MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on March 31, 1989, at 10:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: None.

EXECUTIVE SESSION

DISPOSITION OF SENATE BILL 1 HEARD ON FEBRUARY 28:

MOTION: DO PASS AS AMENDED by Rep. Driscoll.

DISCUSSION: Rep. Stang asked what the fiscal impact of the bill would be. Rep. Gilbert requested an explanation of the amendments from Rep. Raney since it had been some time since the bill had been heard and the amendments approved. Rep. Raney replied his amendments raised the taxes rather then removing them. He said an estimated revenue of 4.8 million will be produced by the bill after the 1991 biennium. Rep. Hanson stated she could not support the bill with this amendment attached. Rep. Giacometto stated this was a substantial tax increase to the industry and would make it much less competitive. Rep. Cohen stated he understood the problem was equity and Rep. Raney's amendments provided this. He stated he supported the amendments. Rep. Rehberg stated he supported the bill.

The motion to DO PASS AS AMENDED FAILED by a 9 to 9 tie roll call vote.

The motion to TABLE was made by Rep. Raney. Motion FAILED by a 10 to 8 voice vote.

DISPOSITION OF SENATE BILL 132 HEARD ON MARCH 7:

MOTION: DO PASS by Rep. Schye and moved his amendments.

DISCUSSION: Dave Bohyer clarified the amendments stating amendments 1 though 4 were technical. He said three additional sections had been included in the bill, the first two dealing with the sale of property after the tax deed process. He stated this gives the county commissioners the authority to sell the property for 70% of the appraised value after the second auction. Mr. Bohyer stated, with these amendments, the county can enter into a contract with the person who buys the property and the contract has to be approved by the DOR rather than one contract that applies to many different sales. He said the amendments also allow the notification process to commence 120 days before the tax deed is transferred.

Rep. Driscoll asked who would do the appraising. Mr. Bohyer replied the county assessor and the state appraiser. He then asked if they would return to the base value to which Mr. Bohyer replied they would.

The motion to DO PASS on the amendments CARRIED by a unanimous voice vote.

The motion to DO PASS AS AMENDED CARRIED by a unanimous voice vote.

DISPOSITION OF SENATE BILL 137 HEARD ON MARCH 29:

MOTION: DO PASS by Rep. Stang.

DISCUSSION: Rep. Stang stated currently this can be done with the individual income tax return. He said as a matter of fairness, this should be done with the corporation tax also. Rep. O'Keefe asked about the fiscal impact. Rep. Stang replied if the prior income tax return is amended, then the funds would be deducted from the current fiscal year but if this is carried forward, it would be the next fiscal year. He said this is basically the same amount of money. Rep. Gilbert stated it is the same point but this simplifies the taxes. Mr. Bohyer stated in the case of banks filing an amended return, they receive the refund for their loss. Rep. Elliott asked how the bill coordinates with HB 764 in regard to the carry forward carry back issue. Mr. Bohyer replied if a carry back is not allowed, in the short run an amended return could still be filed for the three year period. He said if HB 764 is passed, then there would be no carry back, and this bill would have no effect in this respect. He said this is an election to allow carry forward.

The motion to DO PASS CARRIED by a unanimous voice vote.

DISPOSITION OF SENATE BILL 184 HEARD ON MARCH 10:

MOTION: DO PASS by Rep. Patterson.

DISCUSSION: Rep. Raney asked how much of the 4.6 million was unprocessed agriculture products and how much is livestock. Rep. Patterson responded assumption 2, page 5, line 18 explains this and the bill covers livestock. Rep. Cohen stated the total loss to counties and schools is approximately \$5,000,000.00 annually.

HOUSE COMMITTEE ON TAXATION March 31, 1989 Page 3 of 5

He said there is no revenue replacement for these funds and therefore he opposes the bill. Rep. Raney stated in the last session, all livestock less than 24 months was exempted. Rep. Patterson stated it was. Rep. Raney said the theory behind this exemption was livestock less than 24 months old was not considered production equipment but this bill is saying they are inventory. Rep. Patterson said that was correct. Rep. Gilbert stated he opposed the bill since he considered the livestock production equipment and not inventory. Rep. Hoffman agreed with Rep. Gilbert. He said the livestock industry had already received many good benefits from this legislature and he saw no reason for anything additional.

Rep. Patterson proposed an amendment to the bill to exempt cattle raised on the owner's ranch and not purchased from anyone else.

Rep. O'Keefe stated if this bill is passed, over nine counties would lose over 5% of their taxable value immediately. He said this would cause a lot of difficulty.

