

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION JOINT SESSION

Call to Order: By DAN HARRINGTON, CO-CHAIRMAN, on January 10, 1991, at 8:30 a.m.

ROLL CALL

Members Present: Role was not taken

Staff Present: Lee Heiman (Legislative Council).
Jill Rohyans, Secretary, Senate
Lois O'Connor, Secretary,
House of Representatives

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Questions/Discussion continued from 1/09/91:

Denis Adams, Director, Department of Revenue, distributed material to answer questions from yesterday's Joint Session,
EXHIBIT 1:

Montana Income Tax Analysis Breakdown of Federal and Property Taxes

Mr. Adams said, in response to SEN. VAN VALKENBURG'S question, the apparent discrepancy, relative to the number of taxpayers claiming the federal deduction, was different from the total number of returns was because of the possibility of completing three lines on each return; current year, previous year, or other years. The sum included number of lines, not number of taxpayers. Similarly, the sum for property and other taxes included the sum of lines, not the number of returns.

Montana Department of Revenue, Income and Miscellaneous Tax Division Receivables to Write-Off and Bad Debts

The chart shows the balance in accounts receivable, the amount of bad debts written off, and the percentage of bad debts recovered. Until 1/1/90, all bad debts were handled by the Department of Revenue. At that time, bad debts were transferred to the State Auditor's office. State payments from any account are now held and applied to a bad debt.

Montana Department of Revenue Capital Company Credit

Utilization

The chart indicates the number of individuals who have claimed the credit and the total amount claimed. When a capital company credit has been approved by the Department of Commerce, information is transferred to the Department of Revenue. In the year the credit has been granted, a taxpayer can claim the full amount of the credit against the tax liability. If their tax liability has been zeroed out, the credit can be carried back three years. If that has been zeroed out, a refund will be granted. Any unused balance which has not been used after the three year carry back, may be carried forward for the next 15 years. Therefore, the total capital company credit available to individuals for carry forward, \$1,767,272, has up to 15 years to be used. Corporations have \$1,949,921 available for carry forward over the next 15 years.

Questions/Discussion from Committee:

REP. DOLEZAL asked Mr. Adams about the accounts not collected. How does Montana's collection rate compare to surrounding states for the delinquent taxes? Mr. Adams said he would have to do research to provide an answer. REP. DOLEZAL said from the report given by the DOR, the amount of uncollected revenue has doubled since 1984; and 60% of the delinquent accounts are from a result of corporate delinquent accounts. Is there a reason why this amount has increased dramatically in the last six years? Mr. Adams said more of an analysis is required for a specific reason, but there has been an increase in the number of bankruptcies. The DOR now requires corporations to make estimated tax payments. The same applies to larger employers. Individual withholding taxes have to be paid on a more timely basis. Some larger employers pay taxes quarterly. REP. ELLIOTT said an article had appeared in a number of small town newspapers reporting that income taxes in Montana were among the highest in the nation. He asked (1) why DOR felt it necessary to make such a press release, and (2) why DOR did not put the nature of our income tax structure in perspective. Montana individual citizens enjoy the third lowest rate of taxation in the U.S. Mr. Adams said the basis of the report is a calculation to see where Montana stood in relation to other states that have a individual income tax system. The DOR submits many press releases on tax issues to inform the public. It is part of the education process. REP. ELLIOTT asked if this is a part of disseminating information, does he not feel that this is an opportune moment to put the income tax in perspective. Mr. Adams said during the past year the tax reform coalition has tried to put the overall perspective out. The DOR was focusing on one aspect of the tax system.

RESOLUTION OF THE "DAVIS CASE"Informational Testimony:

Denis Adams, DOR, explained the area of pension taxes. **EXHIBIT 2** He stated the information provided will give a background on the problem of pension taxes, how other states have dealt with the problem, a profile of the Montana retirees, a series of options the Legislature may want to consider, and how the options may apply.

The problem arose in 1989 when the U. S. Supreme Court ruled in a case (Davis versus Michigan). States cannot treat the taxation of federal retirement benefits any differently than they treat the retirement benefits of state and local retirees. Montana had exempted 100% of the retirement benefits of the state and local retirees, but the federal retirees received a \$3,600 exclusion. The result of the Davis Case has cost Montana \$15.6 million, and has created an inequity among the various classes of taxpayer; federal retirees, private retirees, state and local retirees.

Montana's litigation problems have increased since 1989. The first lawsuit was whether the federal retirees were entitled to a refund for the past five years on retirement benefits. In order that the federal retirees could keep their claims open, they had to file amended returns. The DOR has received 15,000 amended returns claiming \$11 million in refunds. More claims will be accepted because many federal retirees are filing claims one year at a time. The 6,000 federal retirees are half of the number of federal retirees that have filed returns in 1989. As each year goes by, another year is closed by the statute of limitations. DOR is narrowing the number of years they can file their claim. The potential liability could be in excess of \$20 million if the state should have to make retroactive refunds to the federal retirees.

In November, 1989, the private pensioners filed suit arguing that the tax base of their pensions was unconstitutional. In 1990, the district court decision ruled that the plaintiffs failed to prove equal protection violations, and governmental immunity does not apply. In July, 1990, the district court ruled that the retroactive application of the Davis Case is not required. Since 1983, \$72 million of retirement benefits were excluded from taxation. By 1988, it had increased to \$199 million; and 1989, had increased to \$328 million.

Questions/Discussion from the Committee:

REP. RANEY asked if the difference between 1988 and 1989 on the graphs was due to the federal retirees. Mr. Adams said not entirely because the number of retirees increased, and the newer retirees receive a larger pension. REP. DOLEZAL asked when the court cases were being reviewed on private pensioners, did they appeal their case. Mr. Adams said cost prevented an appeal.

Informational Testimony:

Denis Adams, DOR, continued with his testimony. He stated in

1989, all taxpayers would exempt retirement income at \$415 million taxable pension. \$328 million or 63% of the retirement benefits in the state were exempt from taxation. There are some full year residents that do not qualify for the retirement exemption and some non full year residents. The full year residents, who do not qualify, are not participants in a qualified plan. Some retirees could have claimed an exemption, but they had a negative federal adjusted gross income. All the adjustment went to the standard deductions and exemptions.

Questions/Discussion from Committee:

REP. ELLIOTT asked how the DOR determines a retiree. Mr. Adams the DOR looks at someone who has a taxable pension or takes a retirement income. There are no age limits on them. REP. MCCARTHY asked what the highest amount for an individual drawing social security would have for a pension. Mr. Adams said he was not sure, but it was in the range of \$800 to \$900 a month. REP. COHEN said the previous two charts represent the five individuals and asked if they talking about a single individual with a federal retirement income of \$387,000 a year. Mr. Adams said the \$387,000 is the total income with \$114,000 of that amount retirement income. The individual had other income in addition to retirement income.

REP. ELLIOTT asked if a person would benefit if he felt the retirement tax law were going to change by withdrawing his retirement benefits immediately. Mr. Adams said there are only special conditions that one can make an early withdrawal.

REP. COHEN said the charts are based on 1989 incomes after the Davis Case came into affect. The federal retirees have what is called a "Montana tax avoided" and that tax is avoided as a result of the Davis decision. The chart explaining Montana retirees also contains "Montana tax avoided" and asked if it had anything to do with the Davis decision. Mr. Adams said yes. They are showing that they had to pay tax on that income. REP. COHEN asked if that was an exclusion granted them by the Legislature. Mr. Adams said yes.

Informational Testimony:

Denis Adams continued his discussion with the number of households having retirement incomes. For the PERS retirees, there were 7,254 households; for the teachers, 4,267; for the federal, 12,179; and for the private, 20,512; for a total of 44,212 households claiming retirement exemptions.

The chart shows income of households, filing 1989 tax returns, claiming exempt retirement income. There are 10,000 households or 22.74% of the total in a lower bracket with incomes up to \$9,999. From \$10,000 to the \$24,999, there 18,000 households or 41% with an average income of \$16,577. There are 278 households whose total income is \$31 million with an average income of

\$113,000. One hundred and thirty to one hundred fifty households have an average income of \$139,000. The overall average income of households claiming exemption retirement income is \$25,495. Average taxpayers have a household income of \$24,109. For all retirees the average income is \$25,495.

The percent of total income that is taxed is as follows: PERS, because they exclude 100% of their retirement benefit, get 27.2% of their income taxed; teachers, with the 100% exclusion, get 26.9 taxed; federal retirees are taxed on 19% of their income; and private retirees, limited to a \$3,600 exclusion, are taxed on 25.7% of their income. Those with no pension exclusion are taxed 62.3% of their income. The average pension for PERS is \$8,000; for teachers, \$11,000; for federal, \$13,000; and for private, \$5,900.

How have other states taken action on the Davis Case? One of the states taking action is Arizona. The federal retirees will get a \$2,500 exclusion; state retirees, a \$2,500 exclusion; and private retirees will get no exclusion. To compensate state retirees for taxing their pensions, the Legislature increased their retirement benefits by 3%. California started taxing all pensions in 1987 and have no exclusion.

Questions/Discussion from Committee:

SEN. TOWE asked if the "no" in the private amount column means "no" they don't have a private amount exempt or "no" they don't deal with private exemptions. Mr. Adams said it means there is no exclusion. REP. O'KEEFE asked what a phaseout was. Mr. Adams phaseout means as your income goes up the exclusion phases out where ultimately you will get no exclusion. REP. O'KEEFE told of a recent Supreme Case involving Missouri and asked how it impacts the chart and how the decision may impact the cases that are pending in Montana. Mr. Adams said the Supreme Court decision was similar to one in Montana and has no impact of further court cases.

SEN. ECK said relative to Montana's exclusion of state and teacher's benefits, has DOR looked at the impact to the state if the benefits were wiped out. Mr. Adams said DOR is not involved in labor relations and employee negotiations. SEN. ECK asked what has happened in other states. Mr. Adams said other states give an across the board increase to deal with that problem.

REP. RANEY asked if Montana's employee contributions are taxed when they make the contribution. Mr. Adams said up until 1985, employees contributions came off the top after tax. Since then, contributions are not taxed and would go into tax base. REP. RANEY said if employee pension were taxed, they have to go back and say here is a dollar amount we have already taxed; it would be double taxation to do it again. Mr. Adams said DOR feels that the retirees should be allowed to recoup the full amount of their tax paid investment before they pay any tax on their retirement

benefits. **SEN. TOWE** said there is a taxable impact on the income from the post taxed contributions. If someone has had funds that has already been taxed and put into retirement for 20 years, the income earned from that has not been taxed and that is the issue.

Informational Testimony:

Denis Adams said as the Legislature is considering pension reform and dealing with the Davis Case, they should look the Montana disability income exclusion. If a person is on disability retirement, he can exclude up to \$100 a week or \$5,200 a year. The exclusion applies if the household income for a couple is \$15,000 or less. Above \$15,000 it would be phased out, and above \$20,000 no exclusion. There would be no exclusion for retirees over age 65.

The "pre-Davis" current law includes a \$3,600 exclusion for federal, a \$3,600 exclusion for private retirees, and 100% exclusion for state and local retirees. This is 44,000 households. The proposed taxes paid if federal retirees were limited to a \$3,600 exclusion: for fiscal year 90; \$6.13 million, for the biennium \$15.88 million with no Davis decision. The options left to the Committee with the Davis decision are: (1) the \$10,000/\$35,000 option; (2) \$3,600 blanket exclusion; (3) the \$3,600 blanket/keep whole exclusion; (4) the \$12,000 blanket exclusion; or (5) no exclusion.

Questions/Discussion from the Committee:

SEN. TOWE asked how can you "make whole" the state and local retirees and still have less tax than the \$3,600 blanket exclusion. **Mr. Adams** said the difference between the two is everyone would continue to get a \$3,600 exclusion plus the difference between the \$8.62 million and \$6.11 million. That would have been the cost for one year to reimburse the state employees for their loss as a result of having to pay tax. **SEN. TOWE** asked if a state and local employee would have to pay a tax on anything over \$3,600. **Mr. Adams** said yes. They would be "made whole" on anything paid above the \$3,600.

REP. O'KEEFE asked if the law had been changed since the Davis Case. **Mr. Adams** said the law is the same as written in statute. We have not used those laws because of the court decision. **REP. O'KEEFE** said the committee has seen the Governor's budget and asked which option the Governor assumes will be adopted. **Mr. Adams** said the \$10,000 with the \$35,000 household cap, but this option is not in the Governor's budget. The Governor's budget is a \$25,000 household cap with a \$3,600 exclusion. Why the change? Because they were working with 1988 data when the Governor's budget was put together. The \$3,600 exclusion with a \$25,000 cap would generate too much revenue. It would have generated between \$33 and \$34 million in the next biennium. Their goal was to not make this a revenue raising measure, but to try and recapture what the Davis Case took away from the state as well as provide

the equity in the taxation of the retirement system. REP. O'KEEFE said the revenue impact is different from the number in the budget and the budget is \$23 million, and asked if there would be a reduction in available funds for the Appropriations Committee should this option be selected. Mr. Adams said it would reduce the balance by about \$2 million.

REP. REAM asked how DOR defines households when the data is computed. Mr. Adams said a household may be a single taxpayer, a married taxpayer filing jointly, or a combined returns from taxpayers filing separately. REP. RANEY asked if one person in the household has a pension and the other person is not employed, under the option DOR has selected, would there be two \$25,000 exemptions. Mr. Adams said it would be a \$10,000 exemption for each retiree. SEN. HARP asked pre-Davis law, when the state was taxing federal retirements, how many dollars did the state receive in income tax. Mr. Adams said between \$4 and \$5 million. Prior to 1989, DOR could not identify who the federal retirees were because federal and private retirees all received a \$3,600 exclusion.

Informational Testimony:

Denis Adams continued with his testimony on the cumulative percentage of households, by selective income brackets by retirement groups for tax year 1989; and the income of households filing 1989 tax returns who reported exempt retirement income. The low income bracket shows 22.74% of the households had an income of less than \$10,000; 41% had a household income of less than \$25,000; 13% of the households had an income of \$25,000 to \$35,000. Above \$35,000, over 70% of the households reporting retirement income. Additional information shows statistics on tax and revenue increases, under the \$10,000 exclusion and \$35,000 household income limit; and the tax break one would get for those who get the retirement exclusion over those who do not. EXHIBITS 3, 4

Questions/Discussion from Committee:

SEN. TOWE asked if two retirees each had \$34,000 worth of retirement income. One was married and received outside income, the other was unmarried and received no outside income, would the unmarried retiree have the entire \$34,000 excluded and the married retiree would get no exclusion. Mr. Adams said yes.

OIL AND GAS

Informational Testimony:

Denis Adams, DOR, gave background information on the oil and gas taxes. EXHIBIT 5

Mr. Adams stated Montana, with a 12.7% tax rates on new oil production, is the second highest on the list next to Kansas.

This includes state severance tax, net proceeds tax, new production tax, and a conservation tax.

The first graph shows the comparison between Montana and North Dakota's crude oil production going back to 1980. They are comparing Montana and North Dakota because much of Montana's production is in the Williston Basin area which crosses borders. The second graph is the comparison of Natural Gas Production. The third graph is the comparison of operating rigs between Montana and North Dakota.

Oil companies are investing in unconventional technology to extract more crude from existing wells. In tapping for more oil, the terms primary recovery, secondary recovery, and tertiary, enhanced oil recovery (EOR) will be used. Montana uses the secondary recovery in most water flood operations, then uses the tertiary. Most wells in Montana are not the deep wells that occur in the Williston Basin area, but the shallow wells on the Highline.

The Governor's oil and gas tax incentives propose to reinstate the 24 month new production holiday, and reinstate the 3% rate (versus the 5%) for taxable production from oil stripper wells. Oil stripper wells were caught in the same problem that the regular oil wells did. The price went up past the \$30 a barrel price, the tax rate came off. Another proposal would be to reduce the stripper rate on net proceeds from 7 to 5%. Stripper production is taxed at 5% under the local government severance taxes. The state severance tax should be reduced to 4% instead of 5% for secondary recovery projects. They also propose to use the tertiary recovery tax revision.

Questions/Discussion from the Committee:

SEN. HARDING said the figures for the 1980 production of natural gas are not completely accurate because that would still reflect when the Anaconda Company was using a huge volume. The 1981 should have gone down. Mr. Adams said the reason the production has gone up or held the same in Montana is that the Northern Border Pipeline was constructed.

SEN. HALLIGAN asked what the administrative problems are of using the producer information as opposed to the West Texas Crude which is an easily identified figure. Mr. Adams said it would be easier to go to each individual producer to get that report. That information is already received by the state on a quarterly basis.

SEN. TOWE asked if the Governor's program has documentation that the oil and gas incentives benefit the state. Mr. Adams said they are looking at being competitive with the other states and would provide the information as the session progressed.

COAL SEVERANCE TAX**Information Testimony:**

Denis Adams, DOR, explained the handout. EXHIBIT 6

He stated the committee will often hear the terms statutory tax rates and effective tax rates. Statutory rate is applied to the FOB mine price. Effective rate is what happens if the tax is applied to the contract sales price. The contract sales price is the statutorily defined basis with which to apply the state severance tax. It starts with the FOB mine price; then certain taxes and royalties are deducted to come to the contract sales price. What would be the change in revenue if the coal severance tax continues to go from 20% to 15% of the statutory tax rate? The biennium total, assuming that production stays within the Governor's budget, would be a \$22 million reduction in the coal severance tax over two years.

The chart showing the comparison of coal severance effective tax rates between Montana and Wyoming assumes that the Montana law will continue to exist. The difference was much higher in the mid 1980s. The gap has gotten closer and should be closed by fiscal year 1993.

DOR provided comparison charts of coal production and comparison charts of coal severance tax per ton between Montana and Wyoming. They also provided a comparison of total coal tax per ton (including local ad valorem and conservation taxes) between Montana and Wyoming. In 1988, the total tax per ton in Montana was \$2.34. In Wyoming, it was \$1.05 for a total of \$1.29 difference.

Statistics were provided comparing the coal severance tax revenue under current law, which is the contract sales price, versus a 15% tax on the FOB price.

Questions/Discussion from Committee:

REP. COHEN asked why the state continues to drop the severance tax when there is no indication they will be getting an increase in production. **Mr. Adams** said DOR only knows what has been projected from the information received from the companies. **REP. COHEN** asked if it was the responsibility of the DOR to be verifying these various production and new production figures. **Mr. Adams** said DOR could provide the information but projecting the future is difficult. **SEN. TOWE** stated one of the reasons the coal severance tax was reduced was because there would be an increase in production and an employment increase for the state. This has not happened. According to the Department of Labor, employment has gone down since the tax reductions took affect and asked how DOR arrived at the Wyoming figures. **Mr. Adams** said the figures came from the Wyoming DOR reports.

MISCELLANEOUS & EXCISE TAXESInformational Testimony:

Denis Adams, DOR, said a sheet was prepared to show the tax type, FY90 collections, and statutory distributions. He also explained the handout. **EXHIBIT 7**

The cigarette tax in Montana is presently 18 cents per pack. Connecticut has the highest tax of 40 cents; North Carolina the lowest at 02 cents per pack. Montana is tied with other states in the motor fuel tax rates at \$.20 per gallon. Montana's state beer tax rates per 31 gallon barrel is \$4.30. Montana is higher than average on the state dessert wine tax rates at \$1.02. Montana has no state sales tax or local option sales tax. Thirty six states have a real estate deed recordation and transfer tax. This is based on \$500 of consideration. Montana has none. Montana's gross premiums tax rates on foreign insurers is 2.75%.

PROPERTY TAXInformational Testimony:

Denis Adams explained the pamphlet on property taxes. **EXHIBIT 8**

Mr. Adams said the basic tax calculation consists of the market value of the property, times its taxable rate, which for residential and commercial property is 3.86%; this determines the taxable value. Mills are applied to the taxable value.

He explained residential and commercial real property tax definitions, which consist of appraised/assessed value, market value, taxable value and mills; and the groups of property classifications.

Mr. Adams went on to explain the 1990 tax base. Class 4 is residential and commercial real property; class 8 is personal property; class 14 is farmsteads. Homes on farms have a different taxable value rate than homes in the city. Class 17 is airlines; class 11 is utilities; class 15 is railroads; class 3 is agriculture land; classes 1 and 2 are net and gross proceeds; class 5 is new industry and pollution and control equipment; class 6 is livestock; and class 12 is mobile homes.

Property taxes levied in 1990 went to high schools, elementary schools, state equalization, cities and towns, fire districts, and counties. County breakdown consist of road, library, poor, bridge, and various other funds.

The first reappraisal cycle was completed in 1979. The second was completed in 1986 and the third will be completed in 1993. The current reappraisal is as follows: (1) Ag/timber reappraisal; field review are 100% complete. (2) Industrial

reappraisal is almost complete. (3) Residential and commercial real property is going to a market value reappraisal as opposed to a depreciated cost. This will allow DOR to go to the end of the cycle not the first or second year into the cycle. Residential reappraisals will be based on sales.

Questions/Discussion from Committee:

REP. COHEN asked what was meant when residential reappraisals were based on sales. Mr. Adams explained the way the market value worked. The state is broken down into neighborhoods. Then the neighborhoods are broken down into lot sizes, square footage, number of bathrooms, and other features. The comparisons are done on comparable properties by computer. REP. COHEN asked if they were going to continue using the Board of Realtors groupings when computing sales assessment ratios. Mr. Adams said they will be breaking them down and submitting them to the people for public comment to make sure we have comparable neighborhoods.

Informational Testimony:

Mr. Adams continued with his testimony. In 1990, DOR implemented HB 703 which is known as the sales assessment ratio study to make area adjustments to residential and commercial real property. There was a legal challenge which went to the Supreme Court. One of the provisions that came from this decision was that the provisions of 15-7-111, M.C.A., relating to stratified sales assessment ratio studies of the residential property situated in Area 2.1 (Great Falls Downtown) as conducted and applied by the DOR, are invalid because they violate state constitutional and statutory provisions which require general and uniform appraisal, assessment, and equalization of all taxable property in the state. Even though the Supreme Court found the law unconstitutional, because of the confusion it would create by voiding it, they allowed it to be implemented until 1990. The Legislature must deal with the litigation or it will remain null and void. An additional legal challenge was made in Cascade County.

Questions/Discussion from Committee:

REP. HOFFMAN asked if it was the opinion of DOR's legal staff that the smaller neighborhoods will satisfy the constitutional problems. Mr. Adams said if the neighborhoods do not result in a large disparity within the neighborhood. Great Falls had a 30% increase in taxes and the values were all over. Some properties were over valued and some under valued. REP. HOFFMAN asked if prior to HB 703, reappraisals were done on a case by case basis. Mr. Adams said they had computer assisted mass appraisals. Each property received its own adjustment based upon the condition. SEN. HALLIGAN asked if the self appraisal concept would work so they wouldn't have the computer problems. Mr. Adams said not that he was aware of.

Informational Testimony:

Mr. Adams continued. As a result of Barron-vs-DOR, HB 703 was declared unconstitutional. If the Legislature does not resolve the situation, the adjustments in HB 703 and HB 436 would be removed and all property in the state would go back to 1982 base value. Two graphs show the counties that would have tax increases, decreases and no tax changes in residential and commercial properties. As the values are rolled back, what impact would repealing HB 703 and HB 435 have on the 1990 taxable value? On a county by county basis, the table shows Custer County would get a 21.9% increase, Dawson County, a 30.7% increase; and Gallatin County would have a decrease of 11.5%.

DOR has a replacement for HB 703 that would stand up to a court challenge. This would involve selective reappraisals. A selective reappraisal is a plan that if an area that receives a HB 703 adjustment meets certain criteria, DOR would do a complete reappraisal of all the residential properties in that area. This would take place in 1991, 92, and 93. The new appraised values would go on the tax roles in 1994. In 1991, if an area has less than an 80% assessment value, DOR would reappraise all residential properties this year. For 1992 and 93, an area must have less than the 80% assessment level and a 20% coefficient of dispersion or more, and the market value must be greater than the assessed value. The appeal rights are another proposal by DOR. To appeal the areas and percentage adjustments through the administrative rule process, that challenge should be brought to district court. If one area boundary is changed, it has an impact on whatever boundary is carved out. Individual taxpayers could appeal on an individual parcel market value which was assigned to that property. DOR is also proposing to reduce the reappraisal cycle from 5 years to 3 years. Administrative actions prior to the passage of replacement legislation would be to continue with the selective reappraisal of areas 2.1 and 2.2 and proceed with rules hearings on areas and percentage adjustments. Trailer houses would be removed from the market value adjustment. The committee was given the DOR's sales-assessment ratio study. EXHIBIT 9

Mr. Adams talked on the coefficient of dispersion. He stated it was the average distance appraised values are away from the average selling price of homes in a given geographic area, expressed as a percent. Most tax administrators feel comfortable with a coefficient in the 10 - 20% range.

Market Modeling is the process of comparing the sales price of a property to similar properties to determine the value of the similar properties.

Questions/Discussion from Committee:

SEN. TOWE said DOR is proposing that on selective reappraisal you will only select those areas that are 80% of assessment. When it

meets that criteria, an appraisal will be done on the houses in that area and asked how this would comply with the court decision. Mr. Adams said DOR would have adjusted each value based upon its own characteristics. We will not have made an automatic 30% adjustment of the houses in that area. The Supreme Court did not say that market value adjustments to an area are unconstitutional. It is only unconstitutional when alike areas create inequity in that area. SEN. TOWE asked if the net affect if this is approved, would be to stay on HB 703 figures. Mr. Adams said yes, but there would be an adjustment in 1991. SEN. DOHERTY asked why did Yellowstone County have such a big jump in its taxable value. Mr. Adams said Yellowstone and Eastern Montana Counties received adjustments in HB 436. Because of I-105, it was inappropriate to make increases under HB 436. Only those counties that had decreases received a 436 and federal adjustment.

Informational Testimony:

Mr. Adams stated property classes should be consolidated from 17 to 12 and to remove classes 1 and 2 from the airline and railroad formula. This is shown on the DOR #29 - property tax reform sheet.

He stated the committee must be familiar with the beneficial use tax litigation. It involves taxing the beneficial use of the Bonneville Power Administration power line which runs from Townsend in Broadwater County to the Idaho border. It distributes power from the Colstrip units. From Colstrip to Townsend, the power company has constructed their own lines and own them outright. The EPA constructed the line from Townsend to the Idaho border. The power companies lease this line. We are taxing the power companies for the beneficial use of the line. All of the litigation has been in favor of the state and counties. For the several counties involved, the schools and counties have been severely impacted by the amount of money tied up in a protested tax fund, and exclusion interests are at \$21.8 million. A number of governmental entities have borrowed against the protested tax fund. They are very nervous as to what would happen should any of this litigation be lost. They would have to reimburse the protested tax fund. This is the top litigation case in the DOR.

Questions/Discussion from Committee:

REP. WANZENRIED asked how much money was borrowed from the protested tax fund. Mr. Adams said some counties and schools have borrowed to the maximum, others have not touched it.

SEN. TOWE asked Mr. Adams to address the litigation and where they are in it. Mr. Adams said tax appeals go before staff, then the State Tax Appeal Board rules. It then goes to the District Court. If they are successful there, it goes to the Supreme Court. SEN. TOWE asked if they were going through the process on

one taxable year so that year has already been decided. Mr. Adams said yes.

Informational Testimony:

Mr. Adams went on to explain the 1990 taxable valuations by property class in counties and cities and the definition of furniture and fixtures and what would happen if they were exempt from property taxes. Included was the schedule showing the impact of HB 20 which is the personal property tax reduction. As the rates went from 16, 13, and 11 down to 9%, there was a bill requiring the reimbursement to local governments for their loss in taxes.

ADJOURNMENT

Adjournment: 12:03 p.m.


DAN HARRINGTON, Co-Chair


MIKE HALLIGAN, Co-Chair


LOIS O'CONNOR, Secretary

DH/lo

Exhibit 1
 EXHIBIT 1
 DATE 1-10-91
 HB joint session
1-9-91

MONTANA INCOME TAX ANALYSIS

BREAKDOWN OF FEDERAL AND PROPERTY TAXES

ITEM	AMOUNT	# OF LINES	AVERAGE
FEDERAL TAX DEDUCTION			
Paid by W/H or Est. Tax	\$ 732,661,620	195,630	\$ 3,745
Balance of 1988 Paid in 1989	133,118,427	51,488	2,585
Additional Taxes for Other Years	9,506,098	5,346	1,778
TOTAL	<u>\$ 875,286,145</u>	<u>252,464</u>	<u>\$ 3,467</u>
PROPERTY & OTHER TAXES			
Real Estate, Personal Property Taxes	\$ 118,829,258	141,138	\$ 842
Motor Vehicle & Other Taxes	21,030,881	106,736	\$ 197
TOTAL	<u>\$ 139,860,139</u>	<u>247,874</u>	<u>\$ 564</u>

NOTE: A return filed may have federal tax deductions on more than one line. Thus, one return can be counted twice when all lines are totaled.

Handy 1/10/91
Ln. 325-25

MONTANA DEPARTMENT OF REVENUE

INCOME & MISCELLANEOUS TAX DIVISION
RECEIVABLES TO WRITE-OFF AND BAD DEBTS

FY	<u>Accounts Receivable</u>			Bad Debts Written Off	Bad Debts % Recovery
	<u>Income Tax</u>	<u>Withholding</u>	<u>TOTAL</u>		
1986	\$13,284,927	\$4,563,815	\$17,780,971	\$871,128	2% or less
1987	14,068,411	4,864,295	18,932,706	1,839,451	2% or less
1988	14,914,313	5,542,442	20,456,755	1,881,591	2% or less
1989	13,623,104	5,041,605	18,664,709	2,547,194	3.3%
1990	15,816,234	3,549,426	19,365,660	2,602,033	5.4%
1991 *	18,332,506	3,476,947	21,809,453	2,737,293	Not Available

* July Through December, 1991 (6 month period)

MONTANA DEPARTMENT OF REVENUE
CAPITAL COMPANY CREDIT UTILIZATION

Exhibit 1
1-10-91
Jt. Taxation
Comm. Meeting

INDIVIDUALS

<u>Year</u>	<u>Number of Claimants</u>	<u>Amount Claimed</u>
Pre 1986	50	\$ 206,395
1986	52	143,426
1987	167	564,437
1988	154	410,507
1989	79	205,124
Total amount of individuals claiming credits (net)		373
Total Amount of Credit Claimed		\$ 1,529,889
Total Capital Credit Available for Carry forward		\$ 1,767,272

CORPORATE

<u>Year</u>	<u>Number of Claimants</u>	<u>Amount Claimed</u>
FY 86	20	\$ 38,900
FY 87	16	20,025
FY 88	11	167,356
FY 89	47	81,231
FY 90	44	164,701
Total number of corporations claiming credits (net)		173
Total amount of Credit Claimed		\$ 472,213
Total Capital Credit Available for Carry forward		\$ 1,949,921

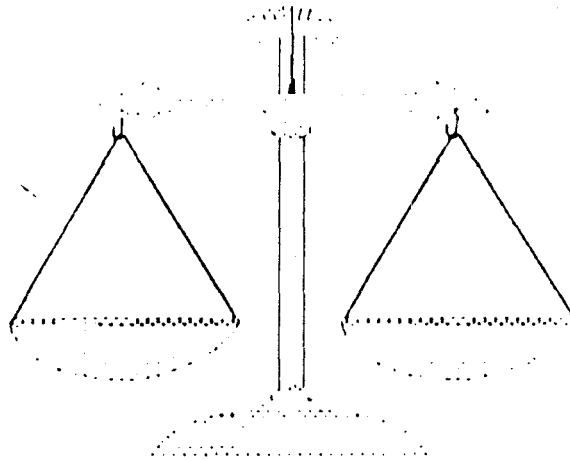
Exhibit 12

EXHIBIT 2

DATE 1-10-91

HB Joint Session
1-9-91

RESOLUTION OF THE "DAVIS CASE"



[Signature] 1/10/91

State of Montana

Stan Stephens, Governor



Department of Revenue

Denis Adams, Director

Room 111, Sam W. Mitchell Building

Helena, Montana 59601

January 8, 1991

TO: Legislators

FROM: Denis Adams, Director

SUBJECT: Resolution of "Davis v. Michigan" Pension Income Exclusion

PROBLEM BACKGROUND

A United States Supreme Court decision, Davis v. Michigan, requires that all federal retirees be treated the same for tax purposes in each state as the state retirees are. In Montana, all state and local government retirement income is excluded from state income tax. Thus, under the Davis decision all federal retirement income is now also excluded from state income tax. The private pension retirees' position is that there is discrimination in the law and they filed and lost a lawsuit in Montana to have their retirement income excluded also. The state and local government retirees represent that they have a contract with the state to exempt their retirement income from taxation as part of their overall compensation package. Thus, they feel that to change the taxation laws would violate their contract with the state and reduce the value of their earned compensation package.

