) The administrative ordinance shall specify:

(a) the times taxes collected by business are to be remitted to the ~~resort community~~ governing body;

(b) the local government office, officer, or employee responsible for receiving and accounting for the resort tax receipts;

(c) the local government office, officer, or employee responsible for enforcing the collection of resort taxes and the methods and procedures to be used in enforcing the collection of resort taxes due; and

(d) the penalties for failure to report taxes due, failure to remit taxes due, and violations of the administrative ordinance. The penalties may include:

(i) criminal penalties not to exceed a fine of $1,000 or 6 months imprisonment or both the fine and imprisonment;

(ii) civil penalties if the ~~resort community~~ governing body prevails in a suit for the collection of resort taxes, not to exceed 50% of the resort taxes found due plus the costs and attorney fees incurred by the ~~resort community~~ governing body in the action;

(iii) revocation of the offender's county or municipal business license; and

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(iv) any other penalties that may be applicable for violation of an ordinance.

~~(3)~~ (4) The administrative ordinance may include:

(a) further clarification and specificity in the categories of goods and services that are subject to the resort tax consistent with 7-6-4463;

(b) authorization for business administration and prepayment discounts. The discount authorization may allow each vendor and commercial establishment to:

(i) withhold up to 5% of the resort taxes collected to defray their costs for the administration of the tax collection; or

(ii) receive a refund of up to 5% of the resort tax payment received from them by the ~~resort community~~ governing body 10 days prior to the collection due date established by the administrative ordinance; and

(c) other administrative details necessary for the efficient and effective administration of the tax."

NEW SECTION. Section 13. Use of resort area tax -- property tax relief. (1) Unless otherwise provided by the authorization approved by the electors under 7-6-4464, the board of county commissioners may appropriate and expend revenues derived from a resort area tax for the purpose stated in the resolution approved by the electors.

(2) (a) Anticipated revenues from a resort area tax must be applied to reduce the tax levy on property within the resort area for the fiscal year in an amount equal to at least 5% of the resort tax revenues derived during the preceding fiscal year.

(b) When revenues from a resort area tax exceed the anticipated amount, the board of county commissioners shall establish a property tax relief fund for the resort area. All resort area tax revenues received in excess of the anticipated amount must be placed in the fund, and the entire fund must be used to replace the equivalent amount of property taxes in the resort area in the ensuing fiscal year."

Renumber: subsequent sections

9. Page 12, lines 10 and 13.
Following: "through 3"
Strike: "and"
Insert: ","
Following: "through 7"
Strike: "8"
Insert: "7, 9, 13, and 14"

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AMENDMENTS TO HOUSE BILL NO. 782

THIRD READING (BLUE) COPY

1. Page 1, line 21.
Following: line 21
Insert: "(4) 'Resident' applies only to natural persons and includes, for purposes of determining liability for a local option income tax with reference to the income of any taxable year:
"(a) a person domiciled in a county that enacts a tax as provided in [this act]; and
"(b) any other person who:
"(i) maintains a permanent place of abode within the enacting county even though temporarily absent from the county; and
"(ii) has not established a residence elsewhere."

2. Page 5, line 2.
Following: "authority."
Insert: "However, if the tax is administered by the department of revenue, it must be consistent with any state income or sales tax for ease of administration."

3. Page 6, line 2.
Following: line 2
Insert: "(2) (a) The local option income tax applies to a person in a county imposing the tax who is:
(i) a resident of the county on the last day of the taxpayer's taxable year; or
(ii) a resident of the county for more than 6 months of a taxable year.
(b) If a taxpayer resides in more than one county imposing a local option income tax during a taxable year, he shall pay the tax to the county in which he resides on the last day of the taxable year. If the county in which a taxpayer resides on the last day of the taxable year does not impose a local option income tax, but he resides for more than 6 months in a county imposing a local option income tax, then he shall pay the tax imposed by such county."
RENUMBER SUBSEQUENT SUBSECTIONS.

ilb/90
amendhb782

SENATE TAXATION
EXHIBIT NO. 5
DATE 4-2-87
BILL NO. H.B. 782

AMENDMENTS TO HOUSE BILL NO. 782

THIRD READING (BLUE) COPY

1. Page 1, line 21.
Following: line 21
Insert: "(4) 'Resident' applies only to natural persons and includes, for purposes of determining liability for a local option income tax with reference to the income of any taxable year:

"(a) a person domiciled in a county that enacts a tax as provided in [this act]; and

"(b) any other person who:

"(i) maintains a permanent place of abode within the enacting county even though temporarily absent from the county; and

"(ii) has not established a residence elsewhere."