The motion to DO PASS on the amendment PASSED by a 12 to 6 voice vote.

Rep. Patterson made the motion on the bill to DO PASS AS AMENDED.

Rep. Gilbert made a substitute motion to TABLE the bill.

The motion to TABLE FAILED by a 11 to 7 roll call vote.

The motion to DO PASS AS AMENDED CARRIED by an 11 to 7 roll call vote.

Rep. Schye requested a new fiscal note before debate on the House floor. Rep. Patterson stated he would take care of that.

DISPOSITION ON SENATE BILL 226 HEARD ON MARCH 10:

MOTION: DO PASS by Rep. O'Keefe and proposed an amendment.

DISCUSSION: Rep. O'Keefe stated this was the cabin lease bill and the amendment returns the fee to the original 5%. He said this is a constitutional matter since a limit cannot be placed on the state's rental rate that provides less than the full market rate. He said the federal rate is 5%. Rep. O'Keefe stated the way in which the fee is administered reduces it to 3.6%. He said this involves an equity and constitutional problem. He said most of the citizen complaints involved the appraisal system since the state's system was different from the county's. He stated the

Rep. Ellison asked Rep. O'Keefe if he was certain the county appraisal would be lower than the state. Rep. O'Keefe referred this to John North from the Department of Revenue with no objection from the committee. Mr. North stated he was not sure if the county appraisal would be lower than the state although

HOUSE COMMITTEE ON TAXATION March 31, 1989 Page 4 of 5

the lessees say this is the case. Rep. Gilbert asked Mr. North if he felt there was a constitutional problem involved in this issue. Mr. North stated he did. Rep. Gilbert then asked Mr. North if he thought there would be a constitutional problem if agricultural land is not leased at a comparable price. Mr. North replied there is a market value difference on all of the lands depending upon how they are used so there is no need to receive the same comparable value on all of the land. Rep. Gilbert stated he opposed the amendment but would support the bill. Rep. Hoffman asked Mr. North if the intent of this bill was to make the leases comparable to the taxes being paid on the property. Mr. North agreed. Rep. Hoffman said the actual tax rate on the properties would be about 1.5% so the 2% rental rate would be much closer. Mr. North agreed but said it was unconstitutional to set the rental rate the same as the tax rate. Rep. Driscoll asked if a cabin site is sold for \$50,000.00 but its appraised value is only \$25,000.00, what is considered the taxable value. Mr. North replied he was not sure.

The motion to DO PASS on the amendment FAILED on a 9 to 9 tie roll call vote.

On the bill, Mr. Bohyer stated there was the need for a technical amendment to change "county appraiser" to "Department of Revenue."

Rep. Giacometto moved the amendment. The motion to DO PASS on the amendment CARRIED by a 17 to 1 voice vote with Rep. O'Keefe voting no.

Rep. Patterson stated the fiscal note may be incorrect since it is written at 1.5% and the bill has been amended to 2% and therefore there should be a new fiscal note.

The motion to DO PASS AS AMENDED CARRIED by an ll to 7 roll call vote.

DISPOSITION OF SENATE BILL 253 HEARD ON MARCH 29:

MOTION: DO PASS by Rep. Rehberg.

DISCUSSION: Rep. Gilbert stated he opposed the bill since everyone does not get the gasoline exemption. Chairman Harrington states Butte school buses are not exempt. He said this is for diesel only. Rep. Raney said this is a new idea in taxation. He said this is foregoing revenue on private enterprise and he opposed the bill. Rep. Good stated she opposed the bill. She said her children were in private schools and that was her choice and she did not expect special treatment.

Rep. Schye made a substitute motion to TABLE the bill.

On the motion to TABLE, motion CARRIED by a 16 to 2 voice vote with Reps. Giacometto and Koehnke voting no.

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DISPOSITION OF SENATE BILL 257 HEARD ON MARCH 14:

MOTION: DO PASS by Rep. Stang.

DISCUSSION: Rep. Giacometto stated he supports the bill. Rep. Driscoll stated if they have a bad debt, that is their problem. He opposed the bill. Rep. Gilbert stated these people are required by the state to collect these taxes.

The motion to DO PASS CARRIED by a 16 to 2 voice vote with Reps. Gilbert and Driscoll voting no.

ADJOURNMENT

Adjournment At: 11:17 a.m.

