

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on January 27, 1989, at 10:00 a.m.

ROLL CALL

Members Present: 17

Members Excused: 1

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None

HEARING ON HOUSE BILL 268

Presentation and Opening Statement by Sponsor:

Rep. Bert Guthrie, District 11, stated HB 268 is an act to change the penalty for delinquent property tax payments from 2% to a penalty based on the amount of unpaid property taxes, amending sections of the MCA and providing for an immediate effective and applicability date. Rep. Guthrie stated that under the present statute and the present commercial rates, it is advantageous for a taxpayer to allow his property taxes to become delinquent, pay the interest rate of 10% and the 2% penalty, and be better off financially than he would be borrowing the money for his taxes from a commercial lender. Past legislation was intended to assist taxpayers having problems in difficult economic times. Rep. Guthrie stated the intent of this law is being abused and those who have the most ability to pay their taxes on time, are using the system as their bank and this should be stopped.

Testifying Proponents and Who They Represent:

Gordon Morris, Executive Director, Montana Association of Counties

Dennis Burr, Montana Taxpayers Association

Alec Hanson, Montana League of Cities and Towns

Gloria Paladicheck, Richland County Commissioner

Bruce Muir, Montana School Board Association

Brad Dezort, Chairman, Board of County Commissions, Teton County

Stan Hughes, Gallatin County Treasurer

Julie Hacker, Missoula County Freeholders
Rep. Jack Vincent, District 80
Martha B. McGee, Lewis & Clark County Treasurer

Proponent Testimony:

Gordon Morris spoke in support of HB 268. He stated that the county government is the tax collector of various assessments throughout the state of Montana. HB 268 establishes a schedule wherein the delinquent penalty would increase based upon the size of the property tax payment. Mr. Morris distributed a Tax Payment Compliance Survey to the committee members. (Exhibit 1). This survey provides comparable rates of penalties and interest on delinquent taxes with the state of Montana. Mr. Morris then distributed proposed amendments to HB 268 regarding the percentage charged on delinquent taxes. (Exhibit 2). Mr. Morris stated this would provide an incentive to taxpayers to pay their property taxes since the penalties would increase with each year of delinquency. He suggested that the committee consider these amendments. He stated this legislation was needed and urged a do pass on the bill.

Dennis Burr spoke in support of HB 268 stating penalties were needed on delinquent taxes that did not allow anyone to take advantage of the system. However, he stated that it is necessary to be careful not to make the penalties so high that those having honest difficulties are forced to lose their property. Mr. Burr suggested there was one other area of taxation the committee should consider. This is the area of rural subdivisions where the land has been agricultural and is then rezoned resulting in much higher taxation. Developers will often let the taxes become delinquent until the property is sold. Mr. Burr stated this is a sort of banking system for the developers while the land remains unsold and bare, it is not demanding a lot of services. If the penalties become too excessive, the land will never be sold. He suggested consideration by the committee in this particular area.

Alec Hanson spoke in support of HB 268 stating he objected to the bankrolling of delinquent taxpayers. He stated the interest and penalties were too low allowing taxpayers to take advantage of the system. Mr. Hanson said he had checked with the city of Missoula regarding this problem and discovered that one of the sixth largest property owners in that city has been delinquent on 12 of their last 15 tax payments. He stated this is unacceptable but there is also the consideration of those taxpayers who are honestly having difficulties and the penalties and interest should not be so high they would lose their property. He stated that perhaps the penalties in the bill as drafted may be too high and some consideration should be given to this fact.

Gloria Paladicheck stated she felt HB 268 as written, would be

difficult to administer. She stated property taxpayers have a right to be treated equally and fairly and when the penalties for delinquency are changed to percentages based on the amount of delinquency, it is no longer fair to all. She supports the concept of the bill but not the penalties based on the amount of tax dollars due.

Bruce Muir stated schools receive the largest amount of property taxes and it is very important that there be incentives to urge property taxpayers to pay their taxes on time in order for the schools to have the maximum benefits to which they are entitled. He urged a do pass on the bill.

Brad Dezork distributed a document describing the delinquent taxes as of January 26, 1989. (Exhibit 3). The total amount shown on this document comes from 15 counties in the state. He stated that the committee should consider who suffers from the tax delinquency and the resultant loss of funds to the counties. Mr. Dezork stated he had always paid his taxes on time even though he sometimes had to borrow money to do so and he did not feel that he and others who do the same should have to carry those who do not pay their taxes.