2. Page 5, line 2.
Following: "authority."
Insert: "However, if the tax is administered by the department of revenue, it must be consistent with any state income or sales tax for ease of administration."

3. Page 6, line 2.
Following: line 2
Insert: "(2) (a) The local option income tax applies to a person in a county imposing the tax who is:

(i) a resident of the county on the last day of the taxpayer's taxable year; or

(ii) a resident of the county for more than 6 months of a taxable year.

(b) If a taxpayer resides in more than one county imposing a local option income tax during a taxable year, he shall pay the tax to the county in which he resides on the last day of the taxable year. If the county in which a taxpayer resides on the last day of the taxable year does not impose a local option income tax, but he resides for more than 6 months in a county imposing a local option income tax, then he shall pay the tax imposed by such county."

RENUMBER SUBSEQUENT SUBSECTIONS.

ilb/90
amendhb782

SENATE TAXATION
EXHIBIT NO. 5
DATE 4-2-87
BILL NO. H.B. 782

AMENDMENTS TO HOUSE BILL NO. 782

THIRD READING (BLUE) COPY

1. Page 1, line 21.
Following: line 21
Insert: "(4) 'Resident' applies only to natural persons and includes, for purposes of determining liability for a local option income tax with reference to the income of any taxable year:

"(a) a person domiciled in a county that enacts a tax as provided in [this act]; and

"(b) any other person who:

"(i) maintains a permanent place of abode within the enacting county even though temporarily absent from the county; and

"(ii) has not established a residence elsewhere."

2. Page 5, line 2.
Following: "authority."
Insert: "However, if the tax is administered by the department of revenue, it must be consistent with any state income or sales tax for ease of administration."

3. Page 6, line 2.
Following: line 2
Insert: "(2) (a) The local option income tax applies to a person in a county imposing the tax who is:

(i) a resident of the county on the last day of the taxpayer's taxable year; or

(ii) a resident of the county for more than 6 months of a taxable year.

(b) If a taxpayer resides in more than one county imposing a local option income tax during a taxable year, he shall pay the tax to the county in which he resides on the last day of the taxable year. If the county in which a taxpayer resides on the last day of the taxable year does not impose a local option income tax, but he resides for more than 6 months in a county imposing a local option income tax, then he shall pay the tax imposed by such county."

RENUMBER SUBSEQUENT SUBSECTIONS.

ilb/90
amendhb782

SENATE TAXATION
EXHIBIT NO. 5
DATE 4-2-87
BILL NO. HB 782

SENATE TAXATION
EXHIBIT NO. 6
DATE 4-2-87
BILL NO. H.B. 782

H.B.-782-

I cannot believe that any legitimate taxpayer would vote another income tax on himself - (but coming from a county where it has been reported that 10-12% of the population is on welfare, It could be that those who don't work will vote it on those who do - (Those people working in the private sector who have taken a 2-3 thousand dollar a year wage cut, would have a hard time with an additional income tax. ~~The way~~ I see nothing in this bill that says this money must reduce property taxes - it would be additional.

With a state sales tax or an income tax surcharge awaiting approval of this body - & 904 passing the house - enabling leg. of this kind should be killed.

~~I~~ I have heard it said by some legislators "we have to give them something". We are not here to tell you, that you have to give us something - but we are here to ask you to please leave us something - & to keep for this body, the power to tax, as it should be.

If ~~you are going to pass~~ we are to have a sales tax or surcharge or increased income tax, then do it statewide & let everyone share the misery.

Vera Cahoon
Mesa Co. Freeholders

SENATE TAXATION
EXHIBIT NO. 7
DATE 4-2-87
BILL NO. H.B. 782

NAME: Mrs Mary C Doubek DATE 4/2/87

ADDRESS: 7645 S. Montana Ave

PHONE: 455-9525

REPRESENTING WHOM? myself, friends, relatives

APPEARING ON WHICH PROPOSAL: HB782

DO YOU: SUPPORT? ________ AMEND? ________ OPPOSE? ✓

COMMENTS: I am opposed to any & all sales tax bills. It's impossible for me to testify at every hearing on a sales tax bill since there are so many of them.