In the June, 1989 Special Session, Senator Meyer introduced Senate Bill 4 at the request of the administration. This bill treated all pension income (state, federal and private) the same. There were two exemptions for pension income. The first one prevented double taxation by excluding the income which was previously taxed. The second one was an \$18,000 exemption for all pension income except interest and dividends. The state would have lost about \$1.4 million from this proposal. The Senate Bill was amended in committee to also exempt interest and dividends for those over age 62. The bill passed out of committee with this amendment and then died.

A very similar bill was introduced in the House by Representative O'Keefe. Representative Cohen also had a proposal which would have applied a \$3,600 exclusion and then compensated state employees with an increase in retirement benefits. This proposal was never actually introduced as a bill. At the conclusion of the session, no bill was passed.

RESULT OF "DAVIS" CASE

REVENUE LOSS: \$15.6 MILLION


INEQUITY AMONG TAXPAYERS

STATUS OF THE FEDERAL PENSION ISSUE IN MONTANA - A CHRONOLOGY

EXHIBIT 2
DATE 1-10-91
HB Joint Session

* March 28, 1989, the U.S. Supreme Court held the Michigan income tax violated the principles of intergovernmental immunity by excluding state and local government retiree benefits from tax, while fully taxing those of civil service retirees.

DAVIS FALLOUT:

* By April 28, 1989, Montana along with many of her sister states faced lawsuits advancing the same argument and requesting refunds based on the retroactive application of the Davis precedent. Montana's case was captioned Edmund F. Sheehy et. al. -vs- The State of Montana. *re: endowment to refund.* 

* Department receives (to date) 15,000 amended returns from 6,000 federal retirees, claiming \$ 11 million in refunds. More claims are expected. POTENTIAL LIABILITY COULD TOTAL IN EXCESS OF \$20 MILLION.

* Sept. 7, 1989, District Court orders the Department to apply Davis prospectively - tax year 1989 forward - exempt federal retiree benefits.

* Nov. 15, 1989 private pensioners file suit arguing taxation of their pensions is unconstitutional. Case entitled Marquardt et.al. November 23, 1990 District Ct. decision rules plaintiffs failed to prove equal protection violation and the doctrine of intergovernmental immunity does not apply.

* July 11, 1990 District Court rules in Sheehy, retroactive application of Davis is not required -- NO REFUNDS for earlier years.

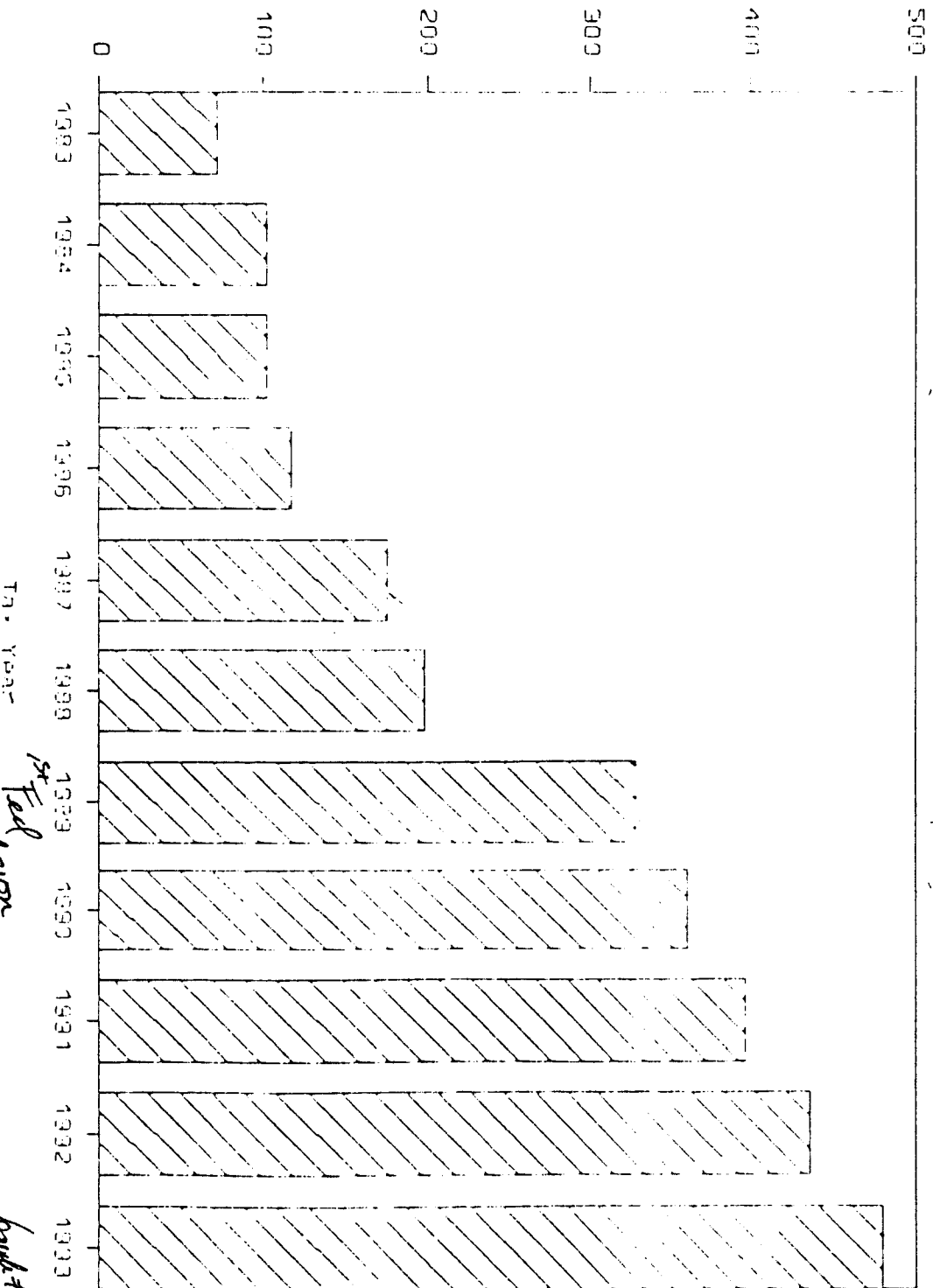
* Subsequently appealed to, and now pending before, the Montana Supreme Court. Department's brief due early February. Decision - expected within the next 3 to 5 months.

Graph 1

Exhibit # 2
1/10/91 Jt. Mtg.

PAST AND PROJECTED EXEMPT RETIREMENT

(Assumes Growth of 10% Per Year)



215.0-

1st Fed
ERISA
@ 1507.
break # or not
new as the
peta

TR. Year

TAXABLE PENSIONS

	Total	Excluded	% Exempt
All Taxpayers With Exempt Retirement	\$415.0 <i>Million</i>	\$328.2	63%
Full Year Residents with No Retirement Exemption	46.6	- 0 -	- 0 -
Non-Full Year Residents with No Retirement Exemption	<u>55.8</u>	<u>- 0 -</u>	- 0 -
Total Taxable Pensions Income	<u>\$519.4</u>	<u>\$328.2</u>	<u>63%</u>

I reviewed but
 everything but had a
 reg. delay in
 doing so

MONTANA DEPARTMENT OF REVENUE ANALYSIS
PENSION REPORTING ABERRATIONS

Pension Income Reported On Line 15 But Not Excluded On Line 31:

<u># of Returns</u>	<u>Total Reported</u>	<u>Avg. Exclusion</u>
16,501	\$104,400,000	\$6,327

Explanation:

- Non-residents claiming the exclusion as non-resident income on Line 30;
- Residents with net negative income from other sources and therefore did not take an exclusion;

Pension Income Excluded On Line 31 But Not Reported On Line 15:

<u># of Returns</u>	<u>Total Excluded</u>	<u>Avg. Exclusion</u>
2,504	\$23,480,000	\$9,377

Explanation:

- Income was correctly excluded as pension income but was not properly reported as pension income
- Pension income was reported on wrong line
- Key punch errors
- Pension income was not reported in Federal AGI

Income Tax Avoided Due to the Pension Exclusion
Five Highest Federal Tax Free Pensions

----- Federal Pension -----				
<u>Fed AGI</u>	<u>Excluded Ret. Income</u>	<u>MT AGI</u>	<u>MT Tax Paid</u>	<u>MT Tax Avoided</u>
\$387,000	\$114,000	\$282,000	\$18,000	\$13,000
173,000	105,000	68,000	358	11,000
130,000	92,000	43,000	350	9,000
154,000	90,000	71,000	487	3,000
<u>60,000</u>	<u>74,000</u>	<u>14,000</u>	<u>0</u>	<u>3,000</u>
<u>\$904,000</u>	<u>\$475,000</u>	<u>\$478,000</u>	<u>\$19,195</u>	<u>\$39,000</u>
Effective Tax Rate:			2.12%	

MT Tax avoided
in 1989. Federal

W.D. Davis
Lynnson
Refuted

Income Tax Avoided Due to the Pension Exclusion
Five Highest State Tax Free Pensions

----- State Pension -----				
<u>Fed AGI</u>	<u>Excluded Ret. Income</u>	<u>MT AGI</u>	<u>MT Tax Paid</u>	<u>MT Tax Avoided</u>
\$131,000	\$ 98,000	\$ 32,000	\$ 634	\$10,000
142,000	57,000	83,000	3,000	6,000
76,000	51,000	24,000	0	3,000
52,000	35,000	11,000	0	2,000
<u>91,000</u>	<u>32,000</u>	<u>37,000</u>	<u>195</u>	<u>3,000</u>
<u>\$492,000</u>	<u>\$273,000</u>	<u>\$187,000</u>	<u>\$3,829</u>	<u>\$24,000</u>
Effective Tax Rate:			0.78%	

same for State

*P.E.R.S.
Tentative*

Number of Households Having Retirement Income
Filing Tax Year 1989 Montana Income Tax Returns

<u>Type of Retiree</u>	<u>Total</u>
PERS	7,254
TRS	4,267
Federal	12,179
Private	<u>20,512</u>
Households Claiming Retirement Exemptions	<u><u>44,212</u></u>

Average Age for Each Retirement System

<u>System</u>	<u>Number</u>	<u>Average Age</u>	<u>Percent Over 65</u>
Public Employees	10,165	70.5	77.49%
Teachers	6,505	70.4	70.99%
Judges	29	73.2	89.66%
Game Wardens	57	64.8	54.39%
Highway Patrolmen	183	63.3	40.98%
Montana Sheriffs	83	63.3	54.22%
Municipal Police Officers	424	62.9	44.34%
Volunteer Fireman	534	69.3	69.48%
Montana Firefighters Unified	<u>381</u>	<u>65.4</u>	<u>51.18%</u>
Total	18,361	70.1	73.12%

35.20

Income of Households Filing 1989 Tax Returns Reporting Exempt Retirement Income

Total Income Bracket	-----Households-----		Total Income	Average Income
	Number	Percent		
\$ 0 - \$ 9,999	10,055	22.74%	55,705,834	5,540
\$ 10,000 - \$ 24,999	18,124	40.99%	300,434,816	16,577
\$ 25,000 - \$ 34,999	5,904	13.35%	174,307,600	29,524
\$ 35,000 - \$ 49,999	5,528	12.50%	230,480,996	41,693
\$ 50,000 - \$ 74,999	3,237	7.32%	191,735,460	59,232
\$ 75,000 - \$ 99,999	752	1.70%	64,041,290	85,161
\$ 100,000 - \$ 129,999	278	0.63%	31,489,637	113,272
\$ 130,000 - \$ 149,999	89	0.20%	12,442,400	139,802
\$ 150,000 +	245	0.55%	66,556,564	271,659
Total	44,212	100.00%	1,127,194,597	25,495

36.47-1

Income Level of Retirees

	<u>Total Income</u>	<u>Average Income</u>	<u>% 11h Less than \$25,000</u>
PERS [†]	\$159 million	\$21,927	70%
TRS	123 million	28,846	56%
Federal	341 million	28,030	56%
Private	505 million	24,625	68%
Others	577 million	42,712	59%
All Taxpayers	\$7.4 billion	24,109	---
All Retirees	1.1 billion	25,495	64%

1. Retirees claiming a retirement exclusion.

*incl: non-resident
 shareholders
 not paying
 didn't need good
 way diff Fed GI.*

*? other public, not PERS.
 PERS - nearly all
 exclusions -*

*? breakdown for each one
 as app's to 15th ed in ?*

yes

38-51-1

Total Income and Exempt Retirement Income
All Retiree Households Claiming Exempt Retirement Income
Tax Year 1989

Total Income Bracket	No. of Hshlds.	Total Income	Exempt Retirement	Average Income	Ave. Exempt Retirement Income
< Zero	288	(8,939,449)	1,207,627	(31,040)	4,193
0 - \$1,999	338	3,401,561	1,522,914	1,188	4,506
1,000 - \$3,999	1,106	3,495,061	2,824,287	3,160	2,554
2,000 - \$5,999	2,183	11,089,048	8,386,698	5,080	3,842
3,000 - \$7,999	2,857	20,065,458	10,939,898	7,023	3,829
4,000 - \$9,999	3,283	29,594,155	13,966,231	9,014	4,254
5,000 - \$11,999	3,149	34,543,607	15,990,708	10,970	5,078
6,000 - \$13,999	3,043	39,494,646	17,594,168	12,979	5,782
7,000 - \$15,999	2,668	39,950,845	16,915,130	14,974	6,344
8,000 - \$17,999	2,454	41,674,605	16,915,130	16,982	6,893
9,000 - \$19,999	2,245	42,638,143	17,006,992	18,992	7,575
10,000 - \$24,999	4,565	102,132,970	37,827,330	22,373	8,286
11,000 - \$29,999	3,379	92,583,991	31,454,731	27,400	9,309
12,000 - \$34,999	2,525	81,723,609	24,587,885	32,366	9,738
13,000 - \$39,999	2,223	83,237,997	22,273,057	37,444	10,019
14,000 - \$44,999	1,865	79,042,785	19,627,932	42,382	10,524
15,000 - \$49,999	1,440	68,200,514	15,683,683	47,361	10,891
16,000 - \$54,999	1,106	57,898,764	13,139,446	52,350	11,880
17,000 - \$59,999	823	47,206,710	9,654,627	57,359	11,654
18,000 - \$64,999	599	37,370,900	6,654,627	62,389	11,110
19,000 - \$69,999	404	27,216,169	4,489,446	67,367	11,112
20,000 - \$74,999	305	22,042,917	3,715,244	72,272	12,181
21,000 - \$79,999	221	17,124,910	2,677,890	77,488	12,117
22,000 - \$89,999	326	27,507,971	3,580,956	84,380	10,985
23,000 - \$99,999	205	19,408,509	2,103,356	94,675	10,260
24,000 - \$109,999	113	11,871,307	1,063,051	105,056	9,408
25,000 - \$119,999	95	10,892,709	755,418	114,660	7,952
26,000 - \$129,999	70	8,725,621	511,004	124,652	7,300
27,000 - \$139,999	48	6,503,990	454,870	135,489	9,476
28,000 - \$149,999	41	5,938,910	373,930	144,851	9,120
29,000 - \$150,000 +	245	66,556,554	4,502,995	271,659	18,380
Total	44,212	1,127,194,597	328,349,387	25,495	7,427

Total Income and Exempt Retirement Income
PERS Retiree Households
Tax Year 1989

Total Income Bracket	No. of Hshlds.	Total Income	Exempt Retirement	Average Income	Ave. Exempt Retirement Income
< Zero	40	(473,293)	118,345	(11,832)	
0	40	43,672	182,422	1,092	4,561
2,000	167	528,737	498,648	3,166	2,986
4,000	409	2,094,343	1,365,087	5,121	3,338
6,000	534	3,758,472	2,215,429	7,038	4,149
8,000	641	5,782,176	3,094,811	9,021	4,828
10,000	574	6,330,595	3,508,258	11,029	6,112
12,000	601	7,793,600	3,922,637	12,968	6,527
14,000	489	7,318,431	3,616,568	14,966	7,396
16,000	460	7,815,831	3,483,851	16,991	7,574
18,000	395	7,491,999	3,408,667	18,967	8,630
20,000	740	16,494,534	6,703,969	22,290	9,059
22,000	539	14,756,858	5,042,926	27,378	9,356
24,000	397	12,875,554	3,936,792	32,432	9,916
26,000	268	10,799,218	2,868,735	37,497	9,961
28,000	246	10,436,325	2,532,401	42,424	10,294
30,000	205	19,749,962	2,178,757	47,561	10,628
32,000	130	6,814,465	1,448,336	52,419	11,141
34,000	99	5,670,582	1,243,956	57,277	11,565
36,000	71	4,439,577	817,261	62,535	11,422
38,000	41	2,762,577	417,973	67,380	10,177
40,000	22	1,589,887	240,938	72,268	10,953
42,000	25	1,940,504	231,938	77,620	10,278
44,000	34	2,860,022	561,633	84,707	16,519
46,000	14	1,320,091	140,290	94,292	10,021
48,000	15	1,581,044	116,775	105,403	7,785
50,000	11	1,254,513	71,693	114,047	6,518
52,000	3	369,078	35,954	123,026	11,985
54,000	17	3,895,816	36,927	134,742	5,275
56,000			97,020	229,166	5,707
Total	7,254	159,058,652	54,131,956	21,927	7,462

Total Income and Exempt Retirement Income
IRS Retiree Households
Tax Year 1989

Total Income Bracket	No. of Hshlds.	Total Income	Exempt Retirement	Average Income	Ave. Exempt Retirement Income
< Zero	32	(1,448,443)	234,626	(45,264)	7,332
0 - \$1,999	35	1,433,176	218,894	1,234	6,254
1 - \$2,000	55	167,524	185,333	3,046	3,370
2 - \$3,000	134	626,204	555,438	5,121	4,145
3 - \$4,000	189	1,316,346	896,171	6,965	4,742
4 - \$5,000	208	1,878,012	1,126,848	9,029	5,418
5 - \$6,000	244	2,682,269	1,546,120	10,993	6,337
6 - \$7,000	245	3,176,868	1,817,359	12,967	7,418
7 - \$8,000	256	3,830,120	2,133,298	14,961	8,333
8 - \$9,000	264	4,494,374	2,323,049	17,024	8,799
9 - \$10,000	227	4,304,935	2,159,766	18,964	9,514
10 - \$11,000	485	10,866,989	5,418,969	22,406	11,173
11 - \$12,000	349	9,575,021	4,458,375	27,436	12,775
12 - \$13,000	278	9,014,545	3,508,119	32,426	12,619
13 - \$14,000	246	9,200,677	3,294,399	37,401	13,392
14 - \$15,000	254	10,769,056	3,645,216	42,398	14,351
15 - \$16,000	171	8,062,802	2,471,047	47,268	14,451
16 - \$17,000	132	7,915,037	2,256,058	52,417	14,941
17 - \$18,000	75	7,582,829	1,744,822	57,446	13,218
18 - \$19,000	49	4,680,836	1,043,822	62,411	13,918
19 - \$20,000	43	3,224,584	678,363	67,236	13,844
20 - \$21,000	29	3,121,546	624,200	72,594	14,516
21 - \$22,000	30	2,546,807	437,601	77,761	15,090
22 - \$23,000	20	1,892,570	316,980	84,894	14,248
23 - \$24,000	14	1,456,073	179,531	94,629	15,849
24 - \$25,000	9	1,136,193	63,707	104,005	12,824
25 - \$26,000	9	1,125,612	93,026	115,133	7,079
26 - \$27,000	12	1,622,472	184,803	125,068	10,336
27 - \$28,000	16	1,863,324	87,260	135,206	15,400
28 - \$29,000	16	3,605,879	256,848	143,887	14,543
29 - \$30,000	16	3,605,879	256,848	225,367	16,053
Total	4,267	123,087,748	44,152,867	28,846	10,348

EXHIBIT 2
DATE 1-10-91
HB Saint Louis

Total Income and Exempt Retirement Income
Federal Retiree Households
Tax Year 1989

Expanded Total Income	Total Income	No. of Hshlds.	Total Income	Exempt Retirement	Average Income	Ave. Exempt Retirement Income
< Zero	Zero	36	(838,749)	487,587	(23,299)	13,544
0	1,999	48	46,338	822,665	3,965	17,139
2,000	3,999	50	157,448	470,215	3,149	9,404
4,000	5,999	217	1,118,628	3,115,299	5,155	14,356
6,000	7,999	424	2,996,376	3,446,563	7,067	8,129
8,000	9,999	655	5,921,530	4,888,762	9,041	7,464
10,000	11,999	736	8,732,441	6,698,096	10,970	8,415
12,000	13,999	866	11,230,855	8,197,158	12,969	9,466
14,000	15,999	753	11,439,585	7,903,760	14,993	10,359
16,000	17,999	729	12,344,857	8,341,427	16,934	11,442
18,000	19,999	550	14,271,973	9,104,723	19,029	12,140
20,000	24,999	1,504	33,745,722	20,626,463	22,437	13,714
25,000	29,999	1,276	33,331,034	18,513,540	27,410	15,225
30,000	34,999	1,834	27,612,341	14,562,608	32,333	17,052
35,000	39,999	735	29,415,463	13,853,410	37,472	17,648
40,000	44,999	638	26,972,645	11,611,167	42,277	18,199
45,000	49,999	471	22,315,051	9,546,523	47,378	20,269
50,000	54,999	380	19,877,660	8,315,606	52,310	21,883
55,000	59,999	258	15,955,463	5,839,652	57,394	21,006
60,000	64,999	197	11,678,084	4,088,704	62,450	21,865
65,000	69,999	136	9,161,925	2,927,333	67,367	21,525
70,000	74,999	107	7,717,794	2,511,120	72,129	23,468
75,000	79,999	61	4,723,476	1,725,359	77,434	28,285
80,000	89,999	19	6,682,677	2,073,929	84,591	26,252
90,000	99,999	18	4,554,140	1,297,665	94,878	27,035
100,000	109,999	12	2,185,872	594,948	104,089	28,331
110,000	119,999	10	2,069,324	483,365	114,962	26,854
120,000	129,999	3	1,244,666	256,343	124,467	25,634
130,000	139,999	3	402,302	162,691	134,101	54,230
140,000	149,999	6	869,149	210,079	144,858	35,013
150,000	149,999	43	13,443,776	3,700,551	312,646	86,059
Total		12,119	341,379,846	176,377,311	28,030	14,482

Total Income and Exempt Retirement Income
Private Retiree Households
Tax Year 1989

Total Income Expanded	Total Income	No. of Hshlds.	Total Income	Exempt Retirement	Average Income	Ave. Exempt Retirement Income
< 0	Zero	180	(6,178,974)	367,069	(34,328)	2,039
0	1,999	215	268,375	298,933	1,248	1,390
2,000	3,999	834	2,641,352	1,670,091	3,167	2,003
4,000	5,999	1,423	7,189,873	3,350,874	5,053	2,355
6,000	7,999	1,710	11,994,264	4,381,735	7,014	2,562
8,000	9,999	1,779	16,012,437	4,855,810	9,001	2,730
10,000	11,999	1,535	16,798,302	4,238,234	10,944	2,761
12,000	13,999	1,331	17,293,323	3,657,014	12,993	2,748
14,000	15,999	1,160	17,362,709	3,272,673	14,968	2,821
16,000	17,999	1,001	17,019,543	2,766,803	17,003	2,764
18,000	19,999	873	16,569,236	2,333,836	18,980	2,673
20,000	24,999	1,836	41,025,725	5,077,929	22,345	2,766
25,000	29,999	1,275	34,921,078	3,439,890	27,389	2,698
30,000	34,999	996	32,221,169	2,580,366	32,351	2,591
35,000	39,999	904	33,822,639	2,256,513	37,414	2,496
40,000	44,999	727	30,864,459	1,839,148	42,455	2,530
45,000	49,999	593	28,052,699	1,487,356	47,306	2,508
50,000	54,999	445	23,291,602	1,119,446	52,341	2,516
55,000	59,999	314	17,997,956	763,213	57,318	2,431
60,000	64,999	266	16,571,998	711,145	62,301	2,673
65,000	69,999	178	11,997,083	466,489	67,399	2,621
70,000	74,999	133	9,613,690	338,951	72,283	2,549
75,000	79,999	106	8,205,862	282,992	77,414	2,670
80,000	89,999	183	15,398,465	517,949	84,145	2,830
90,000	99,999	123	11,641,608	348,421	94,647	2,833
100,000	109,999	63	6,532,679	136,653	105,529	2,727
110,000	119,999	57	6,532,679	171,797	114,608	2,397
120,000	129,999	48	3,986,265	125,681	124,714	2,618
130,000	139,999	26	3,535,519	70,449	135,982	2,710
140,000	149,999	29	4,206,437	76,591	145,050	2,641
150,000	159,999	169	45,611,093	448,576	269,888	2,654
		20,512	505,116,784	53,452,627	24,625	2,606

Percent of Total Income Taxed

*double the
"average" part*

System	% of Income Taxed	Average Income	Average Pension	% Pension is of Total
PERS	27.2	21,927	8,018	36.6 <i>over 100%</i>
TRS	26.9	28,846	11,119	38.5 <i>over 100%</i>
Federal	19.0	28,630	18,516	48.2
Private	45.7	24,625	5,914	24.0 <i>\$3600 exclusion</i>
Others	62.3	42,712	3,598	8.4 <i>\$3.675 max</i>

and.