REP

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DAILY ROLL CALL

TAXATION COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date <u>March 31, 1989</u>

NAME Harrington, Dan, Chairman	PRESENT	ABSENT	EXCUSED
Ream, Bob, Vice Chairman		·/	
Cohen, Ben		······································	
Driscoll, Jerry			
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O'Keefe, Mark	V		
Raney, Bob	V		
Schye, Ted			
Stang, Barry			
Ellison, Orval			
Giacometto, Leo	V		
Gilbert, Bob	V		
Good, Susan			
Hanson, Marian			
Hoffman, Robert	V		
Patterson, John			
Rehberg, Dennis			
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Mr. Speaker: We, the committee on <u>Taxation</u> report that <u>Senate</u> <u>Bill 132</u> (second reading copy -- yellow) <u>be concurred in as</u> <u>amended</u>.

Signed:

Dan Harrington, Chairman

[REP. Defree WILL CARRY THIS BILL ON THE HOUSE FLOOR]

And, that such amendments read:

1. Title, line 5. Following: "TAXES" Insert: "AND THE SALE OF TAX-DEED LAND BY THE COUNTY; PROVIDING FOR SALE OTHER THAN BY AUCTION IF NO BID IS RECEIVED AT TWO SALES; LENGTHENING THE NOTIFICATION PERIOD; CHANGING WHEN PROOF OF NOTICE MUST BE FILED BY THE COUNTY CLERK AND COUNTY TREASURER"

2. Title, line 10. Following: "SECTIONS" Insert: "7-8-2301, 7-8-2304,"

3. Title, line 11. Following: "15-18-114," Insert: "15-18-212,"

4. Page 1, line 25. Following: "tax lien," Insert: "revises the method by which county tax-deed land is sold, lengthens the notification period prior to issuing a tax deed, changes the time when proof of notice must be filed,"

5. Page 10. Following: line 20 Insert: "Section 6. Section 7-8-2301, MCA, is amended to read: "7-8-2301. Auction sale of county tax-deed land. (1) Whenever the county shall-acquire any acquires land by tax deed, it chall-be is the duty of the board of county commissioners, within 6 months after acquiring title, to make and enter an order for sale of such the lands at public auction at the front door of the courthouse.

(2) No A sale shall may not be made for a price less than the fair market value thereof of the land, as determined and fixed by the board prior to making the order of sale. In determining fair market value, the board shall subtract the amount of outstanding assessments that are a lien on the land from the unencumbered value of the land, but the minimum sale price for a parcel of land may not be less than \$10.

(3) If no bids are received at a sale of tax-deed land, the board shall order another auction sale of such the land under this part within 6 months and shall may, if required by the circumstances, redetermine the fair market value of the land under subsection (2).

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subsection				may	dispo	ose (of the	e land	85	
provided in	n 7-8.	-2218	· · ·							

Section 7. Section 7-8-2304, MCA, is amended to read: "7-8-2304. Terms for sale of tax-deed land. (1) Such A sale chall must be made for cash or, in the case of real property, on such terms as that the board of county commissioners may approve approves.

(2) (a) If such the sale is made on terms, at least 20% of the purchase price shall must be paid in cash at the date of sale and the remainder may be paid in installments extending over a period not to exceed 5 years. All such deferred payments shall bear interest at the rate of 8% per annum.

(b) If a sale is made on terms, the chairman of the board shall execute a contract containing such the terms as shall be that are provided by a uniform contract prescribed approved by the department of revenue."

Section 8. Section 15-18-212, MCA, is amended to read: "15-18-212. Notice -- proof of notice -- penalty for failure to notify. (1) Not more than 60 days prior to and not more than 60 days following the expiration of the redemption period provided in 15-18-111, a notice must be given as follows:

(a) for each property for which there has been issued to the county a tax sale certificate or for which the county is otherwise listed as the purchaser or assignee, the county clerk shall notify all persons considered interested parties in the property and the current occupant of the property, if any, that a tax deed may be issued to the county unless the property tax lien is redeemed prior to the expiration date of the redemption period; or

(b) for each property for which there has been issued a tax sale certificate to a purchaser other than the county or for which an assignment has been made, the purchaser or assignee, as appropriate, shall notify all persons considered interested parties in the property, if any, that a tax deed will be issued to the purchaser or assignee unless the property tax lien is redeemed prior to the expiration date of the redemption period.