I'm sure you know the majority of Montanans oppose the sales tax & have opposed it over the years. Our legislators admitted it two days ago when they refused to let HB377 go on a Referendum for the people to vote on it, because they said it would be defeated. What would the voters say if they could have heard the legislators say in eager anticipation of the passage of that bill "When they spend it, then we're going to nail them". This is a direct vote!

When I suggest cutting the budget, I don't suggest cutting Police, Fire, Sanitation, etc. The mere proposal of cutting those expenditures is ridiculous, yet we have heard such

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

suggestions. That would be like the husband who looks at the bills piling up at home & says to his wife, "you can't pay food, rent, or electric bills until we're caught up." No, but there are expenses in our budget that can & should be cut -- a ortion of so many of them could help balance the budget.

No, we'll never be able to balance the budget as long as people keep asking for their own exemptions, "yes, we want a sales tax" they say "but don't tax us."

So many say "no Referendum". At least this bill does want to put it up to the people, but if the feeling is that the majority of the people do not want a sales tax, then why go through the expense of a Referendum?

Rep. Addy says "put yourselves in that position" the position many people take is - cuts in spending, living within your budget. We are all in the position of having to live within our means. That's what gov't must do too.

The problem seems to be too much red ink. The cure is not getting more money, the cure is budget cuts across the board. Everybody must give up a piece of the pie.

Someone who is 100 or 200 lbs overweight can't lose it in one day. He/she didn't gain that much overnight, but the obvious plan is to lose it by starting to cut down & cut out certain (food) items. People are heavily overburdened now & just can't afford it. Sales taxes no matter how palatable they may seem are a foot in the door. Taxes increase & are difficult if not impossible to get rid of.

If we're warned about lifeboats & water (hot water) perhaps we should get on dry land & live within our means. We don't need any sales taxes if we will just keep only high priority items. This is like "Tough Love" but we must do what is best for all Montanans. Please say "no" to HB 782.

Thank you

EXHIBIT C
Page 1 of 1

BIG SKY NORTHWEST AIRLINK

Comparison Of Taxes Per Aircraft And Per Block Hour
Current Fleet Vs. New Fleet As Assessments And Taxes Are Under Existing Statutes

Number of Aircraft (Metro II)	Dept. of Revenue Assessed Value Per Aircraft	Total Assessed Value	Tax Per Aircraft (.034 x Assessed Value)	Total Tax Per Year All Aircraft	Blk. Hrs. Flown Per Aircraft In Montana	Blk. Hrs. Flown All Aircraft In Montana	Taxes Per Blk. Hr. Flown In Montana
CURRENT METRO FLEET							
8	$750,000	$6,000,000	$25,500	$204,000	2450	19,600	$10.41
NEW BEECHCRAFT FLEET							
8	$3,137,200	$25,097,600	$106,584	$852,672	2450	19,600	$43.51
DIFFERENCES							
0	$2,387,200	$19,097,600	$81,084	$648,672	0	0	$33.10

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EXHIBIT E
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SENATE TAXATION
EXHIBIT NO. 8
DATE 4-2-87
BILL NO. H.B. 87