*Income of 30-32
Addressed to*

Income Exempt or Excluded from Taxation
All Retiree Households Claiming Exempt Retirement Income
Tax Year 1989

BX	No. of Hshlds.	Total Income	Exempt Retirement	Elderly Interest Excl.	Total Deductns.	Exemption Value	Taxable Income	% of Income Taxed
< Zero	288	(8,939,449)	1,207,627	105,100	1,408,122	893,304	0	0.00%
0	338	401,561	1,522,914	94,329	307,558	1,705,476	6,317	1.57%
2	1,106	3,495,061	2,824,287	416,202	932,678	2,746,356	53,417	1.53%
4	2,857	11,089,048	8,386,698	1,103,162	2,331,154	5,753,592	273,274	2.46%
6	3,283	20,065,458	10,939,898	1,643,087	4,778,825	8,266,884	954,468	4.76%
8	3,149	29,594,155	13,966,231	2,158,405	7,679,335	10,913,104	1,886,780	6.38%
10	3,043	34,543,607	15,990,708	2,147,064	9,339,220	9,700,764	3,014,025	8.73%
12	2,668	39,494,607	17,594,168	2,112,022	11,574,320	9,700,764	4,014,993	11.59%
14	2,454	39,950,845	16,926,299	1,851,634	10,327,543	8,551,104	5,775,392	14.46%
16	2,245	41,674,605	16,915,130	1,636,189	10,851,026	7,804,176	7,156,376	17.17%
18	2,245	42,638,143	17,006,992	1,585,197	11,269,019	7,356,168	7,849,057	18.41%
20	4,565	102,132,970	37,827,330	2,890,507	25,791,454	14,773,956	23,578,527	23.09%
25	3,379	92,583,991	31,454,731	1,877,359	22,398,936	10,935,132	25,707,196	27.77%
30	2,525	81,723,609	24,587,885	1,247,590	19,941,125	8,183,040	25,986,836	31.80%
35	2,223	83,237,997	22,273,057	1,033,738	19,923,434	7,277,820	29,620,513	35.59%
40	1,865	79,042,485	19,627,932	948,106	18,996,696	6,311,052	29,836,227	37.75%
45	1,440	68,200,514	15,683,683	747,808	16,624,113	4,966,224	27,799,101	40.76%
50	1,106	57,898,764	13,139,446	588,354	14,337,697	3,859,872	24,107,194	41.64%
55	823	47,206,710	9,591,584	457,982	11,766,804	2,923,308	20,612,003	43.66%
60	599	37,370,900	6,654,627	367,445	9,968,897	2,169,120	16,650,298	44.55%
65	404	27,216,169	4,489,446	242,574	6,937,299	1,418,808	12,729,520	46.77%
70	305	22,042,917	3,715,244	171,871	5,836,185	1,095,828	10,371,687	47.05%
75	221	17,124,910	2,677,890	130,778	4,529,614	1,783,372	8,149,859	47.59%
80	326	17,507,971	2,580,956	239,585	7,344,687	1,219,980	13,280,700	48.28%
85	205	19,408,409	2,103,356	159,641	4,851,939	1,752,904	10,556,936	54.39%
90	113	11,871,307	1,063,051	90,855	3,147,560	440,508	6,074,424	51.17%
100	95	10,892,709	755,418	71,980	3,147,560	353,880	5,901,882	54.18%
110	70	8,725,621	511,004	49,625	2,441,775	248,544	4,745,318	54.38%
120	48	6,503,490	454,870	35,529	1,604,954	173,100	3,674,557	56.50%
130	41	5,938,910	373,930	36,905	1,776,527	153,504	3,297,150	55.52%
140	245	66,556,564	4,502,995	203,784	17,289,288	942,396	37,413,606	56.21%
150								
TOTAL	44,212	1,127,194,597	328,349,387	26,444,407	289,548,977	141,810,720	371,641,633	32.97%

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Income Exempt or Excluded from Taxation
PERS Retiree Households
Tax Year 1989

BX	No. of Hshlds.	Total Income	Exempt Retirement	Elderly Interest Excl.	Total Deductns.	Exemption Value	Taxable Income	% of Income Taxed
< zero	40	(473,293)	118,345	19,211	89,806	127,968	0	0.00%
0	40	43,672	182,422	15,816	42,958	456,108	13	0.03%
2	167	528,737	498,648	57,739	115,560	462,864	3,260	0.62%
4	409	2,094,343	1,365,087	204,241	336,740	1,118,064	32,814	1.57%
6	534	5,758,472	2,215,429	335,865	740,181	1,556,724	83,763	2.23%
8	641	5,782,176	3,094,811	461,282	1,260,429	2,033,952	235,569	4.07%
10	574	6,330,595	3,508,258	440,952	1,470,001	1,907,112	263,202	4.16%
12	601	7,793,600	3,922,637	477,610	1,856,854	2,021,580	573,253	7.36%
14	489	7,318,431	3,616,568	386,603	1,971,354	1,633,116	609,123	8.32%
16	460	7,815,831	3,483,851	335,311	2,005,576	1,516,308	1,001,613	12.82%
18	395	7,491,999	3,408,667	335,909	1,875,624	1,392,444	1,031,216	13.76%
20	740	16,494,534	6,703,969	534,611	4,112,660	2,497,248	3,067,374	18.60%
25	539	14,756,858	5,042,926	337,383	3,660,919	1,769,508	3,810,116	25.82%
30	397	12,875,554	3,936,792	211,871	3,027,631	1,257,720	3,895,289	30.25%
35	288	10,799,218	2,868,735	150,480	2,582,349	934,992	3,676,595	34.05%
40	246	10,436,325	2,532,401	135,041	2,451,123	813,744	3,790,091	40.51%
45	205	9,749,962	2,178,757	123,697	2,146,376	703,680	3,949,792	40.51%
50	130	6,814,465	1,448,336	66,749	1,659,743	426,564	2,865,918	42.06%
55	99	5,670,462	1,243,897	65,082	1,420,512	345,576	2,386,803	42.09%
60	71	4,439,982	1,810,956	40,800	1,013,011	234,624	2,146,215	48.34%
65	41	2,762,577	417,261	25,624	659,946	144,000	1,404,324	50.83%
70	22	1,589,887	240,973	10,459	449,617	74,400	1,763,085	48.00%
75	25	1,940,504	231,938	18,111	483,190	90,000	1,017,086	52.41%
80	34	2,880,022	561,633	24,073	714,852	118,740	1,231,384	42.76%
90	14	1,320,091	140,290	14,099	315,974	57,600	717,237	54.33%
100	15	1,581,044	116,775	14,960	466,191	62,400	819,764	51.85%
110	11	1,254,513	71,693	8,800	324,722	42,000	718,637	57.28%
120	3	369,078	35,954	1,600	125,415	7,200	167,173	45.29%
130	7	943,197	36,927	5,600	222,094	24,000	555,551	58.90%
150	17	3,895,816	97,020	16,800	1,025,266	63,600	2,450,276	62.90%
TOTAL	7,254	159,058,652	54,131,956	4,876,379	38,626,674	23,893,836	43,266,536	27.20%

Income Exempt or Excluded from Taxation
TRS Retiree Households
Tax Year 1989

BX	No. of Hshlds.	Total Income	Exempt Retirement	Elderly Interest Excl.	Total Deductns.	Exemption Value	Taxable Income	% of Income Taxed
< Zero	32	(1,448,433)	234,626	12,076	162,171	99,252	0	0.00%
0	35	43,176	218,894	4,288	38,590	77,676	497	1.15%
2	55	167,524	185,333	17,540	53,481	122,772	2,030	1.21%
4	134	686,204	555,438	63,603	136,583	323,364	11,439	1.67%
6	189	1,316,346	896,171	113,313	394,751	495,156	37,129	2.82%
8	208	1,878,012	1,126,848	147,999	530,346	625,512	35,034	1.87%
10	244	2,682,269	1,546,120	178,604	714,417	722,328	124,088	4.63%
12	245	3,176,868	1,817,359	176,121	822,241	723,036	185,231	5.83%
14	256	3,830,120	2,133,298	177,519	1,034,780	809,832	265,266	6.93%
16	264	4,494,374	2,323,049	177,713	1,266,855	811,164	412,731	9.18%
18	227	4,304,935	2,159,766	171,059	1,257,180	720,312	454,006	10.55%
20	485	10,866,989	5,418,969	367,819	2,946,988	1,566,588	1,314,177	12.09%
25	349	9,575,021	4,458,375	238,232	2,514,509	1,108,956	1,593,681	16.64%
30	278	9,014,545	3,508,119	155,759	2,222,731	1,837,888	2,024,478	22.46%
35	246	9,200,677	3,294,399	147,017	2,248,874	770,424	2,377,788	25.84%
40	254	10,769,056	3,645,216	167,526	2,654,613	848,760	2,919,503	27.11%
45	171	8,082,802	2,471,047	101,045	2,045,415	571,716	2,524,367	31.23%
50	151	7,915,037	2,256,058	94,677	2,036,085	508,128	2,592,582	32.76%
55	132	7,582,829	1,744,822	87,560	1,845,089	470,376	3,027,387	39.92%
60	75	4,680,836	1,043,822	60,224	1,316,517	279,360	1,708,595	36.50%
65	49	3,294,584	678,363	35,797	1,780,353	187,200	1,473,039	44.71%
70	43	3,121,546	624,200	29,770	853,925	147,600	1,272,167	40.75%
75	29	3,255,068	437,601	17,981	571,660	102,000	1,039,272	46.09%
80	30	2,546,807	427,445	19,705	691,463	108,000	1,091,604	42.86%
90	20	1,892,570	316,980	13,377	461,361	69,600	1,966,293	51.06%
100	14	1,456,073	179,531	8,800	414,754	48,060	649,362	44.60%
110	9	1,036,193	63,707	8,444	204,114	33,600	677,495	65.38%
120	9	1,125,612	93,026	4,600	205,863	30,000	576,063	51.18%
130	12	1,622,472	184,803	8,816	396,319	46,800	872,407	53.77%
140	6	863,324	87,260	6,400	237,414	21,600	485,468	56.23%
150	16	3,605,879	256,848	15,838	651,960	58,884	1,962,077	54.41%
Total	4,267	121,639,315	44,387,493	2,839,422	31,711,402	13,345,944	32,675,256	26.86%

Income Exempt or Excluded from Taxation
Federal Retiree Households
Tax Year 1989

BX	No. of Hshlds.	Total Income	Exempt Retirement	Elderly Interest Excl.	Total Deductns.	Exemption Value	Taxable Income	% of Income Taxed
< Zero	36	(838,749)	487,587	10,750	256,322	116,928	0	0.00%
0	48	46,338	822,665	9,818	57,456	679,164	0	0.00%
1	50	157,448	470,215	20,275	99,539	189,528	0	0.00%
2	217	1,118,628	3,115,299	68,385	198,046	553,068	4,394	0.39%
3	424	2,996,376	2,446,563	173,797	392,190	1,312,172	21,866	0.73%
4	655	5,921,530	4,888,762	313,052	848,769	1,874,172	76,701	1.30%
5	796	8,732,441	6,698,096	441,224	1,362,993	2,410,800	174,652	2.00%
6	866	11,230,855	8,197,158	512,519	2,008,316	2,660,832	401,057	3.57%
7	763	12,344,857	7,903,760	472,162	2,172,992	2,342,988	512,057	4.48%
8	729	14,271,973	8,341,427	424,292	2,514,466	2,252,928	616,952	5.00%
9	750	33,745,722	9,104,723	488,736	3,273,655	2,396,616	881,228	6.17%
10	1,504	33,331,034	20,626,463	887,540	7,098,600	4,783,704	3,343,065	9.91%
11	1,216	27,612,341	18,513,540	598,979	7,144,951	3,838,656	4,450,456	13.35%
12	854	29,415,463	14,562,608	378,746	6,127,434	2,707,848	4,550,956	16.48%
13	785	26,972,645	11,611,167	334,664	6,689,012	2,065,792	5,928,632	20.15%
14	638	26,315,051	9,546,523	307,318	6,313,606	2,065,224	6,383,068	23.66%
15	471	22,877,660	8,315,606	216,318	5,228,728	1,577,796	5,691,095	25.50%
16	380	19,877,660	5,839,652	156,600	4,797,491	1,928,212	5,580,259	28.07%
17	278	15,955,463	4,088,704	129,452	3,954,893	1,950,472	4,637,572	29.07%
18	187	9,161,925	2,927,333	104,295	2,911,890	642,624	3,594,220	30.78%
19	136	7,717,794	2,511,120	64,982	2,059,650	454,680	2,975,449	32.48%
20	107	4,723,476	1,725,359	53,907	1,124,741	377,888	2,531,730	32.80%
21	61	6,682,677	2,073,929	35,228	1,703,161	284,004	1,471,652	31.16%
22	79	4,554,140	1,297,665	55,760	1,120,103	163,704	2,773,008	32.62%
23	48	2,185,872	594,948	31,630	680,079	87,744	1,777,222	38.93%
24	21	2,069,324	483,365	12,800	637,681	67,200	717,690	30.98%
25	18	1,244,666	256,343	4,800	414,087	32,544	429,428	34.68%
26	10	1,402,302	162,691	1,913	52,593	7,500	169,449	34.50%
27	3	869,149	210,079	6,505	344,765	21,672	218,115	42.12%
28	6	13,443,776	3,700,551	30,858	2,827,425	125,136	4,706,842	25.10%
29	43	341,379,846	176,377,311	6,360,369	76,803,011	38,920,620	64,698,884	35.01%
30	12,179	341,379,846	176,377,311	6,360,369	76,803,011	38,920,620	64,698,884	18.95%
Total								

Income Exempt or Excluded from Taxation
Private Retiree Households
Tax Year 1989

BX	No. of Hshlds.	Total Income	Exempt Retirement	Excl. Interest	Total Deductns.	Exemption Value	Taxable Income	% of Income Taxed
< Zero	180	(6,178,974)	367,069	63,063	899,823	549,156	0	0.00%
0	215	2,683,375	298,933	64,407	168,554	492,528	5,807	2.16%
1	834	2,641,352	1,670,091	320,648	664,098	1,971,192	48,127	1.82%
2	1,423	7,189,873	3,350,874	766,933	1,559,785	3,759,096	224,627	3.12%
3	1,710	11,994,264	4,381,735	1,020,112	3,039,791	4,902,468	811,710	6.77%
4	1,779	16,012,437	4,855,810	1,236,072	5,091,817	5,597,868	1,452,083	9.61%
5	1,535	16,798,302	4,238,234	1,086,284	6,886,909	4,878,804	2,452,083	14.60%
6	1,331	17,293,323	3,657,014	1,945,772	5,148,417	4,295,168	3,419,075	19.77%
7	1,160	17,362,709	3,272,673	815,350	5,064,129	3,765,776	4,388,946	25.28%
8	1,001	17,019,543	2,766,803	688,873	4,862,560	3,223,776	5,125,080	30.11%
9	1,873	16,569,236	2,333,836	589,493	4,633,206	2,846,796	5,482,607	33.09%
10	1,836	41,025,725	5,077,929	1,702,765	19,633,557	5,926,416	15,853,911	38.64%
11	1,996	32,221,169	2,580,366	501,214	8,563,329	3,379,584	15,516,113	45.40%
12	904	33,822,639	2,256,148	401,957	8,403,199	3,066,612	15,637,498	48.16%
13	727	30,864,459	1,539,148	337,957	7,577,354	2,583,324	17,637,565	52.15%
14	593	28,052,699	1,487,356	306,748	7,203,594	2,113,032	16,743,565	54.25%
15	445	23,291,602	1,119,446	270,328	5,844,378	1,696,968	15,633,847	55.73%
16	314	17,997,956	711,213	175,888	4,546,310	1,156,884	13,068,435	56.67%
17	266	16,571,998	711,145	162,126	4,727,479	1,012,512	9,201,268	58.67%
18	178	11,997,083	466,489	116,171	3,109,623	632,928	6,876,708	55.32%
19	133	9,613,690	338,951	77,735	2,472,993	496,140	5,804,705	57.32%
20	106	8,205,862	282,992	59,047	2,350,023	382,512	4,621,849	56.38%
21	183	15,398,465	517,949	140,535	2,954,501	709,236	8,778,020	57.01%
22	123	11,641,608	348,421	100,535	2,335,211	462,000	7,100,398	60.99%
23	63	6,648,318	171,797	54,295	1,780,161	242,304	3,928,076	59.08%
24	57	6,532,679	136,653	41,936	1,981,043	211,080	3,788,060	57.99%
25	48	5,986,265	125,681	38,425	1,696,410	178,800	3,572,654	59.68%
26	29	4,206,437	76,591	24,000	1,194,348	94,800	2,077,150	58.75%
27	169	45,611,093	448,576	140,288	12,784,637	694,776	28,294,411	62.03%
Total	20,512	505,116,784	53,452,627	12,368,237	142,407,890	65,650,320	231,000,957	45.73%

SUMMARY OF OTHER STATE'S ACTION ON "DAVIS" CASE

<u>State</u>	<u>Exclusion Level</u>	<u>Private Amount</u>	<u>Age Level</u>	<u>Phaseout Amount</u>
Alabama	Exempt	No	No	No
Arizona	2,500	No	No	No
Arkansas	6,000	Yes	No	No
California	None	No	No	No
Colorado	20,000	Yes	55	No
Georgia	10,000	Yes	62	No
Idaho	17,544	No	65 ²	No
Iowa	2,500	No	55	No
Louisiana	Exempt	No	No	No
Michigan	Exempt	No	No	No
Missouri	6,000	No	No	Yes
New York	Exempt	No	No	N/A
N. Carolina	4,000	2,000	No	No
North Dakota	5,000	No	55	No
Oklahoma	5,500	No	No	No
Oregon - <i>Not done - still an issue.</i>	Exempt	No	No	No
S. Carolina	3,000	Yes	No	No
Utah	None	Yes	No	No
Virginia	16,000	Yes	55	Yes
W. Virginia	2,000	No	No	No
² Wisconsin	None	No	No	N/A

¹ Those persons 65 years of age or over receiving benefits from civil service, fire fighters, police (Idaho), and military retirement systems may deduct varying amounts from approximately \$11,000 to \$17,000. State employees are fully taxed.

² Wisconsin exempts all pension income of federal retirees and state teachers who entered into service before 1/1/64.

MONTANA DISABILITY INCOME EXCLUSION

- PERMANENT AND TOTAL DISABILITY
- EXCLUSION UP \$5,200
- EXCLUSION PHASED OUT FOR INCOMES ABOVE \$15,000
- NO EXCLUSION FOR INCOMES ABOVE \$20,200
- NO EXCLUSION FOR RETIREES OVER AGE 65

applying should be is
\$15K
when phased out on \$69 \$
basis
@ 20K there is no excl.

(X)

16.00-2

TAX IMPACTS OF ALTERNATIVE RETIREMENT INCOME OPTIONS

(Millions of Dollars)

44/K Households

OPTION	CURRENT TAX PAID	PROPOSED TAX PAID	FY 90 CHANGE	BIENNIUM REVENUE IMPACT
"Pre-Davis" Current Law	21.25	27.38	6.13	15.88
* \$10,000/\$35,000 Option	21.25	29.29	8.04	20.43
\$3,600 Blanket Exclusion	21.25	29.87	8.62	20.95
\$3,600 Blanket/Keep Whole	21.25	27.36	6.11	15.52
\$12,000 Blanket Exclusion	21.25	21.94	0.69	1.75
No Exclusion	21.25	36.88	15.63	39.71

Illinois Budget is 25,000 HH Cap + 3600 exclusion based on 88 data

We C plan to deli-con request quarterly to yr rep & for info.

PENSION - RESOLUTION OF "DAVIS CASE"

POLICY: Exclusion Amount \$10,000 Up to Household Income of \$35,000

- o Treat all retirees, including private, with qualified plans equally.
- o The \$10,000 exclusion compares favorable to the average pension benefit.
- o 78 percent of the households have a household income less than \$35,000.
- o Tax difference is \$5 million less than the current law without "Davis Case"
- o 69 percent of the revenue is recaptured from the federal employee.
- o 3,880 state/local employees, or 34 percent, have a \$10 or more tax increase.
- o 4,022 private retirees, or 20 percent, have a tax increase of \$10 or more; 4,442 private retirees, or 22 percent, have a \$10 or more tax decrease.
- o All retirees receiving a pension exclusion have a tax break that the other 50 percent of people retired without a qualified pension plan don't have.

<u>System</u>	<u>Tax Break</u>
PERS	\$175
TRS	194
Federal	270
Private	107

AVERAGE PENSION EXCLUDED

PERS	\$ 7,462
TRS	\$ 10,348
FEDERAL	\$ 14,482
PRIVATE	\$ 2,606

307-3

CUMULATIVE PERCENT OF HOUSEHOLDS
SELECTED INCOME BRACKETS, BY RETIREMENT GROUP
TAX YEAR 1989

--Cumulative Percent of Households--

Total Income Bracket	TRS	PERS	PRIV	FED
\$ 20,000 - \$ 24,999	55.30	70.00	67.40	56.00
\$ 25,000 - \$ 29,999	63.50	77.50	73.60	66.00
\$ 30,000 - \$ 34,999	70.10	83.00	78.50	73.10
\$ 35,000 - \$ 39,999	75.90	87.00	83.00	79.50
\$ 40,000 - \$ 44,999	81.90	90.40	86.60	84.80
\$ 45,000 - \$ 49,999	86.00	93.20	89.50	88.70
\$ 50,000 - \$ 54,999	89.50	95.00	91.70	91.80

3.077
3.30

Income of Households Filing 1989 Tax Returns Reporting Exempt Retirement Income

Total Income Bracket	-----Households-----		Total Income	Average Income
	Number	Percent		
\$ 0 - \$ 9,999	10,055	22.74%	55,705,834	5,540
\$ 10,000 - \$ 24,999	18,124	40.99%	300,434,816	16,577
\$ 25,000 - \$ 34,999	5,904	13.35%	174,307,600	29,524
\$ 35,000 - \$ 49,999	5,528	12.50%	230,480,996	41,693
\$ 50,000 - \$ 74,999	3,237	7.32%	191,735,460	59,232
\$ 75,000 - \$ 99,999	752	1.70%	64,041,290	85,161
\$ 100,000 - \$ 129,999	278	0.63%	31,489,637	113,272
\$ 130,000 - \$ 149,999	89	0.20%	12,442,400	139,802
\$ 150,000 +	245	0.55%	66,556,564	271,659
Total	44,212	100.00%	1,127,194,597	25,495

Why not
look
the

EXHIBIT 2
DATE 1-10-91
HB Joint Session

CUMULATIVE PERCENT OF HOUSEHOLDS
BY INCOME BRACKET, BY RETIREMENT GROUP
TAX YEAR 1989

Total Income Bracket		--Cumulative Percent of Households--			
		TRS	PERS	PRIV	FED
=====		=====	=====	=====	=====
\$ 0 - \$	\$ 1,999	0.8	0.6	1.1	0.4
\$ 2,000 - \$	\$ 3,999	2.1	2.9	5.2	0.8
\$ 4,000 - \$	\$ 5,999	5.3	8.5	12.2	2.6
\$ 6,000 - \$	\$ 7,999	9.8	15.9	20.6	6.1
\$ 8,000 - \$	\$ 9,999	14.7	24.8	29.3	11.5
\$ 10,000 - \$	\$ 11,999	20.4	32.8	36.9	18.0
\$ 12,000 - \$	\$ 13,999	26.2	41.1	43.4	25.2
\$ 14,000 - \$	\$ 15,999	32.3	47.9	49.1	31.5
\$ 16,000 - \$	\$ 17,999	38.5	54.3	54.0	37.5
\$ 18,000 - \$	\$ 19,999	43.8	59.7	58.3	43.6
\$ 20,000 - \$	\$ 24,999	55.3	70.0	67.4	56.0
\$ 25,000 - \$	\$ 29,999	63.5	77.5	73.6	66.0
\$ 30,000 - \$	\$ 34,999	70.1	83.0	78.5	73.1
\$ 35,000 - \$	\$ 39,999	75.9	87.0	83.0	79.5
\$ 40,000 - \$	\$ 44,999	81.9	90.4	86.6	84.8
\$ 45,000 - \$	\$ 49,999	86.0	93.2	89.5	88.7
\$ 50,000 - \$	\$ 54,999	89.5	95.0	91.7	91.8
\$ 55,000 - \$	\$ 59,999	92.6	96.4	93.2	94.1
\$ 60,000 - \$	\$ 64,999	94.4	97.4	94.5	95.6
\$ 65,000 - \$	\$ 69,999	95.6	97.9	95.4	96.7
\$ 70,000 - \$	\$ 74,999	96.6	98.3	96.0	97.6
\$ 75,000 - \$	\$ 79,999	97.3	98.6	96.6	98.1
\$ 80,000 - \$	\$ 89,999	98.0	99.1	97.5	98.8
\$ 90,000 - \$	\$ 99,999	98.4	99.3	98.1	99.2
\$100,000 - \$	\$109,999	98.8	99.5	98.4	99.3
\$110,000 - \$	\$119,999	99.0	99.6	98.7	99.5
\$120,000 - \$	\$129,999	99.2	99.7	98.9	99.6
\$130,000 - \$	\$139,999	99.5	99.8	99.0	99.6
\$140,000 - \$	\$149,999	99.6	99.8	99.2	99.6
\$150,000 +		100.0	100.0	100.0	100.0

Statistics on the Tax and Revenue Increases Under \$10,000 Exclusion
and \$35,000 household Income limit

<u>System</u>	<u>Total</u> <u>Refugees</u>	<u># Tax</u> <u>Inc.</u>	<u>% Tax</u> <u>Inc.</u>	<u>1990s Billion</u> <u>Revenue</u>	<u>%</u>
- PERS	7,254	1,995	27.5%	\$ 2.6 million	13
- PERS	4,267	1,895	44.0%	\$ 3.4 million	17
- FED	12,179	6,302	52.0%	\$14.1 million	69
- PRIVATE	20,512	4,022	20.0%	\$ 0.3 million	1

EXHIBIT 2
DATE 1-10-91
HB Joint Session

Tax Break from No Exclusion vs. \$10K/\$35K Proposal By Retirement System

Total Income Bracket	----- Tax Break -----			
	PERS	TRS	Federal	Private
< Zero	0	0	0	0
\$ 0 - \$ 1,999	1	5	1	3
\$ 2,000 - \$ 3,999	9	15	11	12
\$ 4,000 - \$ 5,999	34	41	51	27
\$ 6,000 - \$ 7,999	61	66	97	43
\$ 8,000 - \$ 9,999	90	89	140	61
\$ 10,000 - \$ 11,999	136	140	193	82
\$ 12,000 - \$ 13,999	169	186	250	110
\$ 14,000 - \$ 15,999	204	228	301	151
\$ 16,000 - \$ 17,999	247	267	354	181
\$ 18,000 - \$ 19,999	291	313	394	193
\$ 20,000 - \$ 24,999	343	391	480	247
\$ 25,000 - \$ 29,999	403	487	584	307
\$ 30,000 - \$ 34,999	474	547	657	327
\$ 35,000 - \$ 39,999	0	0	0	1
\$ 40,000 - \$ 44,999	0	0	0	0
\$ 45,000 - \$ 49,999	0	0	0	0
\$ 50,000 - \$ 54,999	0	0	0	0
\$ 55,000 - \$ 59,999	0	0	0	0
\$ 60,000 - \$ 64,999	0	0	0	0
\$ 65,000 - \$ 69,999	0	0	0	0
\$ 70,000 - \$ 74,999	0	0	0	0
\$ 75,000 - \$ 79,999	0	0	0	0
\$ 80,000 - \$ 89,999	0	0	0	0
\$ 90,000 - \$ 99,999	0	0	0	0
\$100,000 - \$109,999	0	0	0	0
\$110,000 - \$119,999	0	0	0	0
\$120,000 - \$129,999	0	0	0	0
\$130,000 - \$139,999	0	0	0	0
\$140,000 - \$149,999	0	0	0	0
\$150,000 +	0	0	0	0
TOTALS	175	194	270	107

Household Tax Break from Current Retirement Exclusion vs. No Exclusion By Retirement System

Total Income Bracket	----- Tax Break -----			
	PERS	TRS	Federal	Private
< Zero	0	0	0	0
\$ 0 - \$ 1,999	1	5	1	3
\$ 2,000 - \$ 3,999	9	15	11	12
\$ 4,000 - \$ 5,999	34	41	51	27
\$ 6,000 - \$ 7,999	61	66	97	41
\$ 8,000 - \$ 9,999	90	89	140	55
\$ 10,000 - \$ 11,999	136	140	193	69
\$ 12,000 - \$ 13,999	170	188	253	83
\$ 14,000 - \$ 15,999	209	235	313	103
\$ 16,000 - \$ 17,999	255	285	382	114
\$ 18,000 - \$ 19,999	310	331	442	120
\$ 20,000 - \$ 24,999	378	449	573	140
\$ 25,000 - \$ 29,999	464	584	757	161
\$ 30,000 - \$ 34,999	559	677	928	166
\$ 35,000 - \$ 39,999	615	812	1,057	173
\$ 40,000 - \$ 44,999	696	878	1,162	187
\$ 45,000 - \$ 49,999	743	955	1,319	194
\$ 50,000 - \$ 54,999	829	1,008	1,438	199
\$ 55,000 - \$ 59,999	937	1,026	1,524	202
\$ 60,000 - \$ 64,999	875	996	1,669	223
\$ 65,000 - \$ 69,999	804	1,137	1,698	227
\$ 70,000 - \$ 74,999	896	1,240	1,877	234
\$ 75,000 - \$ 79,999	734	1,259	2,338	233
\$ 80,000 - \$ 89,999	1,514	1,270	2,213	259
\$ 90,000 - \$ 99,999	935	1,436	2,468	269
\$100,000 - \$109,999	757	1,057	2,593	264
\$110,000 - \$119,999	636	673	2,559	237
\$120,000 - \$129,999	1,121	940	2,471	264
\$130,000 - \$139,999	539	1,430	5,478	287
\$140,000 - \$149,999	0	1,491	3,480	282
\$150,000 +	617	1,632	9,076	278
TOTALS	319	511	726	112

Statistics on the Tax and Revenue Increases Under \$10,000 Exclusion
and \$35,000 Household Income Limit

System	Total Retirees	# Tax Inc.	% Tax Inc	1993 Bien. Revenue	%
-PERS	7,254	1,995	27.5%	\$ 2.6 million	13
-TRS	4,267	1,895	44.0%	\$ 3.4 million	17
-FED	12,179	6,302	52.0%	\$14.1 million	69
-PRI	20,512	4,022	20.0%	\$ 0.3 million	1

Attachment 1

Montana Individual Income Tax Exclusions

1 Retiree Over 65				1 Retiree Under 65	
	Single	Married Both Over 65	Married One Over 65	Single	Married Both Under 65
Personal Exemption	\$2,520	\$5,040	\$3,780	\$1,260	\$2,520
Standard Deduction	2,360	4,720	4,720	2,360	4,720
Elderly Interest Exclusion	800	1,600	1,600	0	0
Pension Exclusion	10,000	10,000	10,000	10,000	10,000
Total	\$15,680	\$21,360	\$20,100	\$13,620	\$17,240

2 Retirees Over 65				2 Retirees Under 65	
	Single	Married Both Over 65	Married One Over 65	Single	Married Both Under 65
Personal Exemption	\$2,520	\$5,040	\$3,780	\$1,260	\$2,520
Standard Deduction	2,360	4,720	4,720	2,360	4,720
Elderly Interest Exclusion	800	1,600	1,600	0	0
Pension Exclusion	10,000	20,000	20,000	10,000	20,000
Total	\$15,680	\$31,360	\$30,100	\$13,620	\$27,240

Non Retiree Over 65				Non Retiree Under 65	
	Single	Married Both Over 65	Married One Over 65	Single	Married Both Under 65
Personal Exemption	\$2,520	\$5,040	\$3,780	\$1,260	\$2,520
Standard Deduction	2,360	4,720	4,720	2,360	4,720
Elderly Interest Exclusion	800	1,600	1,600	0	0
Pension Exclusion	0	0	0	0	0
Total	\$5,680	\$11,360	\$10,100	\$3,620	\$7,240

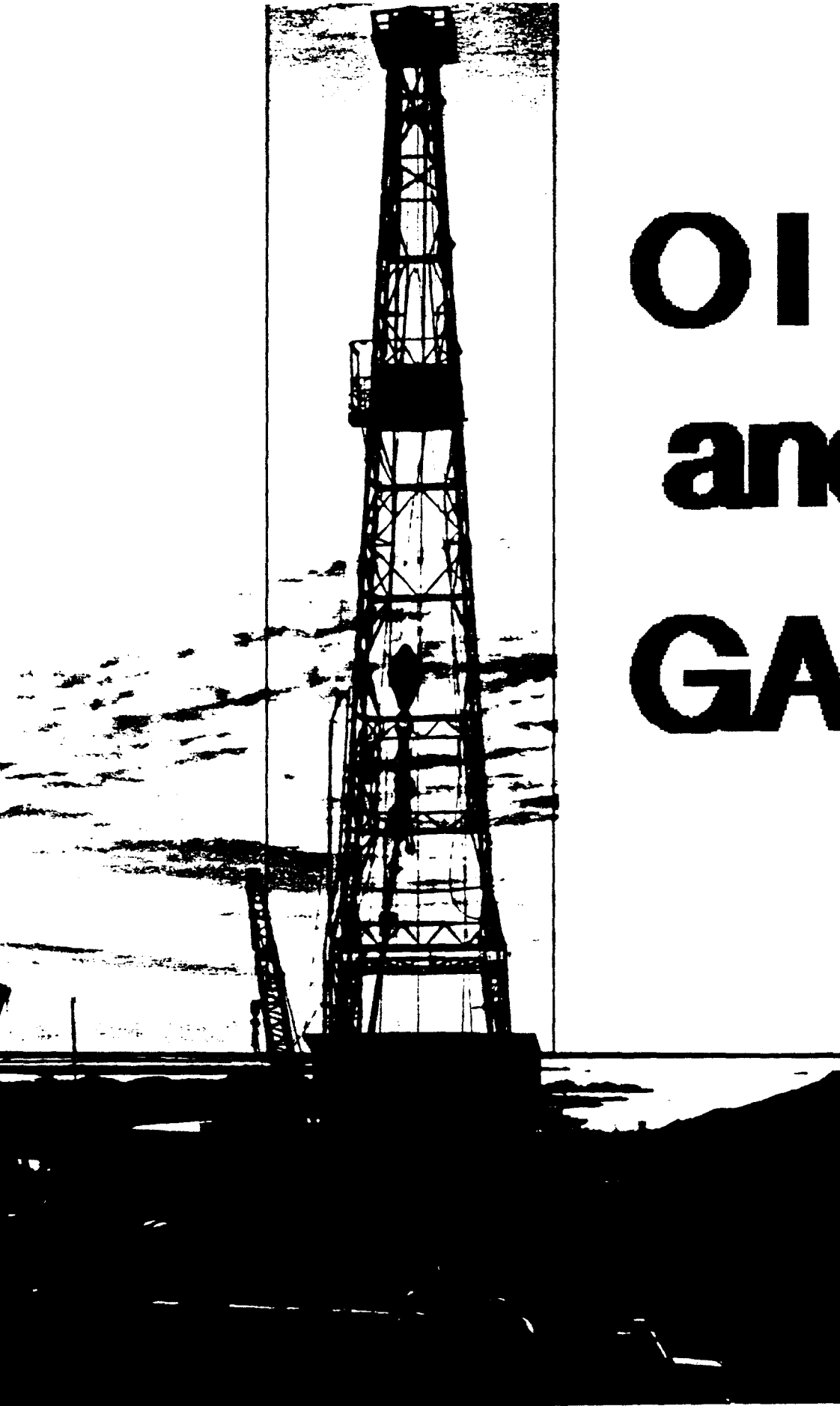
Exhibit 3

EXHIBIT 5

DATE 1-10-91

HB Joint Session

OIL and GAS



1/10/91

**TAX RATES ON NEW OIL PRODUCTION
CURRENT LAW FOR SEVERAL STATES
(assuming a price of \$25/barrel)**

	<u>STATE</u>	<u>LOCAL</u> ¹	<u>MISC.</u>	<u>TOTAL</u>
Alaska *	12.25%	0.00%	0.216%	12.47%
Kansas *	8.00% ²	9.20%	0.054%	17.25%
Louisiana *	12.50%	0.00%	0.000%	12.50%
Michigan *	6.60%	0.00%	0.580%	7.18%
Mississippi	6.00%	0.00%	0.080%	6.08%
Montana *	5.00%	7.00%	0.700%	12.70%
New Mexico *	6.90%	0.91%	0.180%	7.99%
North Dakota	9.00%	0.00%	0.000%	9.00%
Oklahoma *	7.00%	0.00%	0.085%	7.09%
Texas *	4.60%	1.25%	0.750%	6.60%
Utah *	4.00% ³	NA	0.200%	NA
Wyoming *	6.00%	6.50%	0.040%	12.54%

* Those states marked with an asterisk have a personal property tax on oil and gas wellhead equipment.