(2) (a) Except as provided in subsection (2) (b), if the county is the purchaser, no assignment has been made, and the board of county commissioners has not directed the county treasurer to issue a tax deed during the period described in subsection (1) but the board of county commissioners at a time subsequent to the period described in subsection (1) does direct the county treasurer to issue a tax deed, the county clerk must provide notification to all interested parties and the current occupant, if any, in the manner provided in subsection (1) (a). The notification required under this subsection must be made not less than 60 days or more than 90 120 days prior to the date on which the county treasurer will issue the tax deed.

(b) If the county commissioners direct the county treasurer to issue a tax deed within 6 months after giving the notice required by subsection (1)(a), no additional notice need be given.

(3) (a) If a purchaser other than the county or an assignee fails or neglects to give notice as required by subsection (1) (b), which failure or neglect is evidenced by failure of the purchaser or assignee to file proof of notice with the county clerk as required in subsection (7), the county treasurer shall proceed to give notice in the manner provided in subsection (1) (a).

(b) Notice given under this subsection (3) must be given not less than 60 days or more than 90 120 days prior to the date on which the county treasurer will issue the tax deed.

(c) A purchaser or assignee who fails to give notice as required by subsection (1)(b), thereby forcing notification to be given under this subsection (3), must be charged a penalty of \$500 plus all actual costs of notification incurred by the county proceeding under this subsection (3).

(4) The notice required under subsections (1) through (3) must be made by certified mail to each interested party and the current occupant, if any, of the property. The address to which the notice must be sent is, for each interested party, the address disclosed by the records in the office of the county clerk and, for the occupant, the street address or other known address of the subject property.

(5) In all cases in which the address of an interested party is not known, the person required to give notice shall, within the period described in subsection (1) or not less than 60 days or more than 90 120 days prior to the date upon which the county treasurer will otherwise issue a tax deed, whichever is appropriate, publish commence publishing once a week for 2 successive weeks, in the official newspaper of the county or such other newspaper as the board of county commissioners may by resolution designate, a notice containing the information contained in subsection (6), plus:

(a) the name of the interested party for whom the address is unknown;

(b) a statement that the address of the interested party is unknown;

(c) a statement that the published notice meets the legal requirements for notice of a pending tax deed issuance; and

(d) a statement that the interested party's rights in the property may be in jeopardy.

(6) The notices required by subsections (1) through (3) and (5) must contain the following:

(a) a statement that a property tax lien exists on the property as a result of a property tax delinquency;

(b) a description of the property on which the taxes are or were delinquent, which description must be the same as the description of the property on the tax sale certificate or in the record described in 15-17-214(2)(b);

(c) the date that the property taxes became delinquent;
(d) the date that the property tax lien attached as the result of a tax sale;

(e) the amount of taxes due, including penalties, interest, and costs, as of the date of the notice of pending tax deed issuance, which amount must include a separate listing of the delinquent taxes, penalties, interest, and costs that must be paid for the property tax lien to be liquidated;

(f) the name and address of the purchaser;

(g) the name of the assignee if an assignment was made as provided in 15-17-323;

(h) the date that the redemption period expires or expired;

(i) a statement that if all taxes, penalties, interest, and costs are not paid to the county treasurer on or prior to the date on which the redemption period expires or on or prior to the date on which the county treasurer

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will otherwise issue a tax deed that a tax deed may be issued to the purchaser on the day following the date on which the redemption period expires or on the date on which the county treasurer will otherwise issue a tax deed; and

(j) the business address and telephone number of the county treasurer who is responsible for issuing the tax deed.

(7) In all caces, proof Proof of notice in whatever manner given must be filed by the county clerk, county treasurer, purchaser, or assignee, as appropriate, with the county clerk not less than 30 days following the mailing or publication of the notice. If the purchaser or assignee is other than the county, the proof of notice must be filed with the county clerk within 30 days of the mailing or publishing of the notice. If the purchaser or assignee is the county or if the county treasurer is required to give notice pursuant to subsection (3), the proof of notice must be filed before the issuance of the tax deed under this chapter. Once filed, the proof of notice is prima facie evidence of the sufficiency of the notice.

 (8) A county or any officer of a county may not be held liable for any error of notification.""
 Renumber: subsequent sections

March 31, 1989 Page 1 of 1

Mr. Speaker: We, the committee on <u>Taxation</u> report that <u>SENATE</u> <u>BILL 137</u> (third reading copy -- blue) <u>be concurred in</u>.

Signed:

Dan Harrington, Chairman

Carried by STRUG

March 31, 1989 Page 1 of 1

Mr. Speaker: We, the committee on <u>Taxation</u> report that <u>Senate</u> <u>Bill 226</u> (third reading copy -- blue) <u>be concurred in as</u> <u>amended</u>.