BIG SKY NORTHWEST AIRLINK

Taxes Under Proposed Statutory Modifications

28% Base With 8% Annual Increase

Year	Book Value	Dept. of Revenue Assessment Per Aircraft	Dept. of Revenue Assessment All All 8 Aircraft	Tax Per A/C Per Each Yr. (.034 x Dept. Assessed Value)	Total Tax All 8 Aircraft Each Year	Taxes Per Block Hour Flown	Taxes Per Block Hour Current Fleet	Increase/(Decrease) Per Block Hour	Total Tax Increase
1	$3,137,200 1/	$ 878,416	$7,027,328	$29,866	$238,929	12.19	10.41	1.78	$ 34,929
2	2,875,767	1,035,276	8,282,208	35,199	281,592	14.37	10.41	3.96	77,592
3	2,614,333	1,150,307	9,202,453	39,110	312,880	15.96	10.41	5.55	108,880
4	2,352,900	1,223,508	9,788,864	41,600	332,800	16.98	10.41	6.57	128,800
5	2,091,467	1,254,880	10,039,040	42,666	341,328	17.41	10.41	7.00	137,328
6	1,830,033	1,244,422	9,955,376	42,310	338,480	17.27	10.41	6.86	134,480
7	1,568,600	1,192,136	9,537,088	40,533	324,264	16.54	10.41	6.13	120,264
8	1,307,167	1,098,020	8,784,160	37,333	298,664	15.24	10.41	4.83	94,664
9	1,045,629	961,979	7,695,832	32,707	261,656	13.35	10.41	2.94	57,656
10	784,300	784,300	6,274,400	26,666	213,328	10.88	10.41	.47	9,328
11	522,867	522,867	4,182,936	17,777	142,216	7.26	10.41	(3.15)	(61,784)
12	261,433	261,433	2,091,464	8,889	71,112	3.63	10.41	(6.78)	(132,888)
									$ 709,249 2/

1/ Purchase price from Beechcraft reduced from price shown in contract due to newer equipment modifications agreed to after contract execution.

2/ As a practical matter these aircraft likely would be sold or traded between the fifth and seventh year. This type modification to the statute would tend to encourage early aircraft replacement and upgrading -- something the citizens of Montana repeatedly tell Big Sky they want.

Note: Assumes - Block hours flown per aircraft per year are 2450.
- Block hours flown all aircraft per year are 19,600.
- Fleet of 8 Beechcraft 1900.
- 12 year straight line depreciation.

DORSEY & WHITNEY

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30 RUE LA BOETIE
75008 PARIS, FRANCE
011-33 (1) 43-59-13-65
011-33 (1) 45-63-32-50

February 11, 1987

Jase O. Norsworthy
Securities Building
Billings, MT 59101

Re: Big Sky Airline Taxation and Proposed Amendment to Section 15-23-403

Dear Jase:

I have reviewed the materials Terry Marshall supplied me, including your proposal for an amendment to Section 15-23-403. I believe your suggested amendment is similar to item 3 in my Memorandum to you. Your amendment is better than my suggestion 4 because your amendment is easier to implement. It may be, however, that the legislature would like your amendment better if Big Sky also is required to have a significant increase in its Montana payroll. If you believe that to be the case, I believe we could develop language to accomplish that.

The amendment you suggested may be subject to criticism for one or more of the following reasons:

1. It violates the 4R Act. The answer to this objection is that the 4R Act only requires, on average, that railroads and airlines be taxed as favorably as other industrial and commercial property in an assessment jurisdiction. I do not believe the 4R Act requires that a railroad or an airline be assessed at the lowest valuations or rates applicable to any industrial or commercial property within the state. Thus, if the rate applied to railroads and airlines is no more than the average of the rate applied to other industrial and commercial properties, the 4R Act is not violated even though certain industrial and commercial properties within the state may be taxed at a lower rate.

2. Another objection may be that your proposed amendment is not in accordance with the principal that property should be assessed at its full market value. See, Section 15-8-111, MCA.

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The answer is that Section 15-8-111 itself provides exceptions and that another exception can be created for airlines meeting the requirements of your amendment to Section 15-23-403. We would suggest that the following subparagraph (c) be added to 15-8-111(3):

> "for new aircraft and new equipment acquired to support new aircraft, value shall be determined as provided in Section 15-23-403."

A copy of Section 15-8-111 is enclosed for your reference.

3. Another airline might argue that the amendment discriminates against out of state airlines. Generally, legislatures have the power to make classifications with respect to taxation, and their discretion in that regard is very broad. Such classifications are presumptively valid, and will not be disturbed in the absence of unreasonable, discriminatory or arbitrary action. Classifications designed to encourage particular industries from considerations of public policy are lawful. See, 71 Am.Jur.2d, State and Local Taxation §§ 71 and 172. In Allied Stores of Ohio, Inc. v. Bowers, 358 U.S. 522, the United States Supreme Court held that a statute which encourages the location within the state of needed and useful industries by exempting them, though not also others, from its taxes, is not arbitrary and does not violate the equal protection clause in the Fourteenth Amendment. It may be that the statute when finally drafted should contain policy considerations justifying the favorable taxation treatment for an airline that does substantially all of its business in Montana. These policy considerations could include jobs and the supplying of vital transportation services to Montana citizens.