Stan Hughes spoke in support of HB 268 but he stated there were problems in the bill as written. One is the lack of computerization in some counties. They would have to figure the interest and penalties manually. He stated there was also a language problem in the bill regarding delinquent tax due. Mr. Hughes said this means different things in different counties. Some counties put a number of parcels on one individual bill instead of separate bills. This would put people into a higher penalty bracket. With a flat penalty rate, there is also the problem of no incentive for people to pay their taxes on time. The interest rises but not the penalty. Mr. Hughes also raised the possibility of a constitutional question regarding discrimination against those with higher valued properties. Mr. Hughes said he was in favor of the amendments proposed by Gordon Morris to tie the penalty charged to the number of delinquent installments.

Julie Hacker spoke in support of the bill. (Exhibit 4).

Rep. John Vincent stated the bill needs work but urged the committee's support HB 268. He stated action was needed on this issue since it involves tax equity and fairness. He stated the people in his district pay their taxes no matter what and they are very opposed to subsidizing others. He urged additional work and passage of the bill.

Martha McGee urged support of HB 268 stating the interest rate increase would be much more realistic and this would be much more fair and equitable in regard to property tax payments.

Cort Harrington supports the concept of the bill and the amendment to insert three different penalty rates.

Testifying Opponents and Who They Represent:

None.

Opponent Testimony:

None.

Questions From Committee Members: Rep. Giacometto asked Rep. Guthrie if he objected to the amendments proposed by Mr. Morris. Rep. Guthrie stated he would support the amendments. Penalties based on the amount of delinquency would be more equitable.

Rep. Good asked Rep. Guthrie about the installment delinquency mentioned in the bill. She asked if he was comfortable with that language or would he prefer actual years. Rep. Guthrie replied that they are one and the same. The descending rates according to payments on the delinquent taxes would provide the incentive for payment of the taxes.

Rep. Ellison asked Rep. Guthrie about the problem with parcels of property and the question as to whether or not the delinquency is on one parcel or all of the land owned by the taxpayer. Rep. Guthrie stated this was the problem with the bill as originally drafted because people could avoid paying the 10% penalty by dividing their property into separate parcels.

Chairman Harrington asked Gordon Morris to respond to this area of questioning. Mr. Morris stated that if there are multiple parcels of land listed on a tax bill and a taxpayer decides to pay on part of the land but not all, then a lien would be placed against those the taxpayer had allowed to become delinquent but not against those that are current.

Rep. Ellison then asked if he had ten parcels of land and he wished to have them listed separately, could he request this. Mr. Morris replied that the county treasurer does have the prerogative of listing properties separately on an individual basis, and he assumed this could be done.

Rep. Driscoll stated that in his county, property parcels must be split before the taxes are due. He asked is this was the case in all counties. Ms. McGee answered stating in Lewis & Clark County, this rule applies but she did not know if this was common in all counties. Dennis Burr stated he thought this applied only to the splitting of large tracts of land into subdivisions. Rep. Driscoll then stated that on city lots where they had been put together for

convenience on tax statements, then even though the taxes are due and a taxpayer wants to split them, the county has to do this. Mr. Burr responded that he thought that was correct.

Chairman Harrington reminded the committee that he intended to put HB 268 into a subcommittee to accomplish the needed work on the bill.

Closing by Sponsor: Rep. Guthrie stated he supported the amendments suggested by Mr. Morris. He stated the bill will eliminate the abuse of the system by those who have the ability to pay and will also provide a grace period for those having honest difficulties.

DISPOSITION OF HOUSE BILL 268

Motion: None

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: Chairman Harrington stated he will put the bill into subcommittee.

HEARING ON HOUSE JOINT RESOLUTION 8

Presentation and Opening Statement by Sponsor:

Rep. Dave Brown, District 72, stated the resolution covers the concerns in the area of excise tax increases at the federal level and expresses opposition to the increases on beer, wine, cigarettes, gasoline and distilled spirits. He stated that the total amount collected on cigarette taxes was \$11,278,376.00 and 79% of that goes to the general fund in Montana. Beer tax amounted to approximately three million which goes to various funds in the counties, cities, and towns. The liquor excise tax generates 5.3 million, 100% of which goes to the general fund. The liquor license tax generates 3.3 million, 100% of which goes to counties, cities and towns. The 81 plus million generated by the gasoline tax goes to the highway fund and other areas such as parks and recreation. The total tax revenue amounts to approximately 125 million dollars. Rep. Brown stated there was a need for concern regarding excise taxes due to their impact on businesses and it is important to keep them operating and encourage new businesses in the state. Excise tax increases could have an adverse effect upon new and existing businesses.