1. For states other than Montana, this is the effective tax rate based on mills.
2. There are property tax credits of 3.67 percent and 1 percent which partially offset severance tax liabilities.
3. Beginning July 1, 1991, the first \$13 of the gross value of a barrel of oil will be taxed at 3 percent and the remainder at 5 percent. The first \$1.50 of the gross value of gas will be taxed at 3 percent and the remainder at 5 percent.

on ad valorem tax

15.56-3

COMPARISON OF CRUDE OIL PRODUCTION

Montana and North Dakota

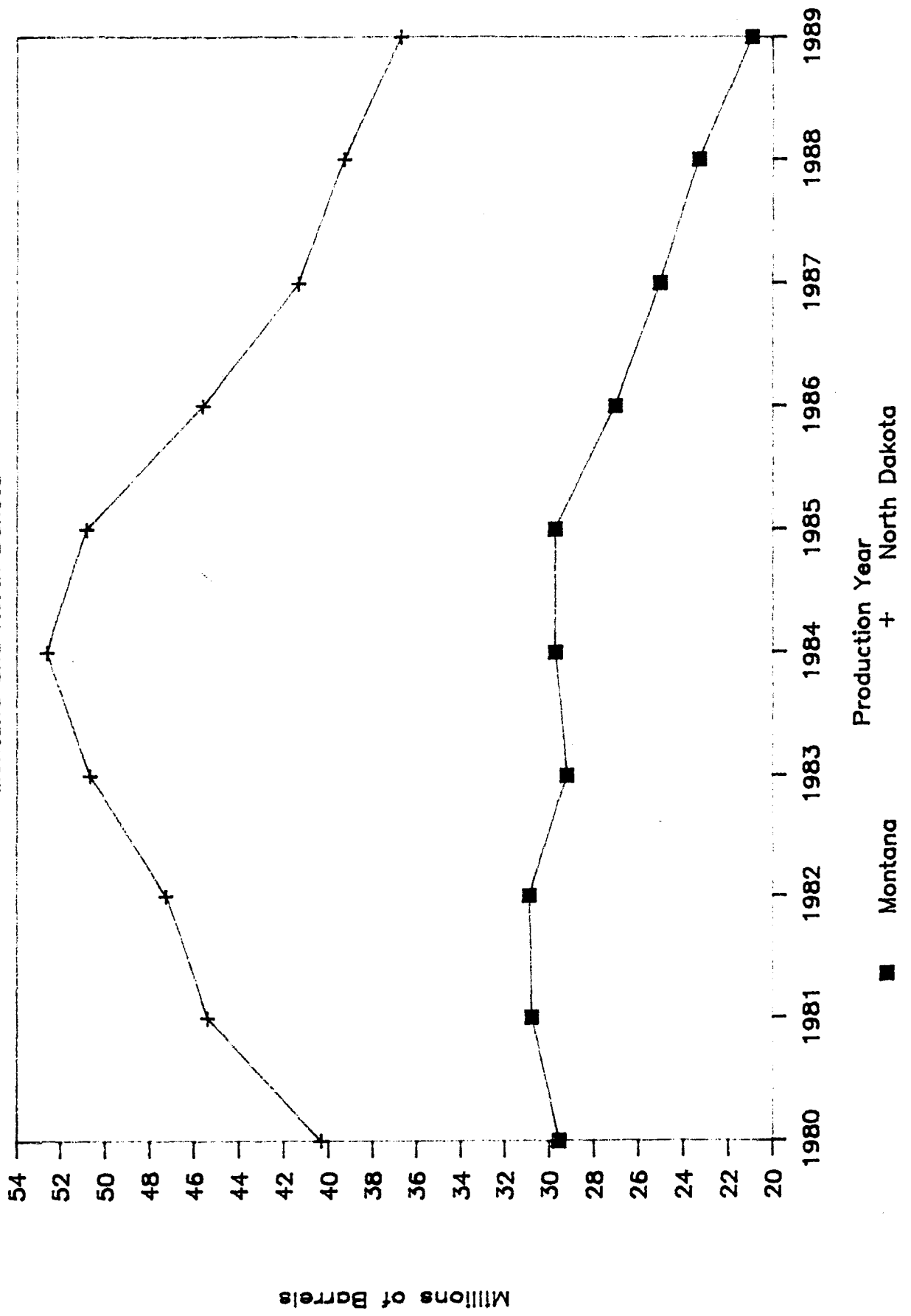


EXHIBIT 5
DATE 1-10-91
HB Joint Session

COMPARISON OF CRUDE OIL PRODUCTION
MONTANA AND NORTH DAKOTA
(Thousands of barrels)

<u>YEAR</u>	<u>MONTANA</u>	<u>NORTH DAKOTA</u>	<u>MONTANA PROD. AS % OF NORTH DAKOTA</u>
1980	29,584	40,337	36%
1981	30,813	45,424	68%
1982	30,921	47,271	65%
1983	29,225	50,690	58%
1984	29,761	52,652	57%
1985	29,768	50,857	59%
1986	27,072	45,628	59%
1987	25,059	41,351	59%
1988	23,329	39,357	59%
1989	20,956	36,744	57%

Source: Petroleum Independent

**TAX RATES ON NEW GAS PRODUCTION
CURRENT LAW FOR SEVERAL STATES
(assuming a price of \$2/MCF)**

	<u>STATE</u>	<u>LOCAL</u> ¹	<u>MISC.</u>	<u>TOTAL</u>
Alaska *	10.00%	0.00%	0.004%	10.00%
Kansas *	8.00% ²	9.20%	0.200%	17.40%
Louisiana *	3.50%	0.00%	0.000%	3.50%
Michigan *	5.00%	0.00%	0.580%	5.58%
Mississippi	6.00%	0.00%	0.100%	6.10%
Montana *	2.65%	12.00%	0.700%	15.35%
New Mexico *	6.90%	0.96%	0.180%	8.04%
North Dakota	5.00%	0.00%	0.000%	5.00%
Oklahoma *	7.00%	0.00%	0.085%	7.09%
Texas *	7.60%	1.25%	0.000%	8.75%
Utah *	4.00%	NA	0.200%	NA
Wyoming *	6.00%	4.95%	0.040%	10.99%

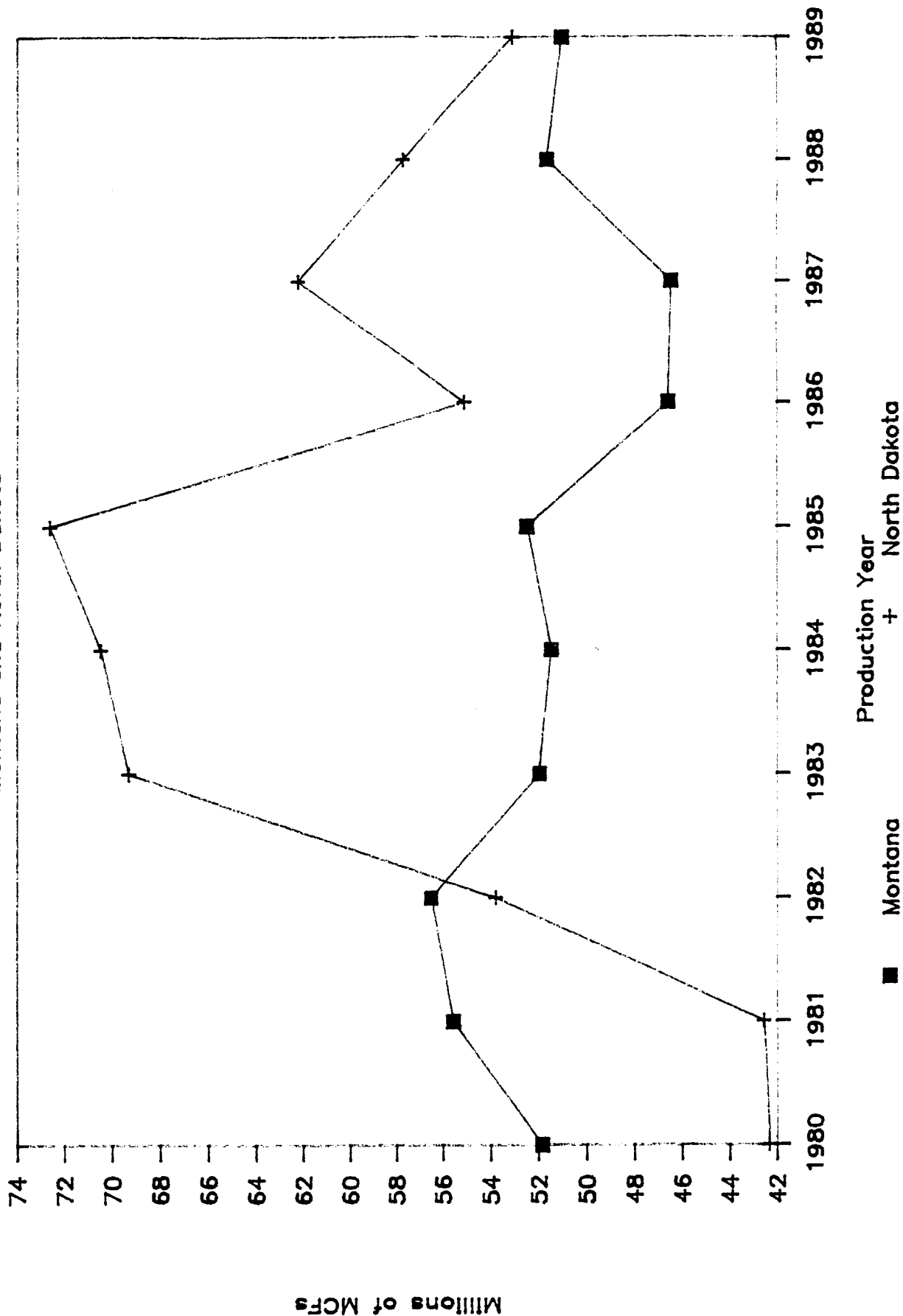
* Those states marked with an asterisk have a personal property tax on oil and gas wellhead equipment.

1. For states other than Montana, this is the effective tax rate based on mills.

2. There are property tax credits of 3.67 percent and 1 percent which partially offset severance tax liabilities.

COMPARISON OF NATURAL GAS PRODUCTION

Montana and North Dakota



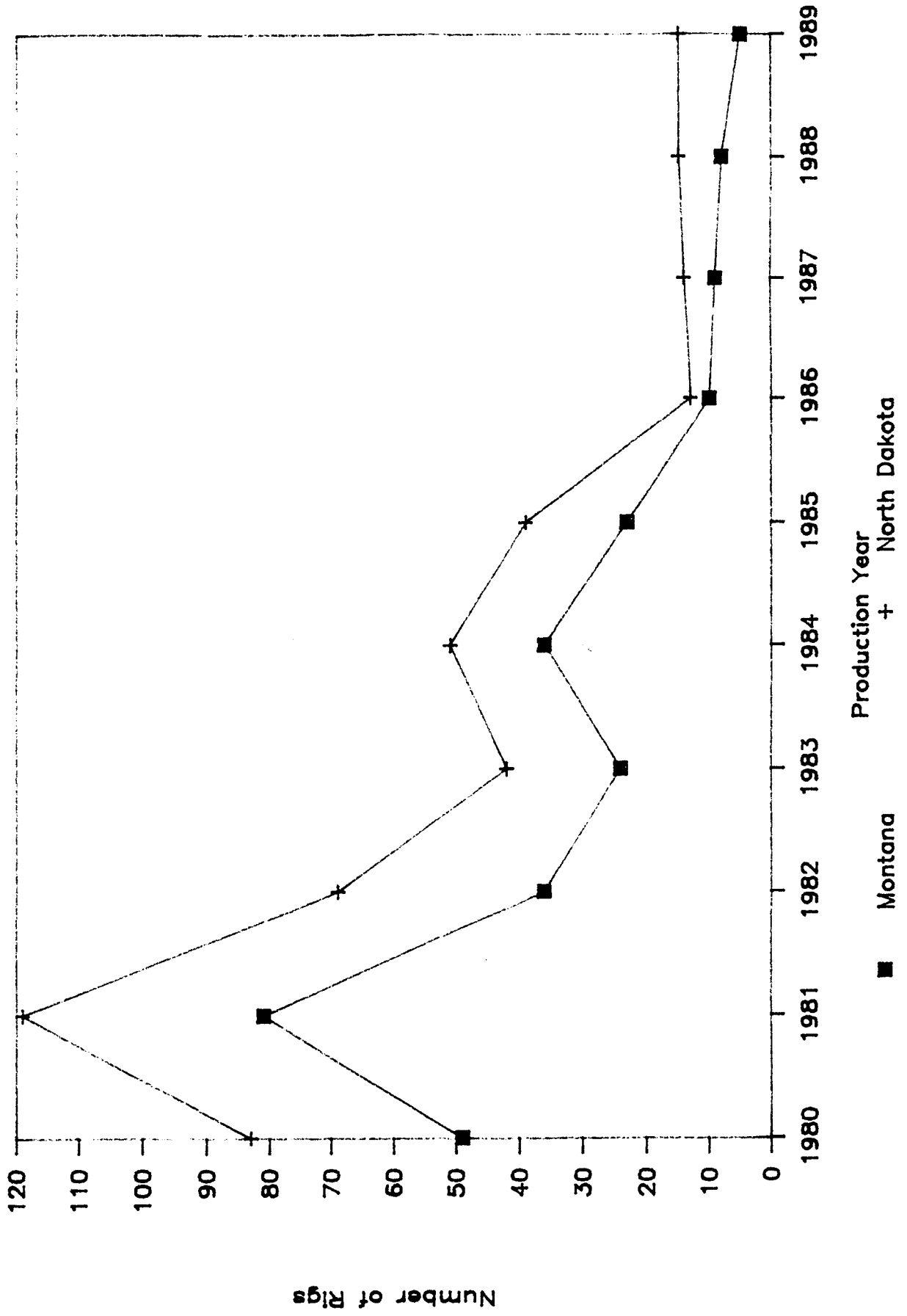
**COMPARISON OF NATURAL GAS PRODUCTION
 MONTANA AND NORTH DAKOTA
 (Thousands of MCFs)**

<u>YEAR</u>	<u>MONTANA</u>	<u>NORTH DAKOTA</u>	<u>MONTANA PROD. AS % OF NORTH DAKOTA</u>
1980	51,867	42,346	122%
1981	55,565	42,573	131%
1982	56,517	53,818	105%
1983	51,967	69,319	75%
1984	51,474	70,496	73%
1985	52,494	72,633	72%
1986	46,592	55,098	86%
1987	46,456	62,258	75%
1988	51,654	57,747	89%
1989	51,025	53,096	96%

Source: Petroleum Independent

COMPARISON OF OPERATING RIGS

Montana and North Dakota



COMPARISON OF RIGS OPERATING AND WELLS DRILLED MONTANA AND NORTH DAKOTA

<u>YEAR</u>	-----Rigs Operating-----		-----Wells Drilled-----	
	<u>MONTANA</u>	<u>NORTH DAKOTA</u>	<u>MONTANA</u>	<u>NORTH DAKOTA</u>
1980	49	83	902	619
1981	81	119	1,289	879
1982	36	69	816	696
1983	24	42	519	489
1984	36	51	829	700
1985	23	39	609	497
1986	10	13	348	219
1987	9	14	298	186
1988	8	15	355	256
1989	5	15	226	180

Source: Petroleum Independent

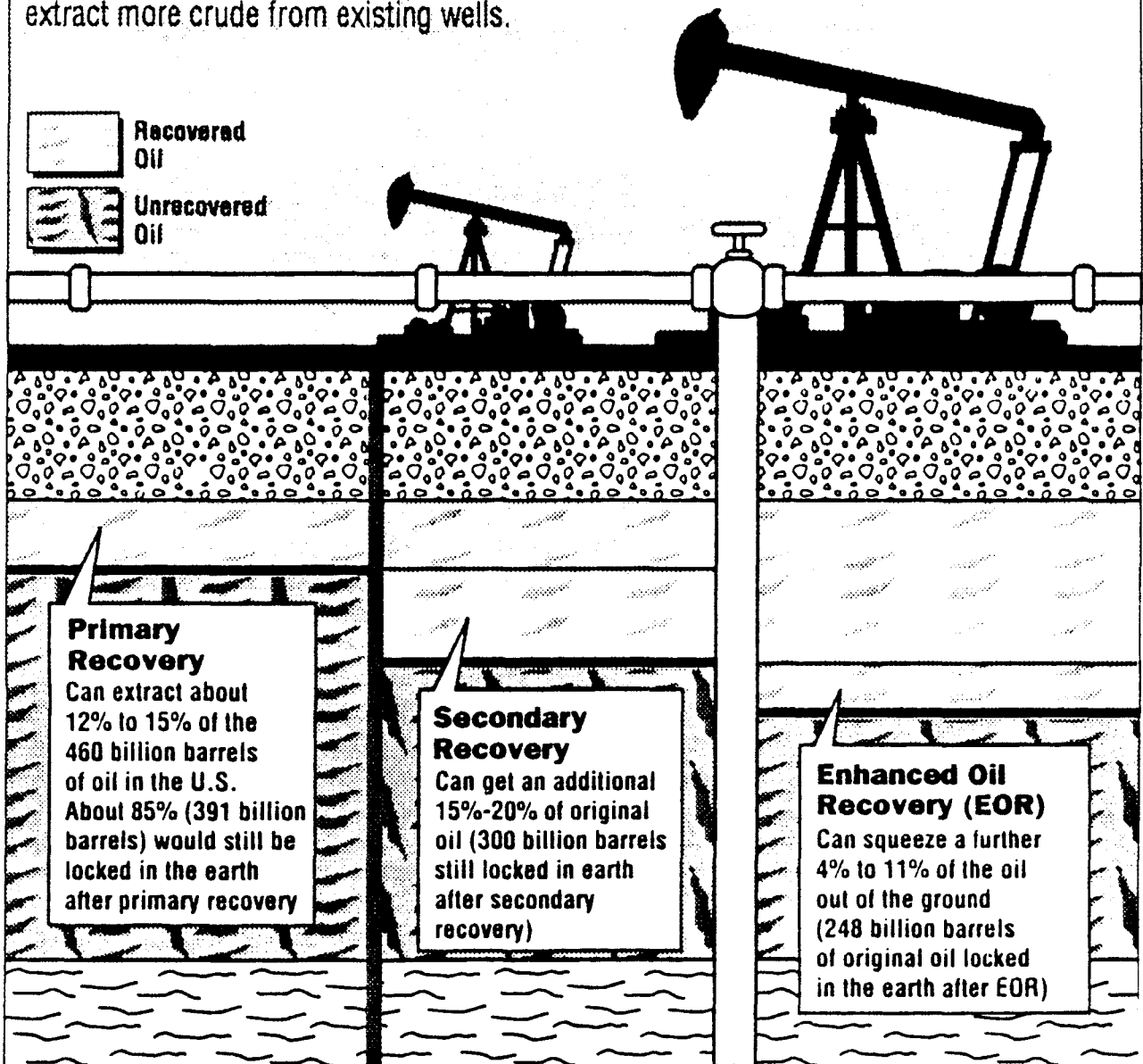
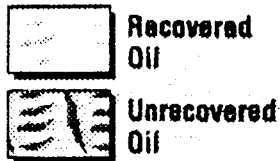
*MT more
Shallow
not
Williston Basin*

The Wall Street Journal

January 4, 1991

Tapping More Oil

Oil companies are investing in unconventional technology to extract more crude from existing wells.



Adapted from Bartlesville Energy Technology Center, Department of Energy

MT
Most
common
reduction
in many

20.39-3

Proposed

OIL AND GAS INCENTIVES

Exhibit 5
1/10/91
Jt. Meeting

o REINSTATE 24 MONTH NEW PRODUCTION HOLIDAY

- Raise threshold price from \$25 to \$33

NO has a \$33 barrier

Threshold price is actual for each producer - not West Texas

Threshold price based on producers actual price per quarter

o REINSTATE 3% RATE (vs. 5%) FOR TAXABLE PRODUCTION FROM OIL STRIPPER WELLS

(as price went up 3% rate went 7% - change)

- Raise threshold price from \$30 to \$33

base price on @ incl production bonus on 4 returns they also file

- Threshold price is actual for each producer - not West Texas

- Base threshold price on producers actual price per quarter

o REDUCE STRIPPER RATE ON NET PROCEEDS FROM 7 TO 5%

feel all still at 5% @ same 70.

26.10-3

o SECONDARY RECOVERY TAX BREAKS

- State Severance at 4% rather than 5%.

only 1st time

- LGST at 4% rather than 8.4%.

hope operators will go into secondary recovery projects under current no incentive to do so.

o TERTIARY RECOVERY TAX REVISION

- Tax all production at 3% rather than at 2.5% for increased production and 5% for continuing production.

- LGST at 3% rather than 8.4%.

*note for 2
Tert. projects
in place in
MT.*

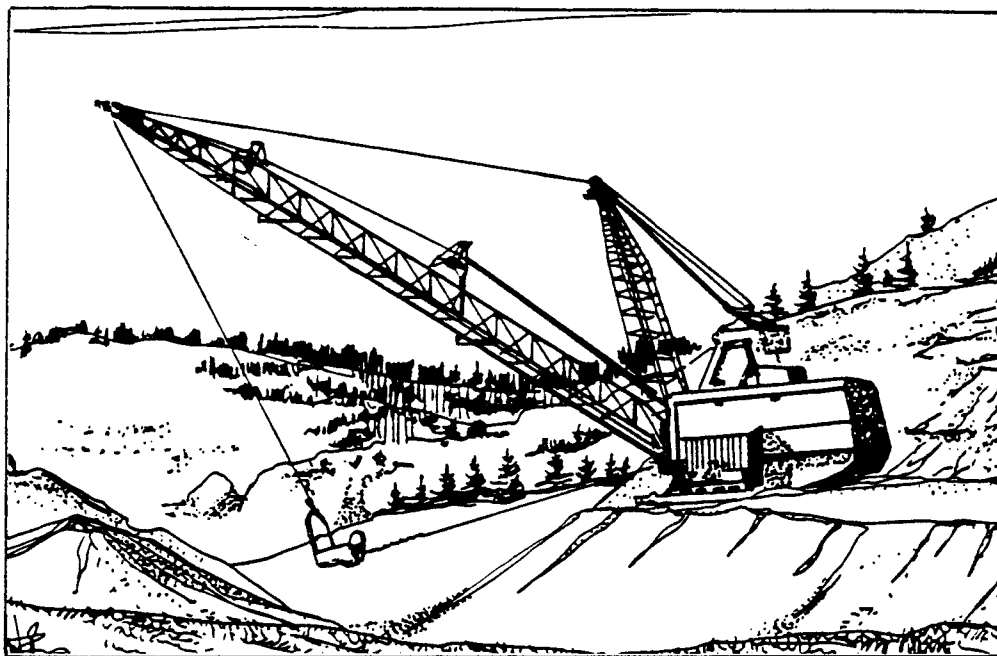
~~Exhibit 17~~

EXHIBIT 6

DATE 1-10-91

HB Joint Session

COAL



TAX

Sanjour 4/10/91

COAL SEVERANCE TAX

Comparison of Statutory and Effective Rates (assuming \$10 dollar/ton FOB coal)

<u>Statutory Rate</u>	<u>Effective Rate</u>
30%	17.64%
25%	15.35%
20%	12.75%
15%	9.95%

The statutory rate is applied to the Contract Sales Price (CSP) of the coal. The effective rate is the percentage of the coal's total value (FOB) which is paid to the government in taxes.

*mine price
- royalties

Sales price*

*Contract
Sales
price
Statutory
Applied
basis to
apply
ST Severance
tax*

**RELATIONSHIP BETWEEN BEFORE TAX PRICE (FOB)
AND CONTRACT SALES PRICE (CSP)¹**

—PROPOSED BASE OF TAX— —CURRENT BASE OF TAX—

	BEFORE-TAX PRICE		CONTRACT SALES PRICE
less:	SEV. TAX	plus:	SEV. TAX
	RITT		RITT
	GROSS PROCEEDS		GROSS PROCEEDS
	FED. RECLAM.		FED. RECLAM.
	BLACK LUNG		BLACK LUNG
	FED. ROYALTIES		FED. ROYALTIES
plus:	OTHER ROYALTIES	minus:	OTHER ROYALTIES
equals:	CONTRACT SALES PRICE	equals:	BEFORE-TAX PRICE

1. The difference between FOB price and Contract Sales Price is taxes and royalties.

*Exchange how to
get from
CSP to FOB
minicucci
1.0-3*

Coal Severance Tax

Change in Revenue From 20% to 15% Statutory Tax Rate

<u>FY</u>	<u>Tax @ 20%</u>	<u>Tax @ 15%</u>	<u>Change</u>
1992	\$48,242,795	\$38,595,392	(\$9,647,403)
1993	<u>\$49,658,945</u>	<u>\$37,109,200</u>	<u>(\$12,549,745)</u>
Biennium Total	\$97,901,740	\$75,704,592	(\$22,197,148)

*Impact in next
biennium*

36.25-3

TAT

COMPARISON OF COAL SEVERANCE TAX EFFECTIVE RATES MONTANA AND WYOMING

<u>Year*</u>	<u>Montana</u>	<u>Wyoming</u>	<u>Difference</u>
1985	18.23%	8.26%	9.97%
1986	17.81%	8.16%	9.65%
1987	17.24%	6.11%	11.13%
1988	16.09%	6.40%	9.69%
1989	13.53%	6.63%	6.90%
1990	13.25%	6.34%	6.91%
1991	10.38%	6.34%	4.04%
1992	9.74%	6.34%	6.7%
1993	10.01%	6.34%	3.67%

* NOTE: Actual CY85-CY89, Forcast CY90-CY93

*Assumes MT law in
place continues
exists
and drops gap will
close by 2014.*

37.12-3

1A+

COMPARISON OF COAL SEVERANCE TAX EFFECTIVE RATES MONTANA AND WYOMING

<u>Year*</u>	<u>Montana</u>	<u>Wyoming</u>	<u>Difference</u>
1985	18.23%	8.26%	9.97%
1986	17.81%	8.16%	9.65%
1987	17.24%	6.11%	11.13%
1988	16.09%	6.40%	9.69%
1989	13.53%	6.63%	6.90%
1990	13.25%	6.34%	6.91%
1991	10.38%	6.34%	4.04%
1992	9.74%	6.34%	6.7%
1993	10.01%	6.34%	3.67%

* NOTE: Actual CY85-CY89, Forecast CY90-CY93

*Assumes MT law in
place continues
to exist
an energy gap will
close by 2014.*

37.12-3

EXHIBIT 6
DATE 1-10-91
HB Joint Session

**COMPARISON OF COAL SEVERANCE TAX PER TON
MONTANA AND WYOMING**

<u>Year*</u>	<u>Montana</u>	<u>Wyoming</u>	<u>Difference</u>
1985	\$2.87	\$0.92	\$1.95
1986	\$2.47	\$0.87	\$1.60
1987	\$2.35	\$0.58	\$1.77
1988	\$1.91	\$0.60	\$1.31
1989	\$1.57	\$0.57	\$1.01
1990	\$1.52	\$0.52	\$1.00
1991	\$1.18	\$0.50	\$0.68
1992	\$1.07	\$0.48	\$0.59
1993	\$1.10	\$0.45	\$0.64

*** NOTE: Actual CY85-CY89, Forcast CY90-CY93**

*Project has sample -
Gys will be also*

38.48-3

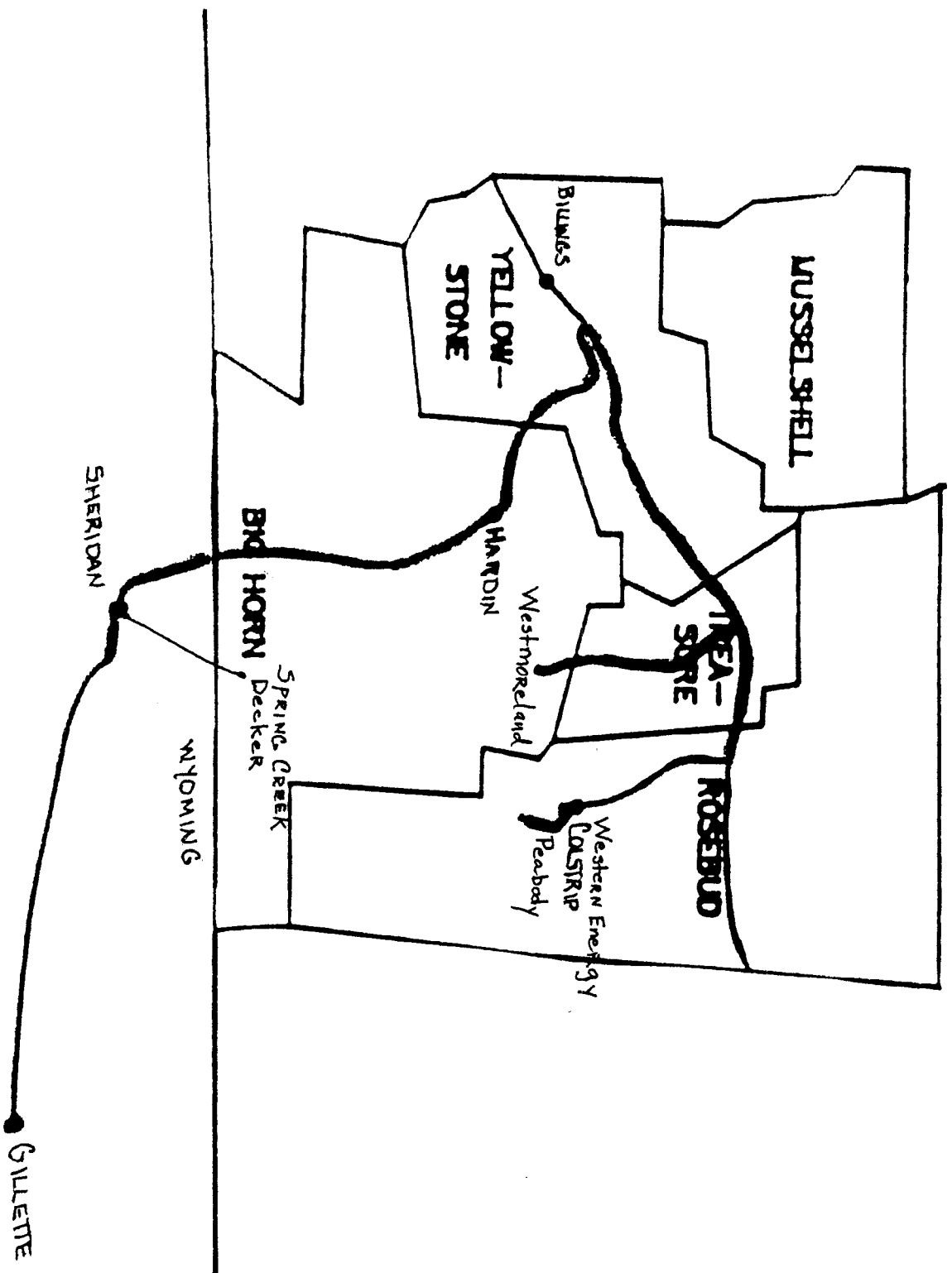


EXHIBIT 6
DATE 1-10-91
HB Joint Session

Coal Severance Tax

Comparison of Coal Severance Tax Revenue Current Law Vs. 15% of F.O.B. Price

<u>FY</u>	<u>Current Law</u>	<u>15% of F.O.B.</u>	<u>Change</u>
1992	\$38,595,392	\$56,650,522	\$18,055,130
1993	<u>\$37,109,200</u>	<u>\$58,026,193</u>	<u>\$20,916,993</u>
Biennium Total	\$75,704,592	\$114,676,715	\$38,972,123

42.11-3
encl.