Yours truly,

Larry

L. W. PETERSEN

LWP:pc/4508

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Part 7 — Assessment and Map Books

15-8-701. Assessment book — definition — listing property in.
15-8-702. Persons desiring to be listed.
15-8-703. Repealed.
15-8-704. Map book.
15-8-705. Assessment and map book delivered to and kept by clerk.
15-8-706. Statement by agent to the department.
15-8-707. Correction of defects in form of assessment book.
15-8-708. Omissions in delinquent lists — correction by publication.
15-8-709. Statement of changes to be sent to county clerk.
15-8-710. Assessment and delinquent books prima facie evidence.

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Chapter Cross-References

Property tax administration, Art. VIII, sec. 3, Mont. Const.

Equal valuation, Art. VIII, sec. 4, Mont. Const.

Taxation of condominium units, 15-8-511, 15-8-512.

Hard-rock mining impact property tax base sharing, Title 90, ch. 6, part 4.

Part 1

General Provisions

15-8-101. Department responsibilities. The department of revenue shall have full charge of assessing all property subject to taxation and equalizing values and shall secure such personnel as is necessary to properly perform its duties.

History: En. Sec. 1, Ch. 61, L. 1925; re-en. Sec. 2001.1, R.C.M. 1935; amd. Sec. 1, Ch. 100, L. 1939; amd. Sec. 2, Ch. 405, L. 1973; amd. Sec. 49, Ch. 566, L. 1977; R.C.M. 1947, 84-402(2).

Cross-References

Assessment of Department basis for taxation of cities and towns, 7-6-4409.

15-8-102. County assessor as agent of department — counties to furnish office space. (1) The county assessors of the various counties of the state are agents of the department of revenue for the purpose of locating and providing the department a description of all taxable property within the county, together with other pertinent information, and for the purpose of performing such other administrative duties as are required for placing taxable property on the assessment rolls. The assessors shall perform such other duties as are required by law, not in conflict with the provisions of this subsection.

(2) The county commissioners of the various counties shall provide existing office space in the county courthouse for use by the county assessor, his deputies and staff, and the state appraiser and staff, if such space is reasonably available. If such space is not reasonably available in the courthouse and the same must be contracted for, the department shall pay the cost thereof. Additional personal property required by the department for the assessor to perform his duties as agent of the department shall be provided by the department.

(3) The department must provide maps for the use of its agents, showing the private lands owned or claimed in the county and, if surveyed under authority of the United States, the divisions and subdivisions of the survey. Maps of cities and villages or school districts may in like manner be provided. The cost of making such maps is a state charge and must be paid from the state general fund.

History: (1), (2)En. Sec. 1, Ch. 61, L. 1925; re-en. Sec. 2001.1, R.C.M. 1935; amd. Sec. 1, Ch. 100, L. 1939; amd. Sec. 2, Ch. 405, L. 1973; amd. Sec. 49, Ch. 566, L. 1977; Sec. 84-402, R.C.M. 1947; (3)En. Sec. 3732, Pol. C. 1895; re-en. Sec. 2551, Rev. C. 1907; re-en. Sec. 2056, R.C.M. 1921; Cal. Pol. C. Sec. 3658; re-en. Sec. 2056, R.C.M. 1935; amd. Sec. 32, Ch. 405, L. 1973; Sec. 84-509, R.C.M. 1947; R.C.M. 1947, 84-402(1), (4), 84-509.

Cross-References

Agent required to submit form for state land equalization payment, 77-1-503.

Agent required to explain and determine if taxpayer wishes to be covered under crop hail insurance levy, 80-2-204.

Agent required to add irrigation district assessment to assessment book, 85-7-2136.

Agent required to add drainage district assessment to assessment book, 85-8-601.

15-8-103. Department to conduct assessing schools. The department of revenue shall schedule and hold area schools within the state for appraisers and assessors as often as it considers necessary. The costs of such appraisers and assessors attending shall be borne by the state. The department shall notify all assessors and appraisers at least 6 months before such school is scheduled. All assessors and appraisers shall attend.