Testifying Proponents and Who They Represent:

Jim Manion, Montana AAA Insurance and Montana Highway Users
Richard Monahan, Concerned Citizen, Butte
Carl Lewis, Montana Associated Producers, Inc.
Roger Tippy, Montana Beer and Wine Wholesalers, Inc.
Bob Cubberley, Beer Wholesalers of Butte
Mona Jamison, Wine Institute of California, Helena
Phil Strobe, Montana Tavern Association

Proponent Testimony:

Jim Manion spoke in support of the resolution stating he would keep his comments to the gasoline tax increase proposal. He stated that in regard to line 19, number 4 stating an increase of 5 cents per gallon, this was the lowest proposal he had heard in connection with the gas tax increase. He said proposals have ranged from 12 cents up to 50 cents. He stated there is opposition to this increase by most people in the country according to a 1987 poll. An increase in the gasoline tax would also hurt the economy. The poor would be hurt due to the excise tax regression. Those who drive older, less economical vehicles would be hurt more than those who can afford the new, more economical vehicles. In addition, he stated why should Montana people pay nearly twice as much as a resident of the District of Columbia to cut the federal deficit solely because Montanans must drive much longer distances due to less population and lack of commercial transportation between cities. Highways would be hurt and tourism would also be cut plus an increase in the gas tax would not help the federal deficit that much.

Richard Honning supported the bill stating he had information that the proposed federal excise tax increases are from 15 cents to \$1.00 which would have far-reaching effects on industries in Montana. He stated his estimate would be approximately a \$72,000,000.00 impact. He said a strong message should be sent to Washington, D.C. that the people of Montana oppose these increases very strongly.

Carl Lewis stated he supported the bill since there is a need to protect Montana's interests. The state has gone through some very difficult times and does not need a regressive tax just when there is the possibility of economic recovery.

Roger Tippy stated his organization strongly supports this resolution and recommends a do pass.

Bob Cupperly stated that taxes are continuously imposed on the beer industry and there is currently a \$1.20 tax on every case of beer. He stated there is nothing harmful in his industry and urged the committee to support this resolution.

Mona Jamison stated her organization strongly supports the resolution and believes this tax increase would have a very

adverse effect on the industry and the economy.

Phil Strobe urged support of HJR 8 and recommended a do pass.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: Rep. Raney asked Rep. Brown if he had any problem with the inconsistency of including gasoline which is a necessity of life along with alcohol and cigarettes which are not a necessity and possibly harmful. Rep. Brown stated he was not making any moral statements with the resolution.

Closing by Sponsor: Rep. Brown stated he believed everything had been said and urged the committee's support for HJR 8.

DISPOSITION OF HJR 8

Motion: None

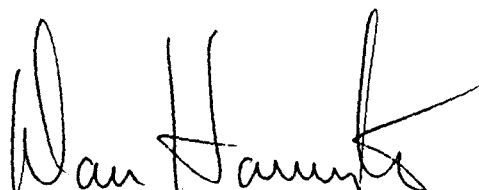
Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: Action will be taken in a later Executive Session.

ADJOURNMENT

Adjournment At: 11:00 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

2315.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date January 27, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman	✓		
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted	✓		
Stang, Barry			✓
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

TAX PAYMENT COMPLIANCE SURVEY

Source: National Property Tax Manual, International Association of Assessing Officers, 2/88.

Hawaii PENALTIES: 10%

INTEREST 8% YR (Interest charged at two-thirds of 1% per month or any fraction thereof.)

Idaho PENALTIES: 2%

INTEREST: 1% MO

Nevada PENALTIES: Any delinquent installment of tax on secured property is subject to a 4% penalty; when two installments becomes delinquent the penalty is 5% of the tax and accumulated penalties; when three installments become delinquent the penalty is 6% of the tax and accumulated penalties; when the entire tax is delinquent the penalty is 7% of the tax and accumulated penalties. When the tax remains unpaid 30 days after demand for payment of the delinquent tax, a penalty of 10% per annum will be added.

INTEREST: 10% YR

Utah PENALTIES 2%

INTEREST: Interest is computed on delinquent taxes commencing on 1/1 following the delinquency date at 100% of the Federal Discount Rate. Effective 1/1/88, the rate is six percentage points above the federal discount rate as of the preceding January.

Wyoming PENALTIES:

INTEREST: 18% YR

North
Dakota

PENALTIES The first installment of real property tax, if not paid by March 1 of the year following the assessment year, is subject to a 3% penalty. If not paid by May 1 an additional penalty of 3% is assessed, and an additional 3% penalty is assessed on the following July 1 and October 15 if not paid by either of those dates.