EX ~~X~~

MISCELLANEOUS & EXCISE TAXES

Cigarette Tax Rates

Western United States

EXHIBIT 7

DATE 1-10-41

HB Joint Session



Smiley

MONTANA EXCISE & MISCELLANEOUS TAXES

Distribution of Collections

<u>Tax Type</u>	<u>FY90 Collections</u>	<u>Statutory Distribution</u>
Cigarette Tax	\$11,567,081	Long-Range Building Program 70.89% Debt Service Fund 29.11% Capital Projects
Tobacco Products Tax	\$893,111	Long Range Building Program Debt Service Fund
Motor Fuels		
Gasoline Distributors	\$87,893,465	00.9% State Motor Boat Fund 00.5% Snowmobile Park Acct. 98.56% Highways
Special Fuel Tax <i>Handwritten: Diesel fuel tax mostly</i>	\$23,821,548	Highway Earmarked Fund
Aviation Fuel Tax	\$336,530	State Aeronautics Program
Liquor Taxes		
Liquor Excise Tax	\$5,458,345	General Fund
Liquor License Tax	\$3,405,267	30.00% to Counties (for cities & towns) 4.5% Counties 65.5% Institutions
Beer Tax	\$3,028,991	41.86% <i>Handwritten: GF</i> General Fund 34.88% Cities & Towns 23.26% Institutions
Table Wine Tax	\$1,403,795	59.26% General Fund 4.93% Counties 4.93% Cities & Towns 30.89% Institutions
Accommodation Tax	\$5,488,764	1.0% Historical Society 2.5% University System 3.0% State Reimbursement 93.5% Dept. of Commerce
Telephone License Tax	\$3,760,038	General Fund <i>Handwritten: All distributed back -</i>

STATE CIGARETTE TAX RATES

MONTANA VS. OTHER STATES

(49 States Plus D.C.)

18¢/PK.

Cents per Pack

Connecticut	.40	Arkansas	.21
Minnesota	.38	Colorado	.20
Rhode Island	.37	Pennsylvania	.18
Nevada	.35	Ohio	.18
California	.35	Louisiana	.18
Washington	.34	<u>Montana</u>	<u>.18</u>
New York	.33	Mississippi	.18
Maine	.31	Idaho	.18
Iowa	.31	Washington D.C.	.17
Wisconsin	.30	West Virginia	.17
North Dakota	.30	Vermont	.17
Illinois	.30	Alabama	.165
Alaska	.29	Indiana	.155
Oregon	.28	New Mexico	.15
New Jersey	.27	Arizona	.15
Nebraska	.27	Delaware	.14
Texas	.26	Tennessee	.13
Massachusetts	.26	Missouri	.13
Michigan	.25	Maryland	.13
Kansas	.24	Wyoming	.12
Florida	.24	Georgia	.12
Utah	.23	South Carolina	.07
South Dakota	.23	Kentucky	.03
Oklahoma	.23	Virginia	.025
New Hampshire	.21	North Carolina	.02

EXHIBIT 7DATE 1-10-91HB Joint Session

MOTOR FUEL TAX RATES

(50 States)

Tax per Gallon

<u>STATE</u>	<u>DOLLARS</u>	<u>STATE</u>	<u>DOLLARS</u>
Nebraska	0.220	Delaware	0.160
North Carolina	0.217	South Carolina	0.160
Tennessee	0.210	Oregon	0.160
Wisconsin	0.208	Illinois	0.160
Louisiana	0.200	West Virginia	0.155
Montana	0.200	Texas	0.150
Connecticut	0.200	Vermont	0.150
Iowa	0.200	Kansas	0.150
Rhode Island	0.200	Kentucky	0.150
Colorado	0.200	Michigan	0.150
Minnesota	0.200	Indiana	0.150
Utah	0.190	New Hampshire	0.140
Maryland	0.185	Arkansas	0.135
South Dakota	0.180	Pennsylvania	0.120
Washington	0.180	Missouri	0.110
Mississippi	0.180	Massachusetts	0.110
Idaho	0.180	Alabama	0.110
Ohio	0.180	Hawaii	0.110
Virginia	0.175	New Jersey	0.105
Arizona	0.170	Florida	0.097
Maine	0.170	California	0.090
North Dakota	0.170	Wyoming	0.090
Nevada	0.163	Alaska	0.080
New Mexico	0.162	New York	0.080
Oklahoma	0.160	Georgia	0.075

14.16-4

STATE BEER TAX RATES

(50 States)

Tax per 31 Gallon Barrel, Alcoholic Content of 4.5%

<u>STATE</u>	<u>DOLLARS</u>	<u>STATE</u>	<u>DOLLARS</u>
Hawaii	27.59	Arizona	4.96
South Carolina	23.81	Idaho	4.65
Alabama	16.55	Minnesota	4.60
North Carolina	15.00	Montana	4.30
Florida	14.88	Tennessee	3.90
Mississippi	13.23	Indiana	3.57
Oklahoma	12.50	Ohio	3.50
Utah	11.00	New York	3.41
Maine	10.85	Massachusetts	3.30
Alaska	10.85	Rhode Island	3.00
Georgia	10.00	Maryland	2.79
Louisiana	10.00	Nevada	2.79
New Hampshire	9.30	Washington	2.78
South Dakota	8.50	Oregon	2.60
Vermont	8.22	Kentucky	2.50
Virginia	7.95	North Dakota	2.48
Arkansas	7.51	Colorado	2.48
Nebraska	7.13	Pennsylvania	2.48
Michigan	6.30	Illinois	2.17
Texas	6.00	Delaware	2.00
Connecticut	6.00	Wisconsin	2.00
Iowa	5.89	Missouri	1.86
New Mexico	5.58	California	1.24
Kansas	5.58	New Jersey	1.03
West Virginia	5.50	Wyoming	0.57

STATE DESSERT WINE TAX RATES

(43 States)

Dollars in Tax per Gallon (Alcoholic Content = 20%)

<u>STATE</u>	<u>DOLLARS</u>	<u>STATE</u>	<u>DOLLARS</u>
Florida	3.00	Nevada	0.75
Hawaii	2.00	Kansas	0.75
Iowa	1.75	Ohio	0.62
Alabama	1.70	Connecticut	0.60
Virginia	1.51	Rhode Island	0.60
South Dakota	1.45	North Dakota	0.60
Oklahoma	1.40	Illinois	0.60
Nebraska	1.35	Massachusetts	0.55
Tennessee	1.10	Kentucky	0.50
South Carolina	1.08	Indiana	0.47
Montana	1.02	Wisconsin	0.45
Minnesota	0.95	Idaho	0.45
New York	0.95	Texas	0.41
New Mexico	0.95	Delaware	0.40
North Carolina	0.91	Maryland	0.40
Alaska	0.85	Missouri	0.36
Arizona	0.84	Mississippi	0.35
Washington	0.82	New Jersey	0.30
Oregon	0.77	Colorado	0.28
Michigan	0.76	Louisiana	0.23
Arkansas	0.75	Georgia	0.08
		California	0.02

STATE GENERAL SALES AND USE TAX RATES HB Joint Session

45 States vs. Montana

<u>STATE</u>	<u>PERCENT</u>	<u>STATE</u>	<u>PERCENT</u>
Connecticut	8.00%	Wisconsin	5.00%
Washington	6.50%	Ohio	5.00%
Illinois	6.25%	Maryland	5.00%
Mississippi	6.00%	New Mexico	4.75%
Pennsylvania	6.00%	Missouri	4.43%
New Jersey	6.00%	Kansas	4.25%
Texas	6.00%	Alabama	4.00%
Minnesota	6.00%	Iowa	4.00%
Florida	6.00%	Nebraska	4.00%
West Virginia	6.00%	Hawaii	4.00%
Rhode Island	6.00%	New York	4.00%
Nevada	5.75%	Arkansas	4.00%
Tennessee	5.50%	Michigan	4.00%
Maine	5.00%	Oklahoma	4.00%
Idaho	5.00%	Vermont	4.00%
Indiana	5.00%	Georgia	4.00%
North Dakota	5.00%	Louisiana	4.00%
Kentucky	5.00%	South Dakota	4.00%
Utah	5.00%	Virginia	3.50%
South Carolina	5.00%	North Carolina	3.00%
Arizona	5.00%	Colorado	3.00%
Massachusetts	5.00%	Wyoming	3.00%
California	5.00%		

Montana	0.00%
---------	-------

Alaska	0.00%
Oregon	0.00%
Deleware	0.00%
New Hampshire	0.00%

REAL ESTATE DEED RECORDATION AND TRANSFER TAX RATES MONTANA VS. OTHER STATES (36 STATES)

PER \$500 OF CONSIDERATION

Median Rate \$1.12

Delaware	\$ 10.00	West Virginia	\$ 1.10
Washington	6.40	South Carolina	1.10
Vermont	6.25	Maine	1.10
Pennsylvania	5.00	Virginia	1.00
New York	5.00	Oklahoma	.75
Maryland	3.05	Nevada	.55
Florida	2.75	Michigan	.55
Massachusetts	2.28	Iowa	.55
Arkansas	2.20	Connecticut	.55
Arizona	2.00	South Dakota	.50
New Jersey	1.75	Ohio	.50
New Hampshire	1.75	North Carolina	.50
Tennessee	1.65	Kentucky	.50
Wisconsin	1.50	Georgia	.50
Nebraska	1.50	Alabama	.50
Rhode Island	1.40	Illinois	.50
Kansas	1.25	Hawaii	.25
Minnesota	1.15	Colorado	.05
<u>Montana</u>	<u>0.00</u>		

**STATE GROSS PREMIUMS TAX RATES ON FOREIGN INSURERS
MONTANA VS. OTHER STATES
(50 STATES)**

Median Rate 2.00%

Texas	3.50%	Indiana	2.00%
Nevada	3.50%	Iowa	2.00%
Hawaii	3.197%	Kansas	2.00%
West Virginia	3.00%	Kentucky	2.00%
New Mexico	3.00%	Maine	2.00%
Mississippi	3.00%	Maryland	2.00%
Idaho	3.00%	Massachusetts	2.00%
Alaska	3.00%	Minnesota	2.00%
Alabama	3.00%	Missouri	2.00%
<u>Montana</u>	<u>2.75%</u>	New Hampshire	2.00%
Wyoming	2.50%	New Jersey	2.00%
South Dakota	2.50%	North Dakota	2.00%
Ohio	2.50%	Pennsylvania	2.00%
Louisiana	2.50%	Rhode Island	2.00%
Arkansas	2.50%	Tennessee	2.00%
California	2.37%	Vermont	2.00%
Virginia	2.25%	Washington	2.00%
Utah	2.25%	Wisconsin	2.00%
Oregon	2.25%	Delaware	1.75%
Oklahoma	2.25%	Florida	1.75%
Georgia	2.25%	North Carolina	1.75%
Colorado	2.25%	Michigan	1.33%
Arizona	2.00%	Nebraska	1.00%
Connecticut	2.00%	New York	0.80%
Illinois	2.00%	South Carolina	0.75%

16.30-4

Exhibit ~~10~~

EXHIBIT 8

DATE 1-10-91

HB Joint Session

Property Tax



20.19-4

4/10/91

JOINT MEETING OF THE LEGISLATIVE TAXATION COMMITTEES

January 10, 1991

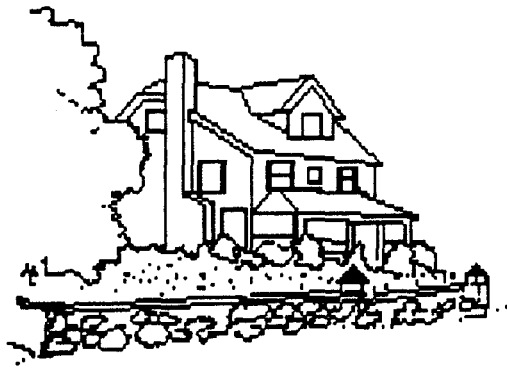
Property Assessment Topics

1. Introduction
2. Definition of Terms
3. Property Assessment/Taxation
4. Reappraisal Cycles
5. Reappraisal Progress
6. Sales Assessment Ratio Studies
 - * Supreme Court Decision
 - * Additional Litigation
 - * Maps on Return to Base Year
 - * HB-703
 - * Coefficient of Dispersion
7. Market Model
8. Property Tax Classification Reform
9. Beneficial Use Litigation
10. Taxable valuations by property class by county, municipality and school district
11. Furniture and Fixtures Exemption
12. Impact of HB-20 (personal property rate reduction)
13. 1990 Sales Assessment Ratio Study Report

Ex. 8

1/10/91

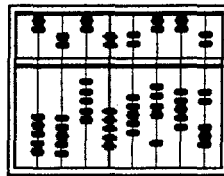
J+. meeting



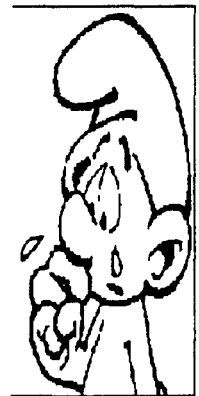
\$20,000 = MARKET VALUE



$\$20,000 \times 3.86\% = \772
MARKET VALUE \times TAX RATE = TAXABLE VALUE



$\$772 \times .250 = \193.00
TAXABLE VALUE \times MILL LEVY = TAXES



21.00-4

Residential and Commerical Real Property Tax Definitions

APPRAISED/ASSESSED VALUE

A value determined by the Dept. of Revenue for use in computing local government taxes. Under 15-8-111, MCA, (except for a few noted exceptions) all taxable property must be assessed at 100% of its market value.

MARKET VALUE

The value at which property would change hands between a willing buyer and a willing seller.

TAXABLE VALUE

*for
residential
&
Comm.*

3.86 percentage of assessed value

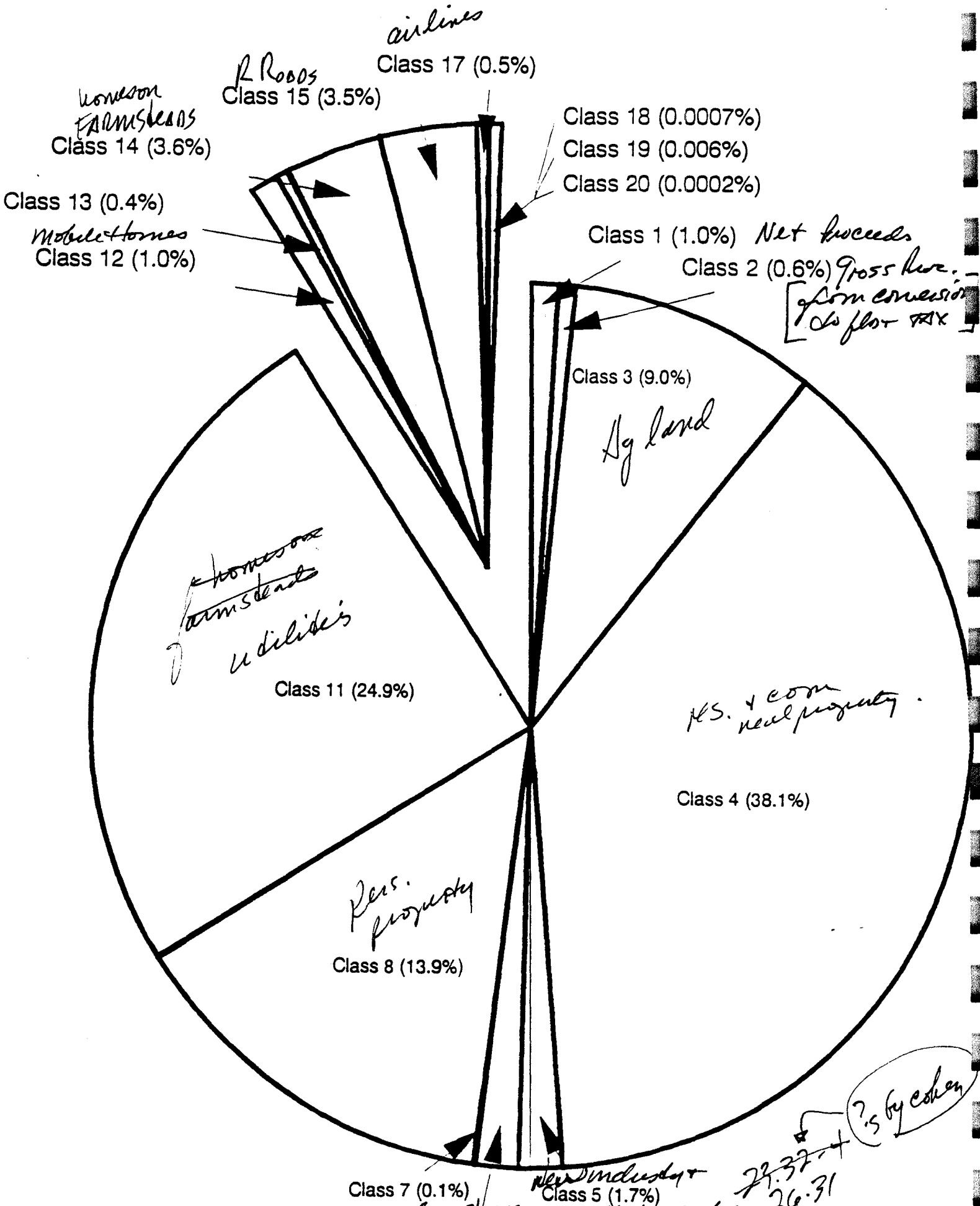
MILL

A tenth of a cent. Mills are applied to taxable value to determine taxes owed. One mill applied to \$1,000 of taxable value produces \$1 in tax.

PROPERTY CLASSIFICATION GROUPINGS

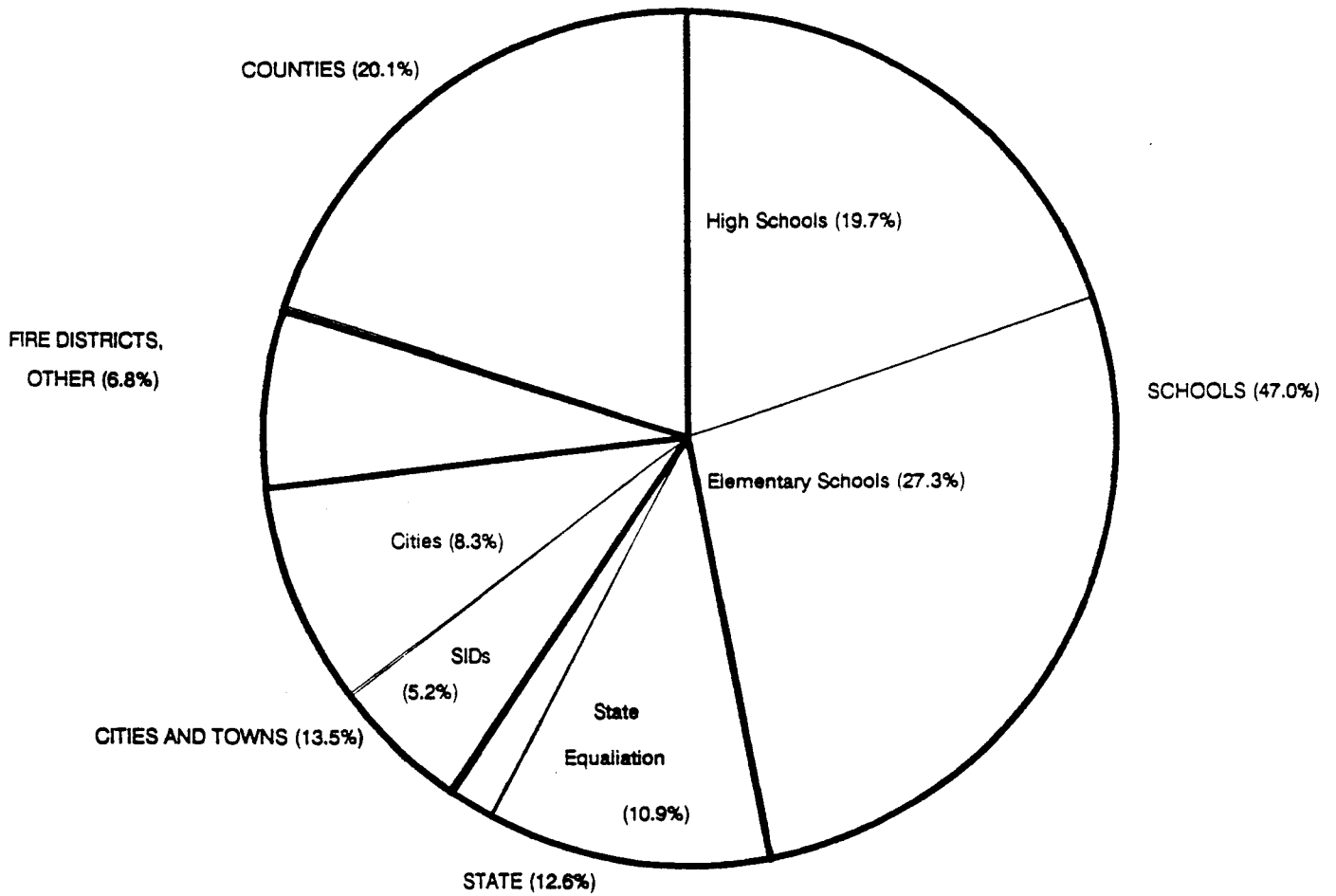
- AGRICULTURAL LAND Land in excess of 20 acres or *YK 20 ac*, land producing at least \$1,500 in annual agricultural income.
once have are exceptions so don't as to people design, info @ YK.
- TIMBERLAND Land exceeding 15 acres capable of producing timber in commercial quantities.
- CENTRALLY ASSESSED Basically public utilities, railroads, and airlines.
- PERSONAL PROPERTY All property not considered real estate or improvements.
- COMMERCIAL - REAL *pr.* Land and improvements owned by a business and/or used in certain income producing activities.
- RESIDENTIAL - REAL *pr.* Land and improvements other than commercial land and improvements. This primarily includes property used as residences.

ANALYSIS OF 1990 TAX BASE

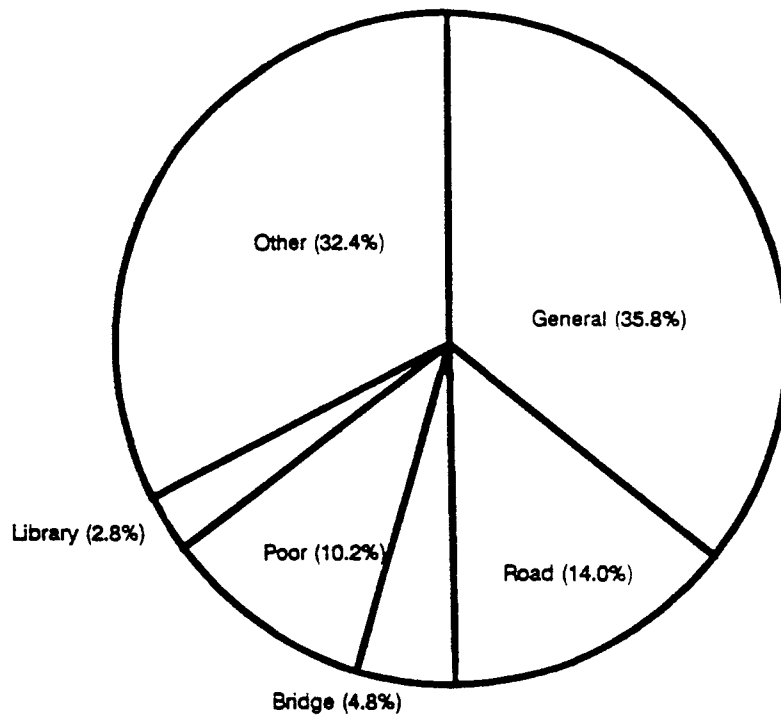


PROPERTY TAXES LEVIED IN 1990

EX. E
1/10/91
Jr. meeting



COUNTIES BREAKDOWN



29.21-4

REAPPRAISAL CYCLES

74 76 78 80 82 84 86 88 90 92 94 96

FIRST REAPPRAISAL —————> ⁷⁹~~78~~

SECOND REAPPRAISAL —————> ⁸⁴~~86~~ *at 94's.*

THIRD REAPPRAISAL —————> ⁹³~~94~~ *at 94's.*

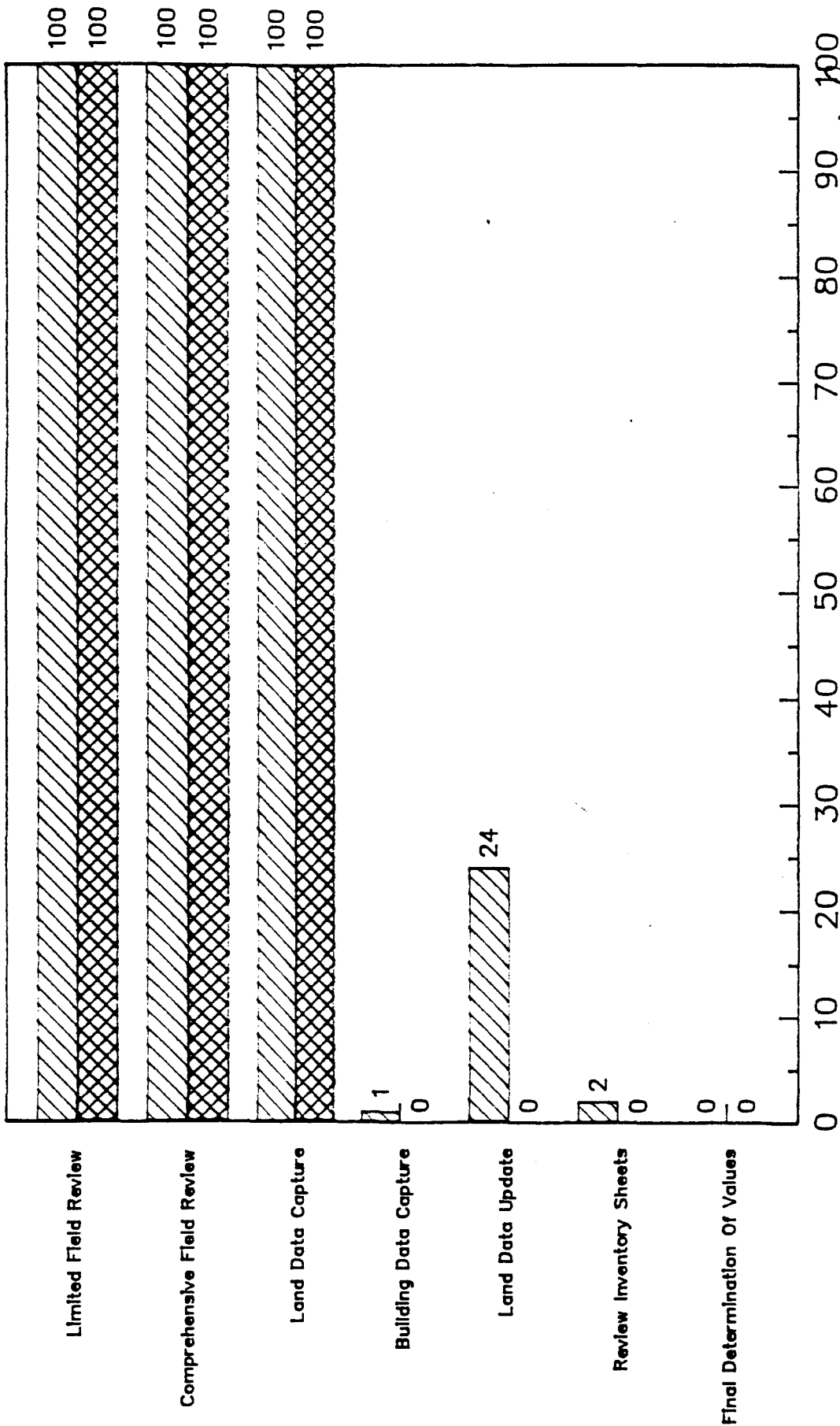
38.50-1

as of 11/90

Ag./Timber Reappraisal

November 1990

Ag./Timber Tasks



▨ % Complete ▩ % Time Lapse

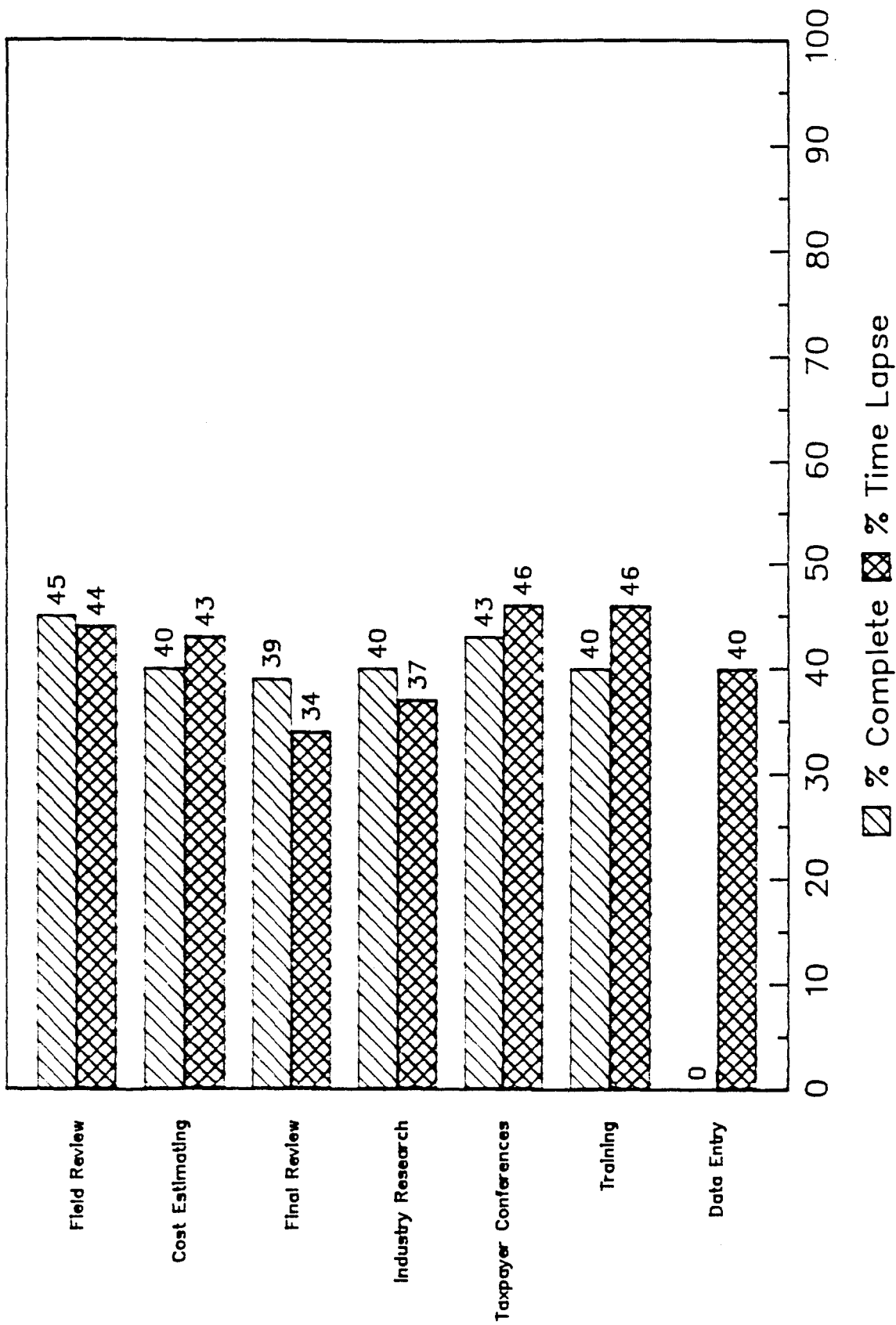
using latest yr. assessment 9/1/37.00
up to 9/1/37.00
up to 9/1/37.00