History: En. 84-708.1 by Sec. 53, Ch. 405, L. 1973; amd. Sec. 1, Ch. 134, L. 1975; amd. Sec. 1, Ch. 381, L. 1975; amd. Sec. 1, Ch. 465, L. 1975; amd. Sec. 9, Ch. 98, L. 1977; amd. Sec. 53, Ch. 566, L. 1977; R.C.M. 1947, 84-708.1(part).

15-8-104. Department audit of taxable value — costs of audit paid by department. (1) When in the judgment of the director of revenue it is necessary, audits may be made for the purpose of determining the taxable value of net proceeds of mines and oil and gas wells and all other types of property subject to ad valorem taxation.

(2) The department of revenue shall conduct audits of the assessment of all commercial personal property to assure that the value of the property in those classes reflects market value. Because the assessed value of commercial personal property is defined as market value under 15-8-111(2), the audits conducted by the department shall be primarily directed toward ensuring that all taxable personal property is reported to the department.

(3) The cost of any audit performed under subsection (1) or (2) shall be paid by the department.

History: (1)En. 84-708.9 by Sec. 1, Ch. 235, L. 1975; amd. Sec. 1, Ch. 107, L. 1977; Sec. 84-708.9, R.C.M. 1947; (2)En. 84-708.10 by Sec. 2, Ch. 235, L. 1975; Sec. 84-708.10, R.C.M. 1947; R.C.M. 1947, 84-708.9, 84-708.10; amd. Sec. 1, Ch. 222, L. 1979; amd. Sec. 10, Ch. 634, L. 1979; amd. Sec. 3, Ch. 613, L. 1981; amd. Sec. 9, Ch. 743, L. 1985.

Compiler's Comments

1985 Amendment: Inserted (2); and in (3) substituted "any audit performed under subsection (1) or (2)" for "the audit". Amendment effective January 1, 1986.

1981 Amendment: In (1), deleted "business inventories" after "gas wells"; and deleted subsections (2) and (3) relating to business inventories.

15-8-105 through 15-8-110 reserved.

15-8-111. Assessment — market value standard — exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market va[redacted] th[redacted]e a[redacted]ch [redacted]rty [redacted]d ch[redacted] har[redacted] bet[redacted] a[redacted]ing buyer and a willing seller, neither being under any compulsion to bu[redacted] to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, 15-6-145, and 15-6-146, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven, fifteen, and sixteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, 15-6-145, and 15-6-146.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. *(Subsections (3)(a) and (3)(b) appl[illegible]le to tax years beginning after December 31, 1985—sec. 4,* *C[redacted]3, L[redacted]5. S[redacted]tion[redacted]) a[redacted]ere[redacted]n ([redacted]lass[redacted]een[redacted] 15-6-143 terminate January 1, 1991—sec. 10, Ch. 681, L. 1985.)*

History: En. Sec. 5, p. 76, L. 1891; re-en. Sec. 3690, Pol. C. 1895; re-en. Sec. 2502, Rev. C. 1907; re-en. Sec. 2001, R.C.M. 1921; Cal. Pol. C. Sec. 3627; re-en. Sec. 2001, R.C.M. 1935; amd. Sec. 2, Ch. 512, L. 1973; amd. Sec. 1, Ch. 56, L. 1974; amd. Sec. 1, Ch. 209, L. 1975; amd. Sec. 1, Ch. 436, L. 1975; amd. Sec. 5, Ch. 498, L. 1977; amd. Sec. 21, Ch. 566, L. 1977; R.C.M. 1947, 84-401; amd. Sec. 11, Ch. 634, L. 1979; amd. Secs. 10, 13, Ch. 686, L. 1979; amd. Sec. 17, Ch. 693, L. 1979; amd. Sec. 66, Ch. 575, L. 1981; amd. Sec. 2, Ch. 578, L. 1981; amd. Sec. 3, Ch. 323, L. 1983; amd. Sec. 1, Ch. 463, L. 1985; amd. Sec. 6, Ch. 516, L. 1985; amd. Sec. 6, Ch. 681, L. 1985; amd. Sec. 7, Ch. 743, L. 1985.

Compiler's Comments

1985 Amendments: Chapter 463 in (2)(b) at beginning, inserted exception clause; and inserted (3)(a) and (3)(b).

Chapter 516 in (2)(b) near beginning, after "limited to", deleted "motorcycles". Amendment effective January 1, 1986 (sec. 50, Ch. 516, L. 1985).