Signed:

Dan Harrington, Chairman

[REP. 22

WILL CARRY THIS BILL ON THE HOUSE FLOOR]

And, that such amendments read:

1. Title, line 8. Strike: "COUNTY APPRAISER" Insert: "DEPARTMENT OF REVENUE"

2. Page 2, lines 4 and 5. Following: "the" on line 4 Strike: "county appraiser" Insert: "department of revenue"

3. Page 2, line 9. Strike: "COUNTY APPRAISER" Insert: "department of revenue"

March 31, 1989 Page 1 of 1 $\sum_{i=1}^{n}$

Mr. Speaker: We, the committee on <u>Taxation</u> report that <u>SENATE</u> <u>BILL 257</u> (third reading copy -- blue) <u>be concurred in</u>.

Signed:

Dan Harrington, Chairman

Course by GRANY

EXHIBIT. DATE_3 John Concess **HB_**1 Dea

Amendments to Senate Bill No. 1 Third Reading Copy

Requested by Rep. Bob Raney For the Committee on Taxation

Prepared by Dave Bohyer March 9, 1989

l. Page 3, line 3. Following: "(5)" . Insert: "(a)"

2. Page 3, lines 3 and 4. Following: "either" on line 3 Strike: remainder of line 3 through "(a)" on line 4

3. Page 3, lines 5 and 6. Following: "excluding" on line 5 Strike: remainder of line 5 through "<u>(i)</u>" on line 6

4. Page 3, lines 7 through 9.
Following: "production₇" on line 7
Strike: remainder of line 7 through line 9

5. Page 3, line 11. Strike: "(b)" Following: "15-35-107."

Insert: "(b) Except as provided in subsection (5)(c), with respect to coal produced under the terms of an agreement entered into after March 31, 1991, contract sales price includes all royalties paid on production, no matter how the royalties are calculated. However, this provision does not apply to coal produced under an agreement entered into before April 1, 1991, regardless of the terms of any extension, modification, or amendment of the agreement after March 31, 1991.

(c) For coal produced under the terms of an agreement entered into prior to April 1, 1991, and on which coal royalties are paid to the government of the United States, the state of Montana, or a federally recognized Indian tribe, contract sales price includes only the first 15 cents or less per ton of royalty paid. On coal produced under the terms of an agreement entered into prior to April 1, 1991, any royalty paid in excess of 15 cents per ton to the government of the United States, the state of Montana, or a federally recognized Indian tribe is not considered to be included in the contract sales price. The provisions of this subsection apply regardless of how the royalties are calculated."

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COMMITTEE

DATE March 31, 1989 BILL NO. SB1

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Stang, Barry "Spook"			
Harrington, Dan, Chairman		V	
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Chairman

MOTION:

FAILED. DO PASS AS AMENDED.

TAXATION

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DATE March 31, 1989 BILL NO. SB 184 NUMBER

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MOTION: TO TABLE. FAILED.		

Form CS-31 Rev. 1985

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COMMITTEE

DATE March 31, 1989 BILL NO. SB 184 NUMBER

NAME	AYE	NAY
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Harrington, Dan, Chairman		

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TALLY Secreț

Chairman

MOTION: DO PASS AS AMENDED. CARRIED.

TAXATION

CO'MITTEE

DATE March 31, 1989 BILL NO. SB 226 NUMBER

NAME AYE/ NAY Cohen, Ben Driscoll, Jerry Elliott, Jim Ellison, Orval Giacometto, Leo Gilbert, Bob Good, Susan Hanson, Marian Hoffman, Robert Koehnke, Francis O'Keefe, Mark Patterson, John Raney, Bob Ream, Bob Rehberg, Dennis Schye, Ted Stang, Barry "Spook" Harrington, Dan, Chairman

TALLY Secretary

Chairman

MOTION: DO PASS ON AMENDMENT. FAILED.

ROLL CALL VOTE TAXATION COMMITTEE DATE March 31, 1989 BILL NO. SB 226 NUMBER 2 NAME NAY AYE Cohen, Ben Driscoll, Jerry Elliott, Jim Ellison, Orval Giacometto, Leo Gilbert, Bob Good, Susan Hanson, Marian Hoffman, Robert Koehnke, Francis O'Keefe, Mark Patterson, John Raney, Bob Ream, Bob Rehberg, Dennis Schye, Ted Stang, Barry "Spook" Harrington, Dan, Chairman TALLY ann Secretar Chairman MOTION: DO PASS AS AMENDED. CARRIED.