up to 9/1/37.00
up to 9/1/37.00
up to 9/1/37.00

Industrial Reappraisal

November 1990

Industrial Tasks

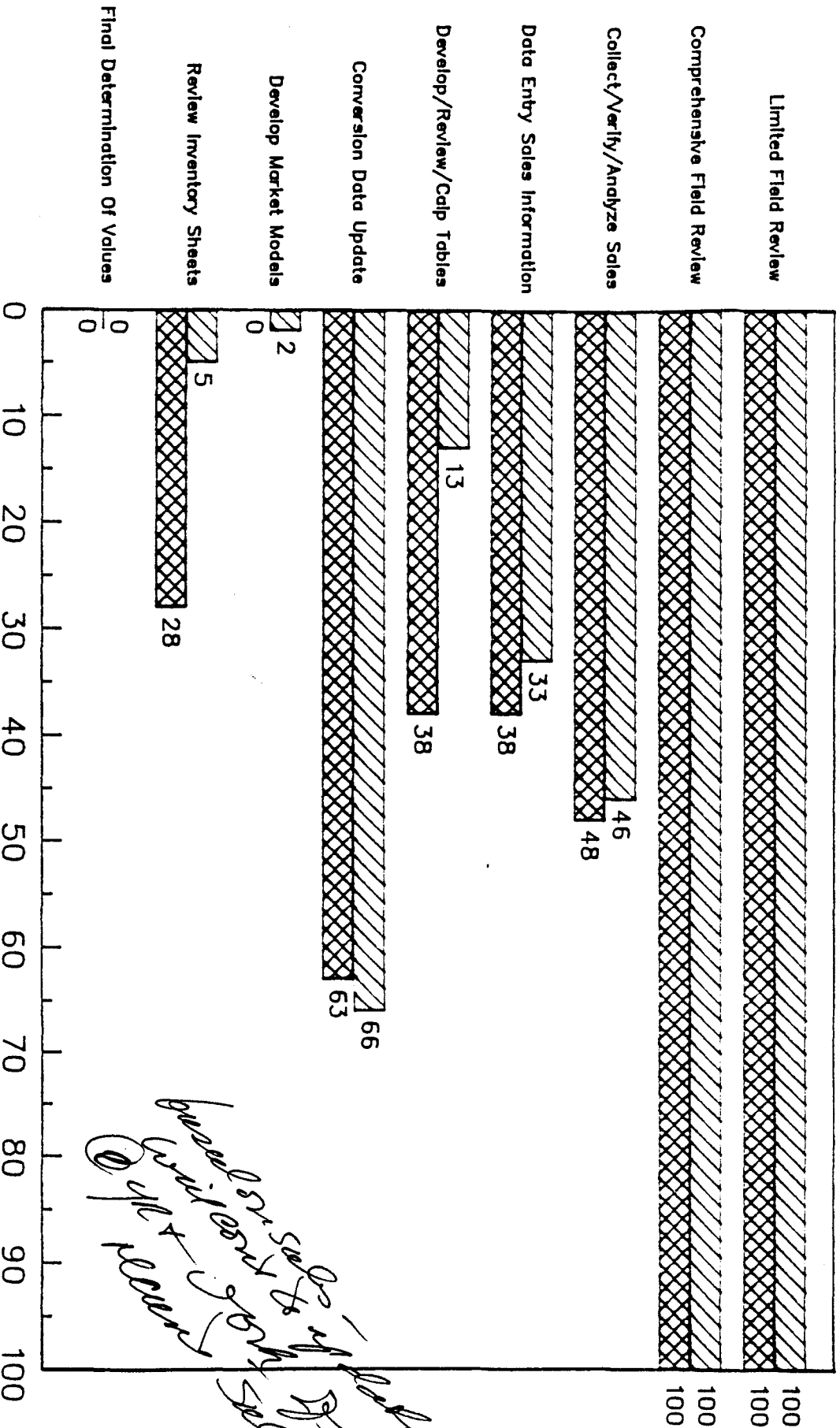


31.17-4

November 1990

Residential Reappraisal

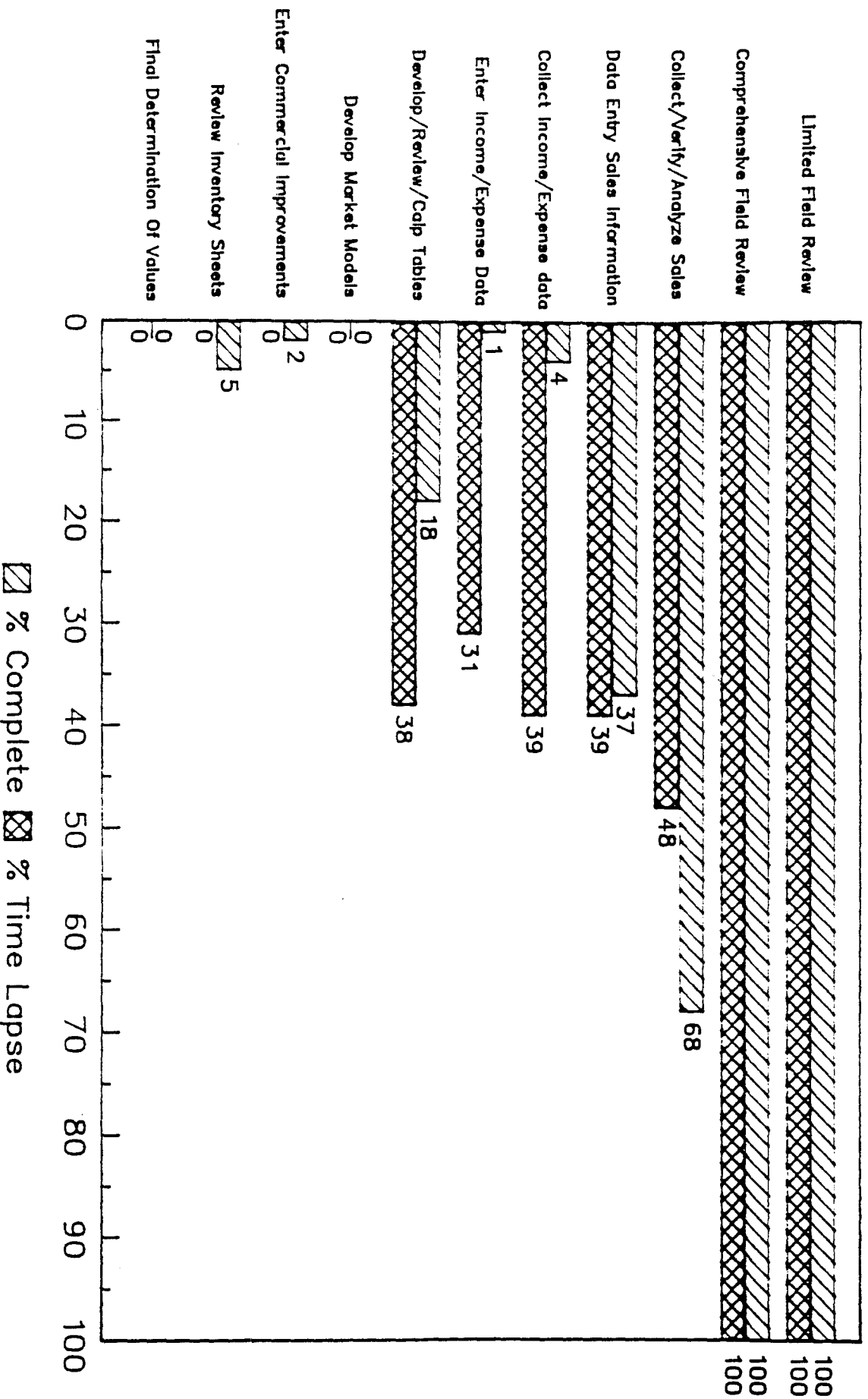
Residential Tasks



November 1990

Commercial Reappraisal

Commercial Tasks



23.13-4

MONTANA SUPREME COURT DECISION

"The provisions of 15-7-111, M.C.A., relating to stratified sales assessment ratio studies of the residential property situated in Area 2.1 (Great Falls Downtown) as conducted and applied by the D.O.R. are invalid because they violate state constitutional and statutory provisions which require general and uniform appraisal, assessment and equalization of all taxable property in the state; ..."

"There is lurking in this case a huge legislative and executive problem, and these branches must be given a chance to deal properly with that problem."

*area adj to
res & com real
property /
H 5703-1990/
legal challenge.*

*703 is null & void
now del by
deals with*

DEPT. OF REVENUE V. BARRON

OCTOBER 12, 1990

*changing the statute he
was keeping this
page.*

*end 4 +
5.00.0*

ADDITIONAL LITIGATION

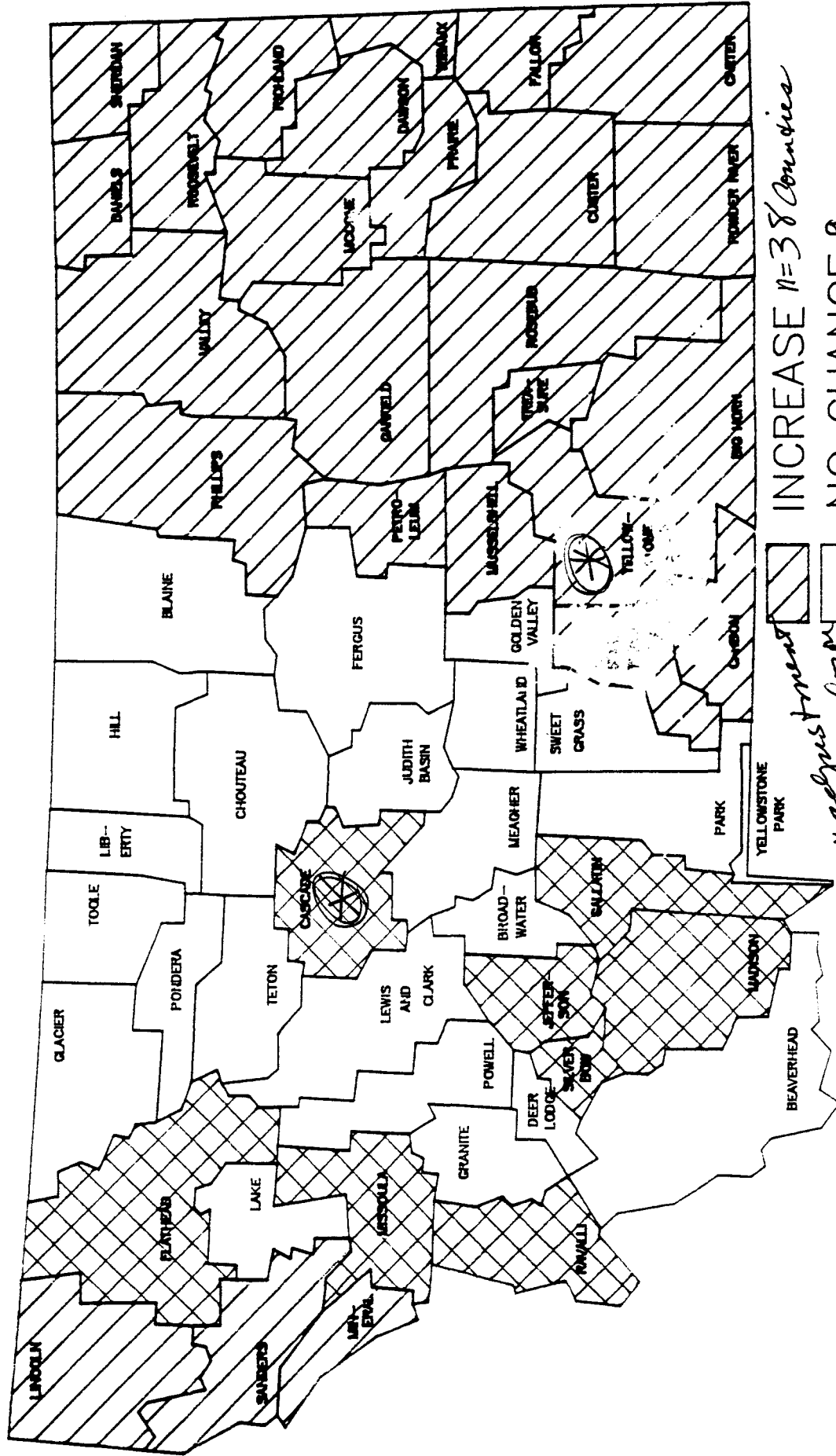
In Cascade County District Court, 166 taxpayers have filed suit requesting the Court to, "Declare the 1990 method of assessment of Plaintiffs' and the class members' real property and improvements complained of herein illegal and improper; . . ."

The lawsuit involves 224 separate properties.

*reimburse &
seek for taxes paid*

IMPACT OF REMOVING HB-703 & HB-436

RESIDENTIAL PROPERTY



INCREASE 11=38 Counties

NO CHANGE 9

DECREASE 9



INCREASE 11=38 Counties

NO CHANGE 9

DECREASE 9

large area - down
small area - up
yellowstone - up

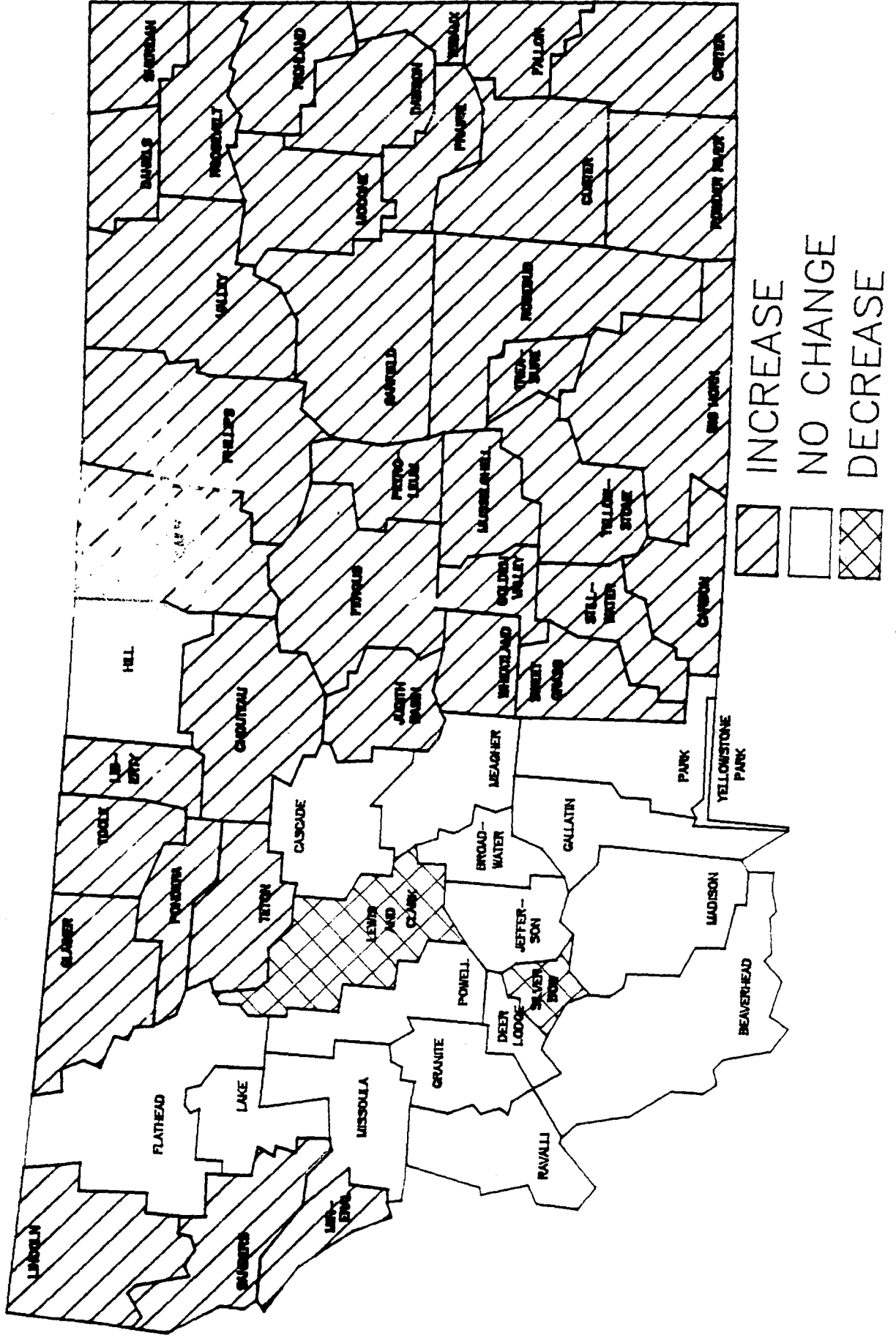
IMPACT OF REMOVING HB-703 & HB-436

11/01/91

FF Meeting

IMPACT OF REMOVING HB-703 & HB-436

COMMERCIAL PROPERTY



Impact of Repealing HB 703 and HB 436 on TY 90 Taxable Values

County	% Adjustment Necessary to Repeal HB 703 and HB 436		Change in 1990 Taxable Value if HB 703 and HB 436 are Repealed		
	Residential	Commercial	Residential	Commercial	Total
Beaverhead	0.0%	0.0%	0	0	0
Big Horn	11.8%	25.0%	360,751	796,799	1,157,550
Blaine	0.0%	7.5%	0	49,424	49,424
Broadwater	0.0%	0.0%	0	0	0
Carbon	7.5%	15.6%	506,487	152,861	659,349
Carter	17.5%	25.0%	118,417	11,491	129,908
Cascade	-14.3%	0.0%	(6,325,732)	0	→ (6,325,732)
Chouteau	0.0%	7.5%	0	46,988	46,988
Custer	21.9%	25.0%	1,068,830	473,384	1,542,214
Daniels	17.5%	25.0%	238,653	79,189	317,842
Dawson	30.7%	25.0%	1,482,601	428,720	1,911,320
Deer Lodge	0.0%	0.0%	0	0	0
Fallon	30.7%	25.0%	430,968	133,193	564,161
Fergus	0.0%	7.5%	0	121,009	121,009
Flathead	-7.4%	0.0%	(3,548,201)	0	(3,548,201)
Gallatin	-11.5%	0.0%	(3,923,484)	0	(3,923,484)
Garfield	17.5%	25.0%	133,748	24,991	158,739
Glacier	0.0%	7.5%	0	126,455	126,455
Golden Valley	0.0%	7.5%	0	3,743	3,743
Granite	0.0%	0.0%	0	0	0
Hill	0.0%	0.0%	0	0	0
Jefferson	-11.5%	0.0%	(584,626)	0	(584,626)
Judith Basin	0.0%	7.5%	0	16,207	16,207
Lake	0.0%	0.0%	0	0	0
Lewis And Clark	0.0%	-2.9%	0	(353,739)	(353,739)
Liberty	0.0%	7.5%	0	20,707	20,707
Lincoln	4.2%	4.2%	423,250	148,069	571,319
Madison	-5.7%	0.0%	(373,623)	0	(373,623)
McCone	17.5%	25.0%	260,772	55,172	315,944
Meagher	0.0%	0.0%	0	0	0
Mineral	4.2%	4.2%	61,379	23,872	85,251
Missoula	-2.4%	0.0%	(1,154,509)	0	(1,154,509)
Musselshell	7.5%	15.6%	163,537	58,645	222,182
Park	0.0%	0.0%	0	0	0
Petroleum	16.3%	25.0%	36,057	3,860	39,917
Phillips	16.3%	25.0%	400,822	175,856	576,678
Pondera	0.0%	7.5%	0	74,221	74,221
Powder River	30.7%	25.0%	318,462	45,096	363,557
Powell	0.0%	0.0%	0	0	0
Prairie	17.5%	25.0%	116,256	27,331	143,588
Ravalli	-4.8%	0.0%	(879,961)	0	(879,961)
Richland	30.7%	25.0%	1,501,118	596,876	2,097,995
Roosevelt	16.3%	25.0%	501,881	230,855	732,737
Rosebud	11.8%	25.0%	429,056	455,903	884,959
Sanders	4.2%	4.2%	179,465	37,324	216,789
Sheridan	17.5%	25.0%	449,381	180,892	630,272
Silver Bow	-9.9%	-2.9%	(1,661,965)	(246,457)	(1,908,422)
Stillwater	7.5%	15.6%	347,013	117,225	464,238
Sweet Grass	0.0%	7.5%	0	36,860	36,860
Teton	0.0%	7.5%	0	55,722	55,722
Toole	0.0%	7.5%	0	69,860	69,860
Treasure	7.5%	15.6%	28,729	8,145	36,873
Valley	17.5%	25.0%	722,402	302,974	1,025,377
Wheatland	0.0%	7.5%	0	14,783	14,783
Wibaux	30.7%	25.0%	158,148	27,108	185,256
Yellowstone	10.0%	33.7%	7,967,913	13,146,291	→ 21,114,204
Statewide	-0.0%	9.6%	(46,003)	17,777,904	17,731,901

inc TX
value

1.10-5

Impact of Repealing HB 703 and HB 436 on TY 90 Taxable Values

		% Adjustment Necessary to Repeal HB 703 and HB 436		Change in 1990 Taxable Value if HB 703 and HB 436 are Repealed		
City		Residential	Commercial	Residential	Commercial	Total
Great Falls (All)		-17.4%	0.0%	(5,678,603)	0	(5,678,603)
Area 2.1	Great Falls Downtown	-23.1%	0.0%	(1,371,612)		(1,371,612)
Area 2.2	Great Falls East	-24.2%	0.0%	(2,168,848)		(2,168,848)
Area 2.3	Great Falls South	-16.7%	0.0%	(871,757)		(871,757)
Area 2.4	Great Falls Southwest	-8.3%	0.0%	(347,116)		(347,116)
Area 2.5	Great Falls West	-6.5%	0.0%	(239,521)		(239,521)
Area 2.6	Great Falls Northwest	-12.3%	0.0%	(679,748)		(679,748)
Miles City		23.7%	25.0%	828,405	382,614	1,211,019
Kalispell		-3.8%	0.0%	(263,063)	0	(263,063)
Columbia Falls		0.0%	0.0%	0	0	0
Bozeman		-11.5%	0.0%	(1,187,210)	0	(1,187,210)
Havre		0.0%	0.0%	0	0	0
Helena		0.0%	-2.9%	0	(293,634)	(293,634)
Missoula		0.0%	0.0%	0	0	0
Billings (All)		9.6%	33.2%	5,733,575	10,988,275	16,721,850
Area 11.1	Billings Lockwood	17.0%	33.2%	1,238,476		1,160,342
Area 11.2	Billings South Side	22.4%	33.2%	1,058,772		991,976
Area 11.3	Billings South West Sid	8.5%	33.2%	1,865,318		1,747,638
Area 11.4	Billings West Side	6.3%	33.2%	1,058,605		991,819
Area 11.5	Billings Heights	8.5%	33.2%	512,405		480,078
Laurel		10.9%	36.1%	341,032	352,009	693,041

8.15-5

HB 703 REPLACEMENT

0 Selective Reappraisal - Residential Property 1991, 1992, 1993

me
clg TR. HS.
?

from MV adjustment

new apprl values go on TR rolls in 1984

- Remove Trailer Houses

- 1991 if less than 80% of assessment level (Great Falls areas 2.1 and 2.2)

- 1992 and 1993: ~~4~~ If less than 80% of assessment level;
If greater than 20% coefficient of dispersion
and
Market value is 5% greater than assessed value

reappraise all prop. in area.

[scribbles]

0 Appeal Rights *10.19 - 5*

- but shld be brought to Dist Ct / under TYP appeal on market basis to Cnty TAX appeal*
- Appeal areas and percentage adjustments through the Administrative Rule process.
- Appeal individual parcel market values to County Tax Appeal Board
- Reminded to ST TAX Appeal SD*

0 Three Year Reappraisal Cycle - Tax Years 1994 and beyond.

- Reduce from 5*
- 11.4*
- new sys will allt / avoid current annual adjust sts /*
- Reduce 5 year reappraisal cycle to 3 years.
- Establish a 3 year reappraisal cycle for agricultural land and timber.

0 Administrative Actions Prior to Passage *12.25 - 5*

- Selective Reappraisal of Areas 2.1 and 2.2
- Rule Hearings on Areas and Percentage Adjustments

Know by 1991 the 5% adjt is in place in 1991 under MV Adj in @ area /

8.3-5

COEFFICIENT OF DISPERSION

The average distance appraised values are away from the average selling price of homes in a given geographic area, expressed as a percent.

”....most tax administrators feel comfortable with a coefficient in the 10-20 percent range.”

MARKET MODELING

Market modeling is the process of comparing the sales price of a property to similar properties to determine the value of the similar properties.

It is based on the fact that a taxpayer would pay no more for a property than the cost of acquiring an existing, comparable property.

DOR #29 – Property Tax Reform

Class	Rate	Description
Class 4	3.860%	Residential and Commercial Real
Class 12	3.860%	Mobile Homes
Class 18	30.000%	Nonproductive Mining Claims (Appraisal method changes from productivity to market value basis, no revenue impact to property).
Class 19	2.000%	Nonproductive Real Less Than 20 acres (Assume appraised values will be decreased to reflect conditions which preclude development of the property, no revenue impact).
Class 20	3.860%	Out of Production Ag and Timber <i>ml adj.</i>

1 class

Class 15	7.490%	Railroads
Class 17	7.490%	Airlines

get, Fed protected for

1 class

21.22-5

DOR #29 – Property Tax Reform

Proposed and Current Classes

Proposed

<u>Class</u>	<u>Rate</u>	<u>Description</u>
Class 1	100.000%	Net Proceeds
Class 2	3.000%	Gross Proceeds
Class 3	30.000%	Ag Land
Class 4	3.860%	Real Property

Current

<u>Class</u>	<u>Rate</u>	<u>Description</u>
Class 1	100.000%	Net Proceeds
Class 2	3.000%	Gross Proceeds
Class 3	30.000%	Ag Land

Class 4	3.860%	Residential and Commercial Real
Class 12	3.860%	Mobile Homes
Class 18	30.000%	Nonproductive Mining Claims (Appraisal method changes from productivity to market value basis, no revenue impact to property).
Class 19	2.000%	Nonproductive Real Less Than 20 ac. (Assume appraised values will be decreased to reflect conditions which preclude development of the property, no revenue impact).
Class 20	3.860%	Out of Production Ag and Timber

Class 5	3.000%	New Industry and Pollution Control
Class 6	4.000%	Livestock
Class 7	8.000%	Independent Telephone
Class 8	9.000%	Personal Property
Class 9	12.000%	Utilities
Class 10	3.840%	Timber
Class 11	3.088%	Farmsteads
Class 12	7.560%	Railroads and Airlines

Class 5	3.000%	New Industry and Pollution Control
Class 6	4.000%	Livestock
Class 7	8.000%	Independent Telephone
Class 8	9.000%	Personal Property
Class 11	12.000%	Utilities
Class 13	3.840%	Timber
Class 14	3.088%	Farmsteads

Class 15	7.490%	Railroads
Class 17	7.490%	Airlines

DOR #29 – Property Tax Reform

Impact on Current Property Classes

<u>Current Class</u>	<u>Current Tax Revenue</u>	<u>Proposed Tax Revenue</u>	<u>Difference</u>
Class 1 Net Proceeds	\$3,626,521	\$3,626,521	\$0
Class 2 Gross Proceeds	\$3,027,295	\$3,027,295	\$0
Class 3 Agric. Land	\$38,842,780	\$38,842,780	\$0
Class 4 Resid.	\$150,267,820	\$150,267,820	\$0
Class 4 Comm.	\$70,413,533	\$70,413,533	\$0
Class 5 Co-ops	\$6,040,704	\$6,040,704	\$0
Class 6 Livestock	\$6,997,060	\$6,997,060	\$0
Class 7 Ind. Telephone	\$253,979	\$253,979	\$0
Class 8 Pers. Property	\$66,407,995	\$66,407,995	\$0
Class 11 Utilities	\$96,224,237	\$96,224,237	\$0
Class 12 Mobile Homes	\$5,301,014	\$5,301,014	\$0
Class 13 Timber Land	\$2,027,722	\$2,027,722	\$0
Class 14 Farmsteads	\$16,265,710	\$16,265,710	\$0
Class 15 Railroads **	\$15,979,352	\$16,128,692	\$0 *
Class 17 Airlines **	\$1,538,888	\$1,553,270	\$14,382
Class 18 Mining Claims	\$2,922	\$2,922	\$0
Class 19 Non-Prod. Land	\$29,945	\$29,945	\$0
<u>Class 20 Out of Production</u>	<u>\$1,478</u>	<u>\$1,478</u>	<u>\$0</u>
Total	\$483,248,954	\$483,412,676	\$14,382

* Change is based on negotiated settlement – no direct dollar impact.