Chapter 681 inserted (6)(d); and in (8), after "three" inserted "and thirteen" and after "15-6-133" inserted "and 15-6-143". Amendment effective January 1, 1986, and terminates January 1, 1991 (sec. 10, Ch. 681, L. 1985).

Chapter 743 in (3) inserted "15-6-145, and 15-6-146"; and in (5) inserted reference to classes fifteen and sixteen and inserted "15-6-145, and 15-6-146". Amendment effective January 1, 1986 (sec. 12, Ch. 743, L. 1985).

1983 Amendment: Deleted references to subsections of 15-6-131 in (3), (4) (now (5)), (5) (now (6)), (5)(a) (now (6)(a)), and (7) (now (8)).

1981 Amendments: Chapter 575 substituted "classes four through eleven" for "classes four through ten [class twenty, and class twenty-one]" in (4) (now (5)); deleted "[and 15-6-121]" at the end of (4) (now (5)); in (7) (now (8)), deleted "[and 15-6-120]" after "15-6-133".

Chapter 578 added subsection (2)(b).

Cross-References

Definition of assessed value, 15-1-101.

Taxation of federal property held under contract of sale, lease, or other interest, Title 15, ch. 24, part 11.

Taxation of land subject to conservation easement, 76-6-208.

15-8-112. Assessments to be made on classification and appraisal. (1) The assessments of all lands, city and town lots, and all improvements must be made on the classification and appraisal as made or caused to be made by the department of revenue.

(2) The percentage basis of assessed value as provided for in chapter 6, part 1, is determined and assigned by the department when it makes its annual assessment of the property which it is required to assess centrally under the laws of this state. The department shall transmit such determination and assignment to its agents in the various counties with the assessments so made, and its determination is final except as to the right of review in the state tax appeal board or the proper court.

History: (1)En. Sec. 3, Ch. 191, L. 1957; amd. Sec. 16, Ch. 405, L. 1973; Sec. 84-429.9, R.C.M. 1947; (2)En. Sec. 3, Ch. 61, L. 1925; re-en. Sec. 2001.3, R.C.M. 1935; amd. Sec. 49, Ch. 100, L. 1973; amd. Sec. 2, Ch. 516, L. 1973; amd. Sec. 8, Ch. 98, L. 1977; amd. Sec. 50, Ch. 566, L. 1977; Sec. 84-404, R.C.M. 1947; R.C.M. 1947, 84-404, 84-429.9.

Cross-References

State Tax Appeal Board, Title 15, ch. 2.

15-8-113. Appeal from percentage assignment. If any taxpayer shall feel aggrieved at the percentage assignment so made by the department of revenue or its agent, he shall have the right to appeal to the county tax appeal board on the percentage assignment the same as he now has on valuations and also the right to appeal from the county tax appeal board to the state tax appeal board, whose findings shall be final except as to the right of review in the proper courts.

History: En. Sec. 2, Ch. 61, L. 1925; re-en. Sec. 2001.2, R.C.M. 1935; amd. Sec. [illegible] Ch. 405, [illegible]73; R.C.M. 1947, 84-403.

THE CITY OF BOZEMAN
411 E. MAIN ST. P.O. BOX 640 PHONE (406) 586-3321
BOZEMAN, MONTANA 59771-0640

April 1, 1987

Senator George McCallum
Chairman, Taxation Committee
Rm. 413
Capitol Station
Helena, MT 59620

Dear Senator:

The City of Bozeman is keenly interested in the passage of H.B. 743, as is, to include the twelve (12) month redemption period for other than homestead lands. This actually affords these lands two (2) years of time; i.e., the year that passes to cause the delinquency, plus the twelve (12) month redemption period!

Bozeman has levied 19.55 mills for this fiscal year ($460,000). Over $300,000 of this fiscal problem is attributed to unoccupied, subdivided lands. It is imperative that H.B. 743 passes, as is, to make a tax sale this year to save similar amounts in 1989 and 1990!!

Thank you for your help.

Sincerely,

Judy

Judith A. Mathre
Mayor

JEW/JAM/mcl

SENATE TAXATION
EXHIBIT NO. 10
DATE 4-2-87
BILL NO. H.B. 743