INTEREST: Interest is due on delinquent taxes at the rate of 12% per year computed from the due date (January 1 of the year following the assessment year)

John Morris
Mountain Association
Counties

EXHIBIT 2
DATE 1/27/89
HB 268
Rep. But
Guthrie

HB 268

PROPOSED AMENDMENTS

Section 1(a), line 23 amend to read:

~~and 2% the appropriate penalty rate provided in section 3~~
5% PER ANNUM

Section 1(b) line 5 of page 2 amend to read:

~~and 2% the appropriate penalty rate provided in section 3~~ 5%
PER ANNUM

Section 2(2) on page 4 amend to read:

~~and 2% the appropriate penalty rate provided in section 3~~ 5%
PER ANNUM

Section 2(3) on page 4 amend to read:

~~and 2% the appropriate penalty rate provided in section 3~~
5% PER ANNUM

Page 4 and 5 delete New Sections 3 and 4 in their entirety

Renumber NEW SECTION. Section 5 3

NEW SECTION. Section 6 4

EXHIBIT 2
DATE 1/27/89
HB 268
Rep. Bert
Guthrie

HB 268

PROPOSED AMENDMENT

Delete: Page 5, lines 2 through 6

Insert: Page 5, line 2:

INSTALLMENTS DELINQUENT

PENALTY RATE

1 INSTALLMENT

3% ON TOTAL DUE

2 INSTALLMENTS

6% ON TOTAL DUE

3 OR MORE INSTALLMENTS

9% ON TOTAL DUE

HB 268

EXHIBIT 3
 DATE 11/27/89
 HB 268
Rep. But
Guthrie

DELINQUENT TAXES OF OF JANUARY 26, 1989

1. Broadwater County	\$1,624,796.25
2. Butte-Silver Bow County	3,412,818.96
3. Carter County	228,329.92
4. Cascade County	5,359,312.23
5. Flathead County	6,898,000.00
6. Lewis & Clark County	4,420,000.00
7. Madison County	945,555.07
8. Mineral County	213,595.00
9. Missoula County	6,881,003.90
10. Park County	885,317.73
11. Powder County	87,821.53
12. Richland County	1,015,067.00
13. Valley County	1,041,989.00
14. Sanders County	660,785.92
15. Yellowstone County	<u>11,729,989.36</u>

Total ~~\$33,674,692.51~~
\$45,404,672.00

HB 268

EXHIBIT 4
DATE 1/27/89
HB 268
Rep. Burt
Sutcliffe

WITNESS STATEMENT

NAME Julie Hacker BUDGET _____
ADDRESS Banner _____
WHOM DO YOU REPRESENT? Mala Co. Truholders _____
SUPPORT X OPPOSE _____ AMEND X

COMMENTS:

1. Last citizens pay taxes on time
2. Penalties are necessary
3. Last units are not bonded
4. Looking at proposed legis - see that
work being done to address last ship case
5. Suggest penalties section be adjusted
on basis of no of times delinquent 3-3-3.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HB 268

DATE January 27, 1989

SPONSOR Rep. Bert Guthrie

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Julie Hacker</i>	<i>Mont Co. Freeholders</i>	<i>X</i>	
<i>Vera Cahoon</i>	<i>" " "</i>	<i>X</i>	
<i>Robert L. Snodgrass</i>	<i>Pendroy school</i>	<i>X</i>	
<i>Thomas W. Maddox</i>	<i>Helena</i>	<i>X</i>	
<i>Dennis B. Winter</i>	<i>Butte</i>	<i>X</i>	
<i>Bud DeZot</i>	<i>Teton Co, Fairfield</i>	<i>X</i>	
<i>Bruce W. Moerer</i>	<i>MSBA</i>	<i>X</i>	
<i>Bob Gordon Morris</i>	<i>MA Co.</i>	<i>X</i>	
<i>Dennis Burr</i>	<i>MONTAX</i>	<i>✓</i>	
<i>STAN HUGHES</i>	<i>GALLATIN COUNTY TREASURER</i>	<i>X</i>	
<i>Pat Harrington</i>	<i>County Treasurers Ass</i>	<i>X</i>	
<i>Martha B. McLee</i>	<i>Ld C. County Treas</i>	<i>X</i>	
<i>Clara Paladino</i>	<i>Richland Co. Comm.</i>	<i>X</i>	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE TAXATION

COMMITTEE

BILL NO. HJR 8DATE January 27, 1989SPONSOR Rep. Dave Brown

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Roger Tippy	MT Beer & Wine Wholesaler, Helena	X	
Michelle Purge	MT Market Dev Co	X	
Bob Capron	Butte Mont.	X	
Richard Monaghan	Butte, Mont.	X	
Karl Ohs	Harrison MT	X	
Mona Jarmison	Helena, MT	X	
Tom Maddox	Helena MT	X	
Joe Johnson	Helena	X	
Phil Stroppe	MTA	X	
Bob Durkee	MTA	X	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.