** Tax rate increase from 7.49% to 7.56 % is due to removing class 1 and class 2 property from the rate formula.

+

STATUS OF THE BENEFICIAL USE LITIGATION

	DECIDED IN FAVOR OF COUNTIES	DECIDED IN FAVOR OF COLSTRIP OWNERS	PENDING
UNITED STATES SUPREME COURT	2	0	0
MONTANA SUPREME COURT	2	0	2
DISTRICT COURT	4	0	4
STATE TAX APPEAL BOARD	1	0	0
TOTALS	9	0	6

very important for 8-1-84

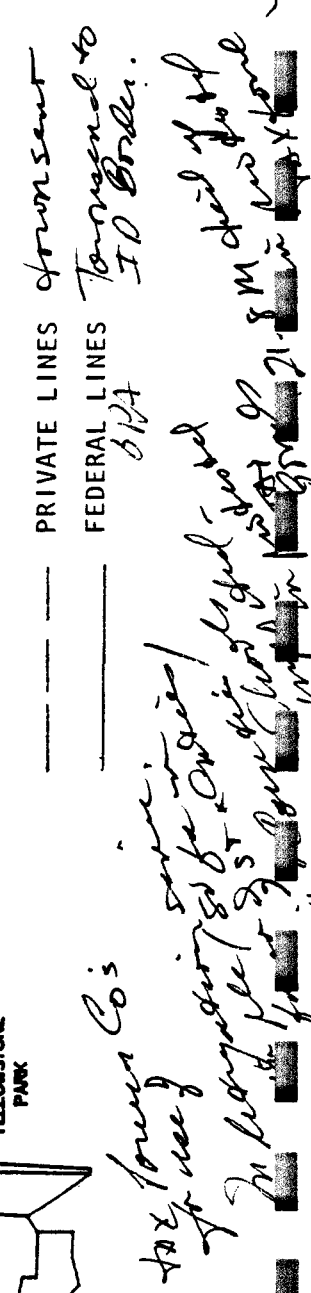
TAXES IN PROTEST FUNDS (Excluding Interest)

1985	\$2.5 million
1986	\$4.1 "
1987	\$3.8 "
1988	\$3.8 "
1989	\$3.7 "
1990	\$3.9 "

TOTAL \$21.8 million

5-26-84

over



Power Co sheet 15
Feb 455504 &
Cooper & Co Const
Grounds/Chy dep
out Grand Car

Green & Co
Hider for MT Se.

Power and Rd
Ind Man to 4550.
Mason General
28-15-5

Will Cont to ^{Wynne} ~~proceed~~
Trans. ~~proceed~~ on
SV 043

TY 1990 Taxable Valuations by Property Class - Counties

EXHIBIT 8
1-10-91
HB Joint Session

County	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Beaverhead	271,378	0	2,390,086	4,396,318	202,177	1,396,494	191,243
Big Horn	0	0	3,523,134	5,159,623	305,851	920,186	502
Blaine	0	0	3,867,522	1,798,504	254,523	680,081	0
Broadwater	1,742,962	0	1,042,324	1,940,864	96,056	276,509	0
Carbon	92,933	0	2,232,073	6,027,775	107,846	421,324	64,710
Carter	838,059	0	1,713,819	237,510	82,286	607,071	0
Cascade	0	0	4,844,340	58,236,901	147,814	661,159	0
Chouteau	0	0	12,779,518	2,097,556	203,114	453,494	0
Custer	0	0	2,131,773	5,966,260	107,439	525,755	0
Daniels	0	0	2,364,268	993,831	120,643	153,713	0
Dawson	0	0	3,018,453	5,580,992	265,104	417,806	0
Deer Lodge	0	0	259,528	5,432,027	2,980	102,898	18,503
Fallon	3,148,998	0	1,281,866	1,431,552	72,275	384,616	0
Fergus	0	362,175	6,160,504	5,294,227	273,278	1,104,187	0
Flathead	0	0	1,548,035	60,524,969	2,061,598	240,960	0
Gallatin	0	0	2,922,223	44,779,634	224,563	630,096	0
Garfield	0	0	2,792,381	346,332	110,042	642,004	0
Glacier	0	0	3,150,989	4,412,986	540,492	215,704	0
Golden Valley	0	0	1,115,702	281,841	36,293	225,524	0
Granite	0	1,993	538,156	1,535,823	18,345	308,724	0
Hill	0	0	6,741,594	9,950,468	374,722	266,264	0
Jefferson	71,450	2,438,178	547,108	5,502,113	1,937,512	258,225	0
Judith Basin	15,357	0	3,156,859	765,528	70,602	578,161	0
Lake	0	0	1,275,074	18,052,055	110,528	504,453	271
Lewis And Clark	0	416,909	1,533,555	40,352,338	652,591	449,624	56,307
Liberty	0	0	3,695,250	944,869	106,063	142,407	0
Lincoln	3,087,356	1,671,943	114,963	12,383,987	559,553	88,698	0
Madison	2,202,046	0	2,087,833	6,089,722	134,814	1,027,626	222,043
McCone	0	0	3,285,436	789,496	210,624	381,517	0
Meagher	0	2,670	1,395,608	893,028	6,690	501,127	0
Mineral	0	0	55,901	1,667,563	23,761	20,413	0
Missoula	0	0	484,362	71,399,674	958,139	226,175	0
Musselshell	0	0	1,528,543	1,847,368	104,346	326,805	0
Park	0	85,797	1,551,501	10,661,328	184,903	522,017	0
Petroleum	0	0	839,453	74,576	72,815	300,623	0
Phillips	4,537,044	1,351,062	3,697,740	2,234,061	215,636	783,135	288
Pondera	0	0	4,943,102	2,899,021	188,143	273,989	0
Powder River	0	0	1,805,588	576,532	209,026	676,215	0
Powell	91,725	0	778,138	2,892,780	68,889	466,142	0
Prairie	0	0	1,121,061	418,683	62,251	331,733	0
Ravalli	0	0	1,095,405	17,111,321	385,063	517,033	0
Richland	0	0	3,475,115	6,013,505	522,081	381,480	0
Roosevelt	0	0	3,689,505	2,834,153	211,929	212,958	0
Rosebud	0	0	2,864,236	4,380,935	11,542,221	649,788	0
Sanders	0	0	508,292	3,972,868	122,933	227,407	14,270
Sheridan	0	0	3,536,083	2,184,276	174,741	215,621	0
Silver Bow	0	3,007,881	189,709	24,473,136	102,357	90,479	21,913
Stillwater	0	806,684	2,408,537	4,095,272	190,586	472,494	149,736
Sweet Grass	0	0	1,366,146	1,997,196	161,629	512,414	0
Teton	0	0	5,179,598	2,765,873	287,097	518,973	0
Toole	0	0	5,114,740	2,601,488	228,407	177,267	0
Treasure	0	0	754,564	211,744	72,388	230,586	0
Valley	0	0	4,756,489	4,072,121	281,548	619,587	0
Wheatland	0	0	1,333,630	754,582	23,757	368,737	0
Wibaux	0	0	1,145,958	340,219	40,619	171,569	0
Yellowstone	0	0	3,713,740	114,738,214	678,021	607,120	148,349
Statewide	16,099,308	10,145,292	141,447,109	599,417,218	26,509,703	24,467,147	888,135

TY 1990 Taxable Valuations by Property Class - Counties

County	Class 8	Class 11	Class 12	Class 13	Class 14	Class 15	Class 17
Beaverhead	2,406,836	1,629,912	217,314	19,723	910,245	569,723	0
Big Horn	10,833,208	3,815,350	176,427	16,764	902,615	1,192,806	0
Blaine	1,838,348	2,866,945	104,962	0	987,284	1,182,080	0
Broadwater	1,652,768	3,802,696	122,642	11,268	609,128	842,085	0
Carbon	1,639,436	3,591,464	157,976	639	1,521,900	567,343	0
Carter	775,402	776,325	27,555	395	459,308	0	0
Cascade	7,513,606	12,932,741	1,166,533	12,789	2,120,227	1,875,094	1,708,257
Chouteau	4,375,180	2,111,572	100,697	1,211	2,195,988	480,720	0
Custer	1,521,302	2,591,723	193,034	0	604,599	875,442	2,090
Daniels	1,334,764	206,849	25,929	0	663,959	570,255	0
Dawson	2,311,176	4,025,929	192,507	0	776,334	2,006,373	1,985
Deer Lodge	576,072	1,901,661	147,973	16,456	122,323	45,696	0
Fallon	3,297,966	3,362,091	104,725	0	401,895	372,308	0
Fergus	3,596,718	1,810,202	338,226	43,356	1,360,604	352,592	2,036
Flathead	11,228,664	8,317,063	1,734,679	1,829,082	3,590,645	2,402,995	633,265
Gallatin	8,609,053	8,820,305	864,644	104,649	2,157,259	1,316,978	1,206,468
Garfield	843,652	2,722	75,256	0	444,558	0	0
Glacier	2,534,625	5,915,998	123,834	0	666,360	1,458,889	0
Golden Valley	458,066	2,164,113	22,299	4,854	345,505	508,100	0
Granite	846,997	3,005,601	116,350	118,150	270,832	589,786	0
Hill	4,217,895	3,105,652	432,332	0	1,672,982	2,925,042	1,084
Jefferson	5,134,007	5,109,119	170,213	25,203	470,166	517,922	0
Judith Basin	1,015,684	1,213,664	81,511	1,805	777,731	1,108,904	0
Lake	2,394,059	2,964,336	458,537	257,901	2,241,519	437,322	0
Lewis And Clark	5,816,954	12,631,015	826,715	79,657	1,069,074	1,343,259	806,168
Liberty	1,730,613	1,178,766	45,077	0	1,034,882	556,638	0
Lincoln	7,597,472	1,726,911	519,921	1,189,386	805,724	2,604,090	0
Madison	3,296,069	2,187,254	116,780	29,712	1,458,318	246,074	0
McCone	1,840,722	246,516	40,301	0	884,702	122,564	0
Meagher	721,035	3,958,058	59,920	56,901	426,646	0	0
Mineral	883,414	3,795,435	154,438	164,751	224,022	1,017,634	0
Missoula	21,469,398	14,025,044	1,731,255	1,203,442	1,406,639	1,871,120	1,198,893
Musselshell	1,110,755	1,101,139	148,026	62,245	552,756	0	0
Park	2,561,689	4,096,019	424,689	71,674	1,446,089	726,996	0
Petroleum	268,697	28,679	31,291	0	131,049	0	0
Phillips	3,492,288	5,185,302	142,997	0	787,681	1,113,546	0
Pondera	2,742,983	1,650,293	63,541	0	1,309,678	562,836	0
Powder River	1,606,075	515,546	56,097	3,497	586,534	0	0
Powell	1,574,634	4,650,187	131,426	348,739	601,510	928,948	0
Prairie	679,133	438,209	30,502	0	326,092	846,999	0
Ravalli	2,593,840	3,287,578	566,737	252,312	3,893,341	213,752	0
Richland	6,894,435	3,193,935	159,106	0	1,109,423	414,131	2,786
Roosevelt	3,472,695	11,923,584	185,084	0	986,017	2,223,076	1,527
Rosebud	10,474,990	146,178,933	494,954	9,974	579,419	1,337,439	0
Sanders	1,274,752	13,287,406	197,729	645,256	1,032,331	2,691,538	0
Sheridan	3,990,648	597,088	63,107	0	1,049,783	632,654	0
Silver Bow	8,804,475	9,494,261	516,368	15,815	242,927	401,052	13,497
Stillwater	3,604,892	4,598,673	146,012	440	1,119,499	754,622	0
Sweet Grass	718,771	1,254,515	44,789	6,340	909,700	746,876	0
Teton	2,698,974	1,226,939	94,040	0	1,612,202	786,465	0
Toole	3,743,559	2,907,059	58,468	0	1,226,156	1,512,002	0
Treasure	460,832	2,007,117	18,785	279	203,295	969,379	0
Valley	2,766,701	10,708,080	108,089	0	1,169,160	1,785,308	2,277
Wheatland	572,894	3,715,913	13,176	1,127	396,754	370,294	0
Wibaux	1,134,008	757,515	23,973	0	260,074	306,053	0
Yellowstone	28,047,282	33,143,487	1,916,008	6,283	2,079,415	6,169,379	1,807,616
Statewide	219,601,162	391,742,490	16,285,556	6,612,075	57,194,859	55,452,979	7,387,949

TY 1990 Taxable Valuations by Property Class - Counties

EXHIBIT 8
 DATE 1-10-91
 HB Jaind Sess

County	Class 18	Class 19	Class 20	Total
Beaverhead	0	0	0	14,801,449
Big Horn	0	0	0	26,846,266
Blaine	0	0	0	13,580,229
Broadwater	0	140	0	12,139,242
Carbon	0	0	0	16,425,419
Carter	6,738	0	0	5,524,468
Cascade	14	0	0	91,219,475
Chouteau	0	0	0	24,799,050
Custer	0	0	0	14,519,417
Daniels	0	0	0	6,434,211
Dawson	0	0	3,238	18,599,897
Deer Lodge	348	260	0	8,626,725
Fallon	0	0	0	13,858,292
Fergus	0	0	0	20,698,105
Flathead	0	15,105	0	94,127,059
Gallatin	0	2,249	0	71,638,121
Garfield	0	0	0	5,256,947
Glacier	0	425	0	19,020,302
Golden Valley	0	0	0	5,162,097
Granite	0	0	0	7,350,757
Hill	0	0	0	29,688,035
Jefferson	528	82	0	22,181,828
Judith Basin	6	0	0	8,785,812
Lake	0	450	0	28,696,505
Lewis And Clark	280	8,310	0	66,042,756
Liberty	0	0	0	9,434,565
Lincoln	0	0	0	32,350,004
Madison	0	0	0	19,098,291
McCone	0	0	0	7,801,878
Meagher	0	0	0	8,021,683
Mineral	0	0	0	8,007,332
Missoula	0	318	0	115,974,459
Musselshell	0	0	0	6,781,983
Park	0	4,774	0	22,339,476
Petroleum	832	0	0	1,748,015
Phillips	0	294	0	23,541,074
Pondera	0	0	0	14,633,586
Powder River	0	0	0	6,035,110
Powell	0	0	0	12,533,118
Prairie	0	0	0	4,254,663
Ravalli	6	39,228	0	29,955,616
Richland	0	0	0	22,165,997
Roosevelt	0	0	0	25,740,528
Rosebud	0	0	0	178,512,889
Sanders	0	0	0	23,974,782
Sheridan	0	0	0	12,444,001
Silver Bow	1,567	258	0	47,375,695
Stillwater	0	0	0	18,347,447
Sweet Grass	0	0	0	7,718,376
Teton	0	0	0	15,170,161
Toole	0	0	0	17,569,146
Treasure	0	0	0	4,928,969
Valley	0	0	0	26,269,360
Wheatland	0	0	0	7,550,864
Wibaux	0	0	0	4,179,988
Yellowstone	0	24,337	0	193,079,251
Statewide	10,319	96,230	3,238	1,573,360,769

TY 1990 Taxable Valuations by Property Class - Cities

Exhibit # 8

1/10/91 Jt. Mtg.

City/Town	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8	Class 11
Abertown	0	0	26	105,874	0	406	0	6,458	99,457
Anaconda	0	0	0	3,463,187	0	4,748	0	247,842	601,728
Bainville	0	0	1,435	70,738	0	0	0	7,449	68,035
Baker	0	0	0	1,078,781	0	705	0	113,287	285,354
Barcreek	0	0	0	27,217	0	0	0	2,704	6,189
Belgrade	0	0	1,085	2,320,947	0	1,221	0	167,779	348,757
Belt	0	0	28	286,931	0	444	0	15,288	58,669
Bismarck	0	0	0	471,514	17,742	592	0	58,128	64,485
Bozeman	0	0	0	1,412,490	48,184	208	0	157,863	102,302
Butte	0	0	26,811	88,799,255	7,999	182,225	0	9,838,038	12,519,552
Boulder	0	0	175	546,045	0	728	0	32,932	115,535
Bozeman	0	0	9,408	19,346,773	20,269	15,852	0	2,407,087	3,014,647
Butte	0	0	0	458,884	0	446	0	26,431	77,060
Butte	0	0	0	397,740	25,215	380	0	39,972	80,607
Broadview	0	0	0	84,804	5,803	156	0	13,422	19,828
Brockton	0	0	0	20,653	0	0	0	3,504	34,666
Browning	0	0	0	269,784	42,837	5,341	0	57,679	23,625
Butte	0	0	54	381,184	0	373	0	17,316	70,968
Chester	0	0	0	664,364	20,311	0	0	54,097	48,364
Chinook	0	0	0	1,023,541	30,448	1,721	0	73,130	88,770
Coeur d'Alene	0	0	394	1,179,526	1,793	742	0	99,717	170,434
Coeur d'Alene	0	0	0	576,277	59,694	241	0	89,999	0
Clyde Park	0	0	589	153,514	77	0	0	8,936	38,037
Columbia Falls	0	0	0	2,266,130	0	3,475	0	674,963	254,486
Columbus	0	137,136	0	1,182,783	32,657	3,810	0	573,566	260,598
Conrad	0	0	0	2,062,680	3,211	1,928	0	250,103	263,982
Culbertson	0	0	10	414,013	0	19	0	36,985	107,191
Curtis	0	0	0	2,709,036	29,156	7,155	0	388,122	353,442
Dalton	0	0	1	328,185	0	1,376	0	22,341	138,128
Darby	0	0	0	1,886,385	0	1,050	0	161,734	404,845
Denton	0	0	0	161,971	8,430	175	0	21,668	41,713
Dillon	0	0	276	2,589,746	17,372	3,033	0	313,933	381,748
Dixon	0	0	0	49,482	0	0	0	2,807	32,555
Drummond	0	0	895	161,590	0	222	0	112,628	53,897
Dutton	0	0	0	200,807	0	16	0	27,472	78,384
East Helena	0	0	443	1,581,938	586,452	320	0	1,382,248	158,461
Elk	0	0	592	192,882	17,942	594	0	24,851	0
Elk	0	0	129	813,140	21,146	14	0	79,185	163,718
Eureka	0	0	338	625,137	31,338	2,112	0	63,582	83,098
Farfield	0	0	0	459,036	55,620	822	0	78,181	40,781
Farmington	0	0	1,399	431,099	0	0	0	50,041	157,123
Farmington	0	0	7	48,964	0	0	0	5,508	23,880
Forsyth	0	0	0	1,502,139	52,944	809	0	142,780	341,195
Fort Benton	0	0	0	1,079,938	0	807	0	133,181	168,802
Fort Peck	0	0	0	139,764	0	3	0	4,611	3,354
Franklin	0	0	0	117,650	0	0	0	13,315	37,971
Fromberg	0	0	0	221,106	0	0	0	11,265	53,815
Gardiner	0	0	22	167,386	0	53	0	39,593	77,344
Gardiner	0	0	0	2,496,419	1,005	3,180	0	277,111	554,704
Gardiner	0	0	432	3,481,255	0	787	0	442,299	1,388,049
Grass Range	0	0	0	47,368	8,271	0	0	4,125	0
Great Falls	0	0	103	48,770,935	5,870	65,076	0	4,792,706	5,031,095
Hamilton	0	0	615	3,044,294	0	4,792	0	468,919	551,734
Hardin	0	0	1,049	2,059,237	0	774	0	239,578	355,846
Harlem	0	0	0	425,401	0	6,961	0	79,746	157,059
Helena	0	0	0	543,938	0	7	0	43,452	166,537
Helena	0	0	2	7,003,939	0	11,553	0	522,764	1,245,930
Helena	0	0	287	24,109,397	1,959	27,948	0	3,016,386	7,022,114
Hingham	0	0	0	120,072	3,486	0	0	45,996	15,619
Hoboken	0	0	0	106,383	0	67	0	7,039	7,242
Hoboken	0	0	0	236,989	0	0	10,825	8,598	2,410
Hoboken	0	0	0	172,961	23,103	159	0	25,870	6
Idamay	0	0	160	15,023	68	0	0	3,634	1,696
Jackson	0	0	0	334,839	0	0	0	8,913	79,420
Jordan	0	0	0	203,853	18,680	422	0	36,494	0
Julia Gap	0	0	0	45,193	0	0	0	2,592	41,961
Kalispell	0	0	859	13,724,301	168	23,176	0	1,598,314	2,897,374
Kalispell	0	0	0	74,378	4,892	0	0	4,237	0

TY 1990 Taxable Valuations by Property Class – Cities

City/Town	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8	Class 11
Laurel	0	0	1,188	4,043,149	0	7,356	0	302,261	639,811
Lavina	0	0	2,997	69,629	0	227	0	4,377	58,906
Lewistown	0	0	0	3,556,941	4,133	4,725	0	413,640	766,376
Libby	0	0	0	2,221,820	66	4,259	0	326,014	490,011
Lima	0	0	0	89,264	9,605	0	0	12,782	43,611
Livingston	0	0	206	5,415,685	30,227	736	0	724,383	1,206,417
Lodge Grass	0	0	0	96,427	553	123	0	12,858	41,699
Malta	0	0	0	1,657,343	11,479	320	0	146,943	338,111
Manhattan	0	0	0	720,234	0	173	0	35,520	118,911
Medicine Lake	0	0	0	152,349	0	109	0	16,545	43,694
Meistone	0	0	88	66,296	0	308	0	6,622	52,467
Miles City	0	0	0	4,935,847	452	7,339	0	588,166	975,411
Missoula	0	0	5,117	42,742,709	131,807	63,830	0	4,834,000	4,815,611
Moore	0	0	0	112,865	0	19	0	45,559	46,017
Nashua	0	0	0	167,789	0	108	0	14,062	36,147
Neihart	0	0	903	125,258	0	80	0	2,739	25,041
Opheim	0	0	0	73,881	13,246	57	0	7,774	25,901
Outlook	0	0	3,900	50,112	5,823	26	0	5,849	5,421
Philipsburg	0	0	163	447,992	0	64	0	35,553	100,810
Pinesdale	0	0	1,347	111,674	0	1,096	0	785	1,831
Plains	0	0	0	554,461	0	505	0	95,974	186,071
Plentywood	0	0	0	1,601,241	1,907	1,612	0	156,118	235,544
Plevna	0	0	23	52,960	9,535	150	0	5,995	6,981
Polson	0	0	105	2,847,687	0	7,602	0	368,055	165,611
Poplar	0	0	0	331,202	0	887	0	45,992	124,601
Red Lodge	0	0	992	1,839,713	17,917	1,927	0	137,702	342,458
Rexford	0	0	0	46,677	1,942	131	0	1,755	3,271
Richey	0	0	10	146,878	9,689	38	0	27,814	6,581
Ronan	0	0	4	1,055,503	0	3,359	0	193,251	43,781
Roundup	0	0	1,068	1,156,549	3,168	1,922	0	88,242	237,562
Ryegate	0	0	395	136,374	560	667	0	8,870	43,841
Saco	0	0	0	92,316	0	10	0	4,793	57,831
Scobey	0	0	73	786,579	479	127	0	92,025	135,631
Shelby	0	0	139	1,810,527	41,796	842	0	253,954	224,499
Sheridan	0	0	1,360	487,410	0	118	0	39,128	90,201
Sidney	0	0	362	3,459,433	360	43	0	363,396	716,821
Stanford	0	0	0	286,403	0	375	0	31,685	17,611
Stevensville	0	0	154	884,131	0	1,286	0	71,066	164,788
St. Ignatius	0	0	0	247,001	23,661	1,445	0	29,399	56,111
Sunburst	0	0	978	206,228	31,838	115	0	26,934	56,111
Superior	0	0	512	545,934	0	905	0	49,875	148,140
Terry	0	0	0	347,272	2,236	252	0	51,877	92,608
Thompson Falls	0	0	0	719,155	0	449	0	58,059	199,361
Three Forks	0	0	170	773,713	0	1,005	0	59,777	141,431
Townsend	0	0	1,717	1,058,629	0	2,544	0	99,354	247,224
Troy	0	0	0	410,357	61	2,229	0	51,513	160,441
Twin Bridges	0	0	0	269,039	0	0	0	25,640	62,151
Valier	0	0	0	366,106	0	855	27,437	91,723	38,841
Virgina City	0	0	0	164,537	0	36	0	19,849	32,172
Walkerville	0	0	30	203,006	0	2,343	0	15,690	20,684
West Yellowstone	0	0	0	1,251,248	42,890	875	0	319,361	164,731
Westby	0	0	564	101,852	16,518	40	0	15,316	15,316
White Sulphur Sp	0	0	92	571,077	0	1,644	0	47,368	120,664
Whitefish	0	0	106	5,479,727	0	5,284	0	492,960	320,432
Whitehall	0	0	0	677,714	0	1,161	0	46,895	100,031
Wibaux	0	0	452	264,757	7,265	136	0	37,667	103,002
Winifred	0	0	203	63,120	11,256	0	0	8,144	0
Winnett	0	0	0	66,637	21,440	0	0	3,331	0
Wolf Point	0	0	0	1,340,732	461	114	0	182,375	363,321
Total	0	137,136	73,041	351,110,335	1,656,512	523,261	38,262	41,037,648	56,086,492

TY 1990 Taxable Valuations by Property Class - Cities

Exhibit # 8
1/10/91 Jt. Mtg.

City/Town	Class 12	Class 13	Class 14	Class 15	Class 17	Class 18	Class 19	Class 20	Total
Abertown	8,103	23	439	0	0	0	0	0	220,786
Anaconda	2,987	0	0	8,979	0	0	0	0	4,329,469
Bainville	10,085	0	1,022	27,658	0	0	0	0	186,422
Baker	42,908	0	0	13,129	0	0	0	0	1,534,164
Bancroft	295	0	0	0	0	0	0	0	36,405
Belgrade	32,899	0	0	22,713	0	0	0	0	2,895,401
Belt	8,470	0	0	7,810	0	0	0	0	375,640
Belt Sandy	10,991	0	0	11,522	0	0	0	0	634,974
Belt Timber	16,138	0	0	23,313	0	0	0	0	1,760,498
Billings	915,008	0	13,053	172,372	202,220	0	5,637	0	112,682,170
Boulder	33,445	0	0	0	0	0	0	0	728,860
Boulder	90,709	0	1,430	55,531	0	0	1,490	0	24,963,196
Bridger	8,364	0	0	0	0	0	0	0	571,185
Broadus	11,644	0	0	0	0	0	0	0	555,558
Broadview	7,055	0	413	7,823	0	0	0	0	139,304
Buckton	1,962	0	74	12,989	0	0	0	0	73,848
Browning	3,400	0	0	0	0	0	0	0	402,666
Cascade	22,093	0	0	23,917	0	0	0	0	515,905
Chester	13,125	0	0	17,774	0	0	0	0	818,035
Chenook	19,887	0	0	15,369	0	0	0	0	1,252,866
Choteau	11,561	0	2,140	20,859	0	0	0	0	1,487,166
Circle	7,033	0	0	9,062	0	0	0	0	742,306
Clyde Park	6,058	0	3,851	0	0	0	0	0	211,062
Columbia Falls	7,181	0	0	39,367	0	0	0	0	3,245,604
Columbus	29,468	0	0	14,083	0	0	0	0	2,234,101
Conrad	36,700	0	234	18,992	0	0	0	0	2,637,830
Culbertson	24,154	0	0	26,917	0	0	0	0	609,289
Cumby	35,001	0	0	0	0	0	0	0	3,521,912
Cumby	15,120	0	0	4,853	0	0	0	0	510,004
Deer Lodge	69,678	0	0	2,319	0	0	0	0	2,526,011
Denton	13,273	0	0	18,916	0	0	0	0	266,146
Dillon	53,710	0	0	16,883	0	0	0	0	3,376,701
Dixon	6,927	0	0	13,392	0	0	0	0	105,163
Drummond	9,453	0	0	22,637	0	0	0	0	361,322
Dutton	6,445	0	9,012	6,583	0	0	0	0	328,719
East Helena	0	0	281	38,393	0	0	0	0	3,748,536
Elk Lake	4,352	0	4,195	0	0	0	0	0	245,408
Ennis	8,276	0	0	0	0	0	0	0	1,085,608
Eureka	24,724	83	3,664	7,602	0	0	0	0	841,678
Farfield	10,476	0	0	8,281	0	0	0	0	651,197
Farmview	8,583	0	1,759	7,169	0	0	0	0	657,173
Flaxville	1,131	0	321	4,001	0	0	0	0	83,812
Forsyth	68,678	0	0	80,464	0	0	0	0	2,189,009
Fort Benton	25,530	0	48	20,154	0	0	0	0	1,428,460
Fort Peck	0	0	0	0	0	0	0	0	147,732
Froid	7,359	0	141	6,340	0	0	0	0	182,776
Fromberg	7,152	0	0	3,599	0	0	0	0	296,937
Gardiner	9,696	0	0	0	0	0	0	0	294,094
Glasgow	28,492	0	0	36,469	0	0	0	0	3,397,380
Glendive	39,924	0	0	646,920	0	0	0	3,238	6,002,904
Grass Range	8,313	0	0	0	0	0	0	0	68,077
Great Falls	478,781	0	33	303,089	0	0	0	0	59,447,688
Hamilton	54,111	0	1,409	5,992	0	0	0	0	4,131,866
Hardin	56,115	0	1,871	16,703	0	0	0	0	2,731,173
Harlem	0	0	0	22,398	0	0	0	0	691,565
Highway	5,803	0	0	0	0	0	0	0	759,737
Home	155,727	0	0	101,096	0	0	0	0	9,041,011
Helena	191,150	0	154	118,153	806,168	0	207	0	35,293,923
Hingham	5,137	0	0	12,393	0	0	0	0	202,703
Hobson	10,813	0	0	11,540	0	0	0	0	142,884
Hot Springs	5,546	0	0	0	0	0	0	0	264,368
Hysham	9,715	0	0	0	0	0	0	0	231,814
Idamay	1,353	0	2,066	8,908	0	0	0	0	32,908
Jett	7,928	0	0	0	0	0	0	0	431,100
Jordan	24,300	0	0	0	0	0	0	0	283,749
Judith Gap	1,391	0	0	16,668	0	0	0	0	107,805
Kalispell	21,796	0	0	14,376	0	0	68	0	18,280,431
Klein	1,623	0	0	8,441	0	0	0	0	93,571

TY 1990 Taxable Valuations by Property Class - Cities

City/Town	Class 12	Class 13	Class 14	Class 15	Class 17	Class 18	Class 19	Class 20	Total
Laurel	74,112	0	0	160,521	0	0	0	0	5,228,393
Lavina	3,958	0	7,945	0	0	0	0	0	148,037
Lewistown	97,698	0	0	12,093	0	0	0	0	4,855,606
Libby	649	0	185	32,570	0	0	0	0	3,075,602
Lima	8,990	0	0	0	0	0	0	0	164,320
Livingston	11,340	0	278	123,558	0	0	35	0	7,512,865
Lodge Grass	4,652	0	0	10,485	0	0	0	0	166,797
Malta	30,566	0	590	29,668	0	0	0	0	2,215,064
Manhattan	7,468	0	0	15,234	0	0	0	0	897,561
Medicine Lake	5,295	0	207	8,912	0	0	0	0	227,111
Melstone	12,942	0	0	0	0	0	0	0	138,723
Miles City	87,906	0	0	43,649	0	0	0	37	6,638,878
Missoula	225,260	18	4,326	247,841	0	0	0	0	53,070,556
Moore	11,367	0	0	6,785	0	0	0	0	222,612
Nashua	6,089	0	1,618	33,904	0	0	0	0	259,717
Neihart	1,918	0	1,557	0	0	14	0	0	167,510
Opheim	3,855	0	2,137	6,863	0	0	0	0	133,718
Outlook	1,275	0	3,567	1,252	0	0	0	0	77,225
Phillipsburg	32,752	0	0	366	0	0	0	0	617,700
Pinedale	5,713	774	8,040	0	0	0	0	0	131,260
Plains	33,923	0	0	14,532	0	0	0	0	885,472
Plentywood	16,116	0	243	18,769	0	0	0	0	2,031,550
Plevna	4,965	0	207	5,524	0	0	0	0	86,344
Polson	33,406	0	0	6,365	0	0	12	0	3,428,928
Poplar	17,615	0	0	4,231	0	0	0	0	524,530
Red Lodge	17,621	0	1,306	0	0	0	0	0	2,359,636
Rexford	8,228	0	0	0	0	0	0	0	62,005
Richey	5,478	0	0	0	0	0	0	0	196,294
Ronan	27,762	0	0	1,106	0	0	0	0	1,324,769
Roundup	30,480	0	927	0	0	0	0	0	1,519,918
Ryegate	4,576	0	1,623	0	0	0	0	0	196,907
Saco	5,643	0	0	20,206	0	0	0	0	180,803
Scobey	6,633	0	1,596	13,074	0	0	0	0	1,036,217
Shelby	30,330	0	427	52,582	0	0	0	0	2,415,096
Sheridan	14,500	0	10,585	1,378	0	0	0	0	644,687
Sidney	61,542	0	1,185	18,231	0	0	0	0	4,621,376
Stanford	11,693	0	3,111	9,641	0	0	0	0	360,523
Stevensville	7,845	0	0	2,407	0	0	567	0	1,132,244
St. Ignatius	9,790	0	108	0	0	0	0	0	311,404
Sunburst	2,108	0	3,278	19,357	0	0	0	0	291,402
Superior	21,868	95	0	41,543	0	0	0	0	808,871
Terry	21,749	0	0	14,392	0	0	0	0	530,386
Thompson Falls	35,303	0	0	25,123	0	0	0	0	1,037,459
Three Forks	27,166	0	0	3,140	0	0	0	0	1,006,401
Townsend	37,466	0	4,785	32,156	0	0	140	0	1,484,015
Troy	27,930	0	527	18,856	0	0	0	0	671,914
Twin Bridges	6,908	0	0	5,115	0	0	0	0	368,861
Valier	4,104	0	0	3,266	0	0	0	0	532,337
Virginia City	0	0	0	0	0	0	0	0	216,644
Walkerville	4,328	0	0	0	0	42	0	0	246,123
West Yellowstone	39,540	0	0	0	0	0	0	0	1,818,650
Westby	1,110	0	850	854	0	0	0	0	137,104
White Sulphur Sp	31,368	0	961	0	0	0	0	0	773,174
Whitefish	42,880	976	0	0	0	0	0	0	6,342,365
Whitehall	18,670	0	0	24,892	0	0	0	0	869,366
Wibaux	11,971	0	0	22,590	0	0	0	0	447,840
Winifred	2,930	0	3,213	0	0	0	0	0	88,866
Winnett	12,527	0	0	0	0	0	0	0	103,935
Wolf Point	44,325	0	0	18,767	0	0	0	0	1,950,101
Total	4,251,305	1,968	112,992	3,264,707	1,008,388	56	8,156	3,275	459,313,535

Exempt Furniture and Fixtures From Property Tax

Definition of Furniture and Fixtures :

- Office and Store Machines
- Radio and Phone Systems
- Medical and Dental Equipment
- Hotel, Motel and Apartment Furniture
- Bar and Restaurant Equipment
- Computer Hardware and Software ✕
- Data Processing Equipment
- Vending Machines
- Gas Pumps

**Exempt Furniture and Fixtures From Property Tax
Impact to TY 1990 Taxable Value and Tax Dollars**

	<u>Reduction in Taxable Value</u>	<u>Reduction in Tax Dollars</u>
Commercial	\$30,950,000	\$12,100,000
Utilities	3,900,000	1,240,000
Total	\$34,850,000	\$13,340,000

33.22/5

Exempt Furniture and Fixtures From Property Tax

Estimated Annual Savings in Administrative Costs:

\$533,000

3/10/5

Impact of HB 20 (Personal Property Tax Reduction)

<u>Tax Year</u>	<u>Mill Levies Used</u>	<u>Taxable Value</u>	<u>Tax Dollars</u>
1990	TY 1990	\$61,865,000	\$19,262,000
1989	TY 1990	53,956,000	18,285,700
Difference due to using TY 1989 as a Base Year in Reimbursement Payment Formula >>>>>>>			
		\$7,909,000	\$976,300

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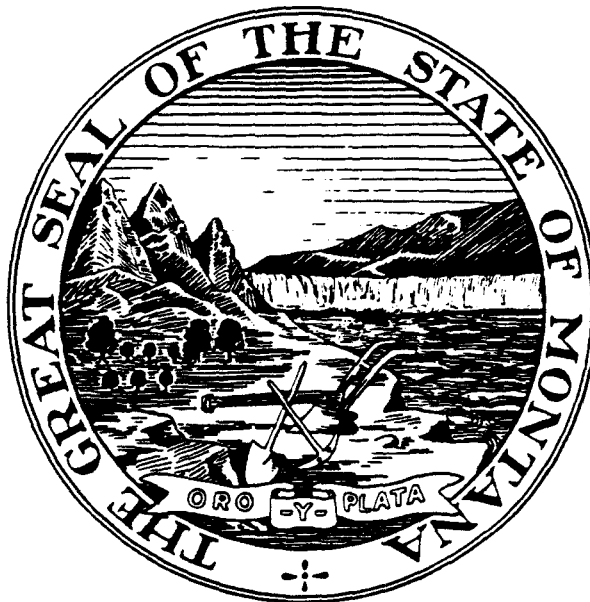
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Impact of HB 20 (Personal Property Tax Reduction) on TY 90 Taxable values

Loss in Taxable Value			Loss in Tax Revenue					
County	Dollars	Percent	Foundation Program	U System	Counties	Schools	Cities/ Towns	Total
Beaverhead	800,469	4.11%	24,019	3,803	48,308	95,468	11,486	182,883
Big Horn	2,823,169	10.52%	112,927	16,939	176,392	340,215	8,550	655,023
Blaine	451,189	3.32%	18,048	2,707	29,843	74,510	9,091	134,200
Broadwater	393,733	3.24%	15,749	2,382	28,461	40,556	2,924	90,052
Carbon	425,551	2.59%	17,022	2,553	25,167	72,573	8,772	126,087
Carter	177,547	3.21%	7,102	1,065	16,863	20,530	1,068	46,628
Cascade	2,523,453	2.79%	100,938	15,141	238,138	480,157	166,914	1,001,289
Chouteau	1,000,830	4.04%	40,033	6,005	75,933	146,373	7,409	275,753
Custer	438,359	3.02%	17,534	2,630	40,864	89,476	30,548	181,052
Daniels	314,585	4.89%	12,583	1,888	34,088	62,796	3,915	115,270
Dawson	618,954	3.33%	24,758	3,714	53,515	119,932	22,260	224,178
Deer Lodge	177,465	2.06%	7,099	1,065	29,857	28,752	1,223	67,995
Fallon	1,077,113	7.77%	43,085	6,463	30,410	99,743	5,343	185,043
Fergus	937,271	4.53%	37,481	5,624	69,452	170,261	25,555	308,383
Flathead	3,260,210	3.47%	130,408	19,561	329,092	630,896	128,783	1,238,740
Gallatin	2,852,882	4.01%	114,115	17,117	203,981	506,234	138,169	979,617
Garfield	194,965	3.71%	7,799	1,170	20,384	21,178	787	51,317
Glacier	761,270	4.00%	30,451	4,568	34,135	89,215	14,294	172,683
Golden Valley	121,572	2.36%	4,863	729	6,299	16,380	255	28,526
Granite	203,258	2.77%	8,130	1,220	18,793	33,313	3,975	65,431
Hill	1,082,720	3.65%	43,309	6,496	78,725	156,576	24,047	308,153
Jefferson	1,737,922	7.83%	69,517	10,428	108,151	304,113	2,840	495,048
Judith Basin	234,093	2.66%	9,364	1,405	20,734	32,495	1,009	65,006
Lake	766,444	2.67%	30,658	4,599	65,116	114,856	21,313	236,541
Lewis And Clark	1,942,160	2.95%	77,686	11,653	195,750	388,289	118,877	792,255
Liberty	399,738	4.24%	15,990	2,398	34,537	46,875	1,248	101,048
Lincoln	2,326,211	7.19%	93,048	13,957	97,631	410,447	12,659	627,743
Madison	910,176	4.77%	36,407	5,461	54,074	121,698	4,430	222,070
McCone	423,111	5.42%	16,924	2,539	49,204	58,358	4,147	131,172
Meagher	174,193	2.17%	6,968	1,045	13,011	19,286	1,709	42,018
Mineral	216,528	2.70%	8,661	1,299	19,442	45,664	2,036	77,102
Missoula	5,930,409	5.13%	237,216	35,582	594,583	1,186,671	264,416	2,318,469
Musselshell	276,744	4.08%	11,070	1,660	24,756	44,573	2,714	84,773
Park	1,390,378	6.22%	55,615	8,342	91,334	212,774	38,995	407,060
Petroleum	58,867	3.37%	2,355	353	4,618	9,841	75	17,242
Phillips	1,005,429	4.27%	40,217	6,033	44,721	131,298	6,872	229,141
Pondera	663,044	4.53%	26,522	3,978	60,078	106,556	9,173	206,307
Powder River	529,057	8.77%	21,162	3,174	66,942	66,234	1,630	159,142
Powell	401,010	3.20%	16,040	2,406	30,597	69,011	4,391	122,445
Prairie	165,585	3.89%	6,623	994	18,512	18,012	1,885	46,026
Ravalli	720,729	2.41%	28,829	4,324	55,741	117,998	23,979	230,871
Richland	1,669,548	7.53%	66,782	10,017	103,178	289,579	15,189	484,745
Roosevelt	1,019,380	3.96%	40,775	6,116	61,785	164,299	10,234	283,208
Rosebud	2,540,140	1.42%	101,606	15,241	18,939	194,470	5,929	336,184
Sanders	325,422	1.36%	13,017	1,953	21,263	44,355	7,255	87,842
Sheridan	1,305,208	10.49%	52,208	7,831	48,019	178,173	9,051	295,282
Silver Bow	2,459,019	5.19%	98,361	14,754	299,336	469,179	258	881,888
Stillwater	861,211	4.69%	34,448	5,167	64,961	137,184	14,084	255,846
Sweet Grass	177,207	2.30%	7,088	1,063	16,099	30,622	4,223	59,096
Teton	636,909	4.20%	25,476	3,821	57,723	107,324	6,001	200,346
Toole	1,120,900	6.38%	44,836	6,725	81,433	147,700	12,761	293,455
Treasure	105,012	2.13%	4,200	630	8,234	14,934	867	28,865
Valley	684,184	2.60%	27,367	4,105	41,078	133,869	15,726	222,146
Wheatland	137,064	1.82%	5,483	822	11,417	18,786	1,858	38,365
Wibaux	314,636	7.53%	12,585	1,888	24,425	31,511	1,653	72,062
Yellowstone	7,800,907	4.05%	312,036	46,805	619,704	1,380,634	312,648	2,671,828
Statewide	61,865,138	4.24%	2,474,606	371,191	4,715,827	10,142,800	1,557,502	19,261,925

EXHIBIT 9
DATE 1-10-91
HB Joint Session

Montana Department of Revenue



Sales-Assessment Ratio Study
Tax Year 1990

State of Montana

Stan Stephens, Governor



Department of Revenue

Denis Adams, Director

Room 455, Sam W. Mitchell Building

Helena, Montana 59620

April, 1990

The basic information for this study was furnished by the local county Appraisers from records in their respective counties. Sales prices were extracted from documents filed by the public under the Realty Transfer Act (Section 15-7-301, MCA).

The Montana Department of Revenue extends its thanks to its county Appraisers, to the county Clerk and Recorders, and to the public for making this data available.

The collection of the information and the preparation of this report was done by the Department's Property Assessment Division, and Research Bureau. Questions about this study should be directed to:

Office of Research and Information
Room 420, Sam Mitchell Building
Helena, Montana 59620

Telephone: 406-444-2981

Sincerely,

A handwritten signature in cursive script that reads "Denis Adams".

Denis Adams
Director

INTRODUCTION

One of the goals when appraising property is to appraise it at 100 percent of true market value (§ 15-8-111, MCA). In Montana, property is reappraised in five year cycles. However, while the appraised value of property during this five year cycle remains constant, the true market value of property can change considerably due to such factors as inflation and economic trends. With this in mind, the 1987 Legislature passed House Bill 436 directing the Department of Revenue to conduct annual sales assessment ratio studies.

The objective of the studies is to estimate the overall level of appraisal for specific property types in different areas throughout the state. The performance of property appraisals is measured by estimating any disparity between the value at which property is appraised and its current market value. If it is shown that the overall level of appraisals differs significantly from the current market values, appraised values are adjusted to current market values.

Under the guidelines of House Bill 436, the Department conducted two sales assessment ratio studies. The studies were for the 1988 and 1989 property tax years. The 1989 Montana Legislature revised the sales assessment ratio law by enacting House Bill 703. The law became effective for the 1990 property tax year. While the changes included in House Bill 703 improved the effectiveness of the sales assessment ratio studies and corrected conflicts with other statutes, the objective of the studies remained the same.

The most common method of measuring the performance of property appraisal is with sales assessment ratio studies. The studies analyze the relationship of the appraised value and sale value of property sold in arm's length transactions. This overall relationship between appraised values and sales values in an area is represented by the value weighted mean.

DEFINITION OF TERMS

Appraised Value - The total appraised value (both land and improvements) of a parcel.

Arms-Length Transaction - A transaction in which property changes hands between a willing buyer and a willing seller, neither being under an compulsion to buy or to sell and both having a reasonable knowledge of the relevant facts.

Date of Sale - The date on which the deed was signed by the grantor and delivered to the grantee unless otherwise specified in the deed. Not necessarily the date on which the transaction was recorded with the county Clerk and Recorder.

Market Value - The value at which property is sold in an arms-length transaction.

Sale Price - The actual consideration paid less any amount which does not relate to the purchase of the real property such as unattached personal property, leases, or easements.

Sale Ratio - The ratio computed by dividing the sales price of a parcel by its appraised value.

Value Weighted Mean - The ratio computed by dividing the sum of the appraised values of all valid sales in the area by the sum of the sale values of all valid sales in an area. This ratio is an estimate of the over-all level of assessment for the area. A ratio less than 1.00 indicates that over-all property is under appraised. A ratio greater than 1.00 indicates that over-all property is over appraised.

FORMAT OF THE STUDIES

There were four major steps in completing the studies for tax year 1990. Those steps were:

- 1) Determining the study areas.
- 2) Collecting the data.
- 3) Analyzing the statistics.
- 4) Reporting the final results.

1. Determining the study areas.

The Department was directed to have residential and commercial study areas. There can be as many as 100 residential property areas and 20 commercial property areas. The law directs the Department to choose areas that are economically, demographically, and geographically similar (§ 15-7-111,(5)(c), MCA). The intent is to group like properties which would be effected in the same way by existing economic factors. The Department carefully considered factors affecting property valuations and divided the state into 47 areas for residential property and 8 areas for commercial property. The criteria for determining the areas and the delineation of the areas has been adopted as administrative rules by the Department. Appendix A contains maps showing the residential and commercial areas for the study.

2. Collecting the data.

Data needed to conduct the studies come from two sources -- the data collection file and the realty transfer certificate.

Appraisal and property data comes from the data collection file. These are standard files used by appraisal staff throughout the state. The files are designed to create a comprehensive and detailed list of property attributes.

A file is completed for each unit of real residential and commercial property in the state. Computer files containing the data are maintained by the Property Assessment Division.

Sales data comes from realty transfer certificates (RTC). The law requires an RTC be filed with the county Clerk and Recorder whenever the title of real property is conveyed, (§ 15-7-304, MCA). The realty transfer certificate is a confidential document and is afforded the security necessary to maintain its confidentiality (§ 15-7-308, MCA). The only information that does not apply to this restriction are the summaries, analyses and evaluations based upon these certificates. This study is such an analysis.

After the RTC is filed with the county Clerk and Recorder, it is transmitted to the county appraiser for processing. The appraiser reviews the certificate, the terms of the sale, the individuals involved in the sale, etc. to determine if it is valid sale.

Valid sales are forwarded to division headquarters in Helena for processing. Sales are reviewed for clerical completeness and computer processed. The documents sent in for processing and the computer edit reports are reviewed by the appraisal staff. If errors are discovered, they are corrected. These steps are monitored by the division's supervisory staff to insure that the sale information collected is accurate.

Not all sales reported and stored on the computer files are used in the studies. The law requires that only valid, arm's-length transactions may be used in the sales assessment ratio studies. Generally speaking, the following are types of sales that are not considered to be arm's-length.

- 1) Property is agricultural land or timber land which will remain in that use.
- 2) Transfer involves the U.S., State or other governmental agency.
- 3) Transfer is to correct, modify or supplement a previously recorded instrument. No additional consideration is made.
- 4) Transfer is pursuant to a court decree.
- 5) Transfer is pursuant to a merger, consolidation or reorganization of a business entity.
- 6) Transfer is from a subsidiary to a parent corporation without actual consideration.
- 7) Transfer is pursuant to a decedent's estate.
- 8) Transfer is a gift.
- 9) Transfer is between husband and wife or parent and child with nominal actual consideration.
- 10) Purchaser and seller are identical parties.
- 11) Transfer is pursuant to delinquent taxes, sheriff sale, bankruptcy, or foreclosure.

- 12) Transfer is made in contemplation of death without actual consideration.
- 13) Instrument does not transfer realty:
 - Mineral Interest, lease or royalty.
 - Assignment of interest as collateral.

The law requires the Department to exclude from the studies: 1) any parcels in which the improvements have been remodeled, reconstructed, or expanded between the time of the assessment and the time of the sale; and 2) any sale with a sales assessment ratio of less than 50 percent or greater than 200 percent is excluded from the study.

For valid sales, the data from the RTC is matched and merged with the appropriate data from the appraisal file to create a sales history data base. The sales history data base contains the information necessary for the analysis. The primary pieces of information needed (for each property unit) are: the current appraised value, the sale price, location and type of property sold, and the sale date.

3. Analyzing the Statistics.

The purpose of the statistical analysis is to estimate the relationship between the appraised value and the market value (sales price) for each area. The value weighted mean ratio is the measure of overall level of assessment used. The value weighted mean ratio is computed by dividing the total appraised value of all the study sales in the area by their total sales price.

A technical and detailed explanation of the statistical procedures can be found in A.R.M. 42.20.423 and 42.20.426.

Generally, for residential property, this computation is straightforward since only the most recent year of sales is included in the analysis. When using one year of sale data, all sales are considered to be at the same point in time.

For commercial property, the estimation of the overall level of assessment is more complicated. Since three years of sales are used, the date of sale is used and all sales prices are adjusted to the common date of November 1, 1989. This is done to account for the influence of time on sales prices and to adjust the sales prices to the common date of November 1, 1989. A regression procedure is used to estimate the influence of time on sales prices by estimating a monthly rate of change in sales prices due to economic trends. If the time trend is statistically significant, the original sales price is adjusted (compounded) by the estimated rate of change for each month between the sales date and November 1, 1989. Once all commercial sales prices are adjusted, the value weighted mean ratio is computed using the adjusted sales prices.

Once the value weighted mean ratio is calculated, the percentage adjustment necessary to bring the overall assessment level up to 95 percent, or down to 105 percent, of current market values can be easily computed. First the inverse of the value weighted mean ratio is computed, then 5 percent is added or subtracted to this inverse (so that is closer to 1). This provides the adjustment necessary to bring the level of assessment to the 95/105 percent level.

4. Reporting the results.

The summary results of the sales assessment ratio studies for tax year 1990 are listed in the following tables.

Table 1 - HB 703 Sales Ratio Studies -- Percentage Adjustments
for Tax Year 1990 (Residential Areas)

Table 2 - HB 703 Sales Ratio Studies -- Percentage Adjustments
for Tax Year 1990 (Commercial Areas)

Table 3 - HB 703 Sales Ratio Studies -- Summary Statistics
(Residential Areas)

Table 4 - HB 703 Sales Ratio Studies -- Summary Statistics
(Commercial Areas)

Table 5 - HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value
Residential Property

Table 6 - HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value
Commercial Property

Table 1
HB 703 Sales Ratio Studies
Percentage Adjustments for Tax Year 1990

<u>RESIDENTIAL AREAS</u>		<u>Value Weighted Mean Ratio</u>	<u>Adjustment Factor</u>
Area 1	Carbon County	0.9802	0
Area 2	Rural Cascade County	0.9015	5
Area 2.1	Great Falls Downtown	0.7412	30
Area 2.2	Great Falls East	0.7303	32
Area 2.3	Great Falls South	0.8062	20
Area 2.4	Great Falls Southwest	0.8734	9
Area 2.5	Great Falls West	0.8938	7
Area 2.6	Great Falls Northwest	0.8381	14
Area 3	Remainder of Gallatin County	0.9272	3
Area 3.1	Gallatin Canyon and Bozeman Fringe	0.8107	18
Area 3.2	W. & E. of Bozeman	0.8978	6
Area 3.3	Bozeman	0.8492	13
Area 4	Jefferson County	0.8492	13
Area 5	Lewis and Clark County	1.0107	0
Area 5.1	Helena Area	0.9584	0
Area 6	Lincoln County	0.9744	0
Area 7"	North & West Madison	0.9530	0
Area 7.1	Southern Madison County	0.8407	14
Area 8	Missoula County	0.9062	5
Area 8.1	Eastern Urban Missoula	0.9513	0
Area 8.2	Central Urban Missoula	0.9694	0
Area 8.3	Western Urban Missoula	0.9579	0
Area 9	Rural Silver Bow County	0.9294	3
Area 9.1	Butte Flats & West Side	0.8403	14
Area 10	Stillwater County	1.0165	0
Area 11	Yellowstone County	1.0848	-3
Area 11.1	Billings Lockwood	1.1818	-10
Area 11.2	Billings South Side	1.2409	-14
Area 11.3	Billings South West Side	1.0855	-3
Area 11.4	Billings West Side	1.0661	-1
Area 11.5	Billings Heights	1.0913	-3
Area 11.6	Laurel	1.0894	-3

* * * * * Continued * * * * *

Table 1 - Continued
HB 703 Sales Ratio Studies
Percentage Adjustments for Tax Year 1990

<u>RESIDENTIAL AREAS</u>		<u>Value Weighted Mean Ratio</u>	<u>Adjustment Factor</u>
Area 12	Mineral and Sanders Counties	0.9538	0
Area 13	Remainder of Flathead Co.	0.8775	9
Area 13.1	Kalispell Area	0.9205	4
Area 13.2	Columbia Falls	0.9799	0
Area 14	Fergus, Golden Valley, Judith Basin Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland Counties	0.9785	0
Area 15	Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park and Powell	0.9529	0
Area 16	Blaine, Glacier, Phillips and Roosevelt Counties	1.0250	0
Area 17	Big Horn and Rosebud Counties	0.9173	4
Area 18	Dawson, Fallon, Powder River, Richland and Wibaux Counties	1.1937	-11
Area 19	Chouteau, Hill, Liberty, Pondera, Teton and Toole Counties	0.9891	0
Area 19.1	Havre Area	1.0063	0
Area 20	Carter, Custer, Daniels, Garfield, McCone, Prairie, Sheridan and Valley Counties	1.0639	-1
Area 20.1	Miles City Area	1.1209	-6
Area 21	Lake County	0.9678	0
Area 22	Ravalli County	0.9131	5

* According to rule criteria, three years of sales were used.

Table 2
HB 703 Sales Ratio Studies
Percentage Adjustments for Tax Year 1990

<u>COMMERCIAL AREAS</u>	<u>Value Weighted Mean Ratio</u>	<u>Adjustment Factor</u>
Area 100 Silver Bow and Lewis & Clark	0.9243	3
Area 200 Cascade County	1.0218	0
Area 300 Yellowstone County	1.3543	-21
Area 400 Missoula County	0.9743	0
Area 600 Gallatin County	0.9728	0
Area 700 Flathead County	1.0039	0
Area 500 Beaverhead, Broadwater, Deer Lodge, Granite, Jefferson, Lake, Lincoln, Meagher, Mineral, Park, Powell, Ravalli and Sanders Counties	0.9525	0
Area 800 Rest of Eastern Montana	1.1317	-7

Table 3
HB 703 Sales Ratio Studies
Summary Statistics

<u>RESIDENTIAL AREAS</u>		<u>Number of Study Sales</u>	<u>Average Sale Price</u>	<u>Average Appr Value</u>
Area 1	Carbon County	111	32,715	32,069
Area 2	Rural Cascade County	114	44,881	40,461
Area 2.1	Great Falls Downtown	243	39,545	29,310
Area 2.2	Great Falls East	240	54,412	39,737
Area 2.3	Great Falls South	99	57,876	46,661
Area 2.4	Great Falls Southwest	106	87,620	76,526
Area 2.5	Great Falls West	111	47,722	42,653
Area 2.6	Great Falls Northwest	144	52,391	43,911
Area 3	Remainder of Gallatin County	90	26,693	24,750
Area 3.1	Gallatin Canyon and Bozeman Fringe	349	64,590	52,362
Area 3.2	W. & E. of Bozeman	79	46,444	41,696
Area 3.3	Bozeman	276	62,157	52,783
Area 4	Jefferson County	55	55,680	47,281
Area 5	Lewis and Clark County	59	38,114	38,523
Area 5.1	Helena Area	400	57,222	54,840
Area 6	Lincoln County	235	31,127	30,330
Area 7	North & West Madison	103	30,917	29,463
Area 7.1	Southern Madison County	45	43,385	36,472
Area 8	Missoula County	91	42,700	38,695
Area 8.1	Eastern Urban Missoula	473	63,782	60,673
Area 8.2	Central Urban Missoula	134	42,284	40,992
Area 8.3	Western Urban Missoula	191	58,943	56,463
Area 9	Rural Silver Bow County	68	27,811	25,847
Area 9.1	Butte Flats & West Side	187	41,050	34,496
Area 10	Stillwater County	21	46,667	47,435
Area 11	Yellowstone County	104	45,584	49,450
Area 11.1	Billings Lockwood	113	44,690	52,815
Area 11.2	Billings South Side	77	33,725	41,849
Area 11.3	Billings South West Side	378	49,494	53,728
Area 11.4	Billings West Side	335	75,554	80,551
Area 11.5	Billings Heights	169	67,035	73,155
Area 11.6	Laurel	78	42,890	46,723

* * * * * Continued * * * * *

Table 3 - Continued
HB 703 Sales Ratio Studies
Summary Statistics

<u>RESIDENTIAL AREAS</u>		<u>Number of Study Sales</u>	<u>Average Sale Price</u>	<u>Average Appr Value</u>
Area 12	Mineral and Sanders Counties	142	23,473	22,389
Area 13	Remainder of Flathead Co.	413	49,621	43,543
Area 13.1	Kalispell Area	486	49,411	45,484
Area 13.2	Columbia Falls	116	33,159	32,494
Area 14	Fergus, Golden Valley, Judith Basin Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland Counties	175	31,849	31,164
Area 15	Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park and Powell	329	35,437	33,767
Area 16.1	Blaine, Glacier, Phillips and Roosevelt Counties	127	32,647	33,465
Area 17	Big Horn and Rosebud Counties	69	43,185	39,613
Area 18	Dawson, Fallon, Powder River, Richland and Wibaux Counties	133	37,661	44,955
Area 19	Chouteau, Hill, Liberty, Pondera, Teton and Toole Counties	162	29,698	29,374
Area 19.1	Havre Area	178	45,798	46,084
Area 20	Carter, Custer, Daniels, Garfield, McCone, Prairie, Sheridan and Valley Counties	68	30,964	32,942
Area 20.1	Miles City Area	127	32,303	36,210
Area 21	Lake County	108	45,776	44,302
Area 22	Ravalli County	348	42,883	39,156

Table 4
HB 703 Sales Ratio Studies
Summary Statistics

<u>COMMERCIAL AREAS</u>		<u>Number of Study Sales</u>	<u>Average Sale Price</u>	<u>Average Appr Value</u>
Area 100	Silver Bow and Lewis & Clark	151	79,855	73,806
Area 200	Cascade County	147	97,900	100,035
Area 300	Yellowstone County	186	123,181*	166,826
Area 400	Missoula County	158	113,013	110,103
Area 600	Gallatin County	211	97,370	94,723
Area 700	Flathead County	222	81,263	81,582
Area 500	Beaverhead, Broadwater, Deer Lodge, Granite, Jefferson, Lake, Lincoln, Meagher, Mineral, Park, Powell, Ravalli and Sanders Counties	215	64,049	61,008
Area 800	Rest of Eastern Montana	232	55,734	63,073

* According to rule criteria, time adjusted sales prices were used.

Table 5
HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value - Residential Property
March 26, 1990

<u>Area</u>	<u>Percent Change</u>	<u>Current Taxable</u>	<u>Change</u>
Area 4 -- Jefferson County	13%	4,360,269	566,835
Area 2 -- Cascade County	18%	38,327,924	6,641,244
- Great Falls	21%	28,421,408	5,923,021
Area 3 -- Gallatin County	13%	27,005,690	3,545,272
- Bozeman	13%	7,821,105	1,016,744
Area 9 -- Silver Bow County	11%	15,062,415	1,622,222
Area 7 -- Madison County	6%	5,416,995	315,811
Area 17 -- Big Horn & Rosebud Counties	4%	6,418,477	256,739
Area 13 -- Flathead County	6%	32,431,977	2,365,054
- Kalisp., Whitefish, Col. Falls	5%	10,475,284	516,432
Area 22 -- Ravalli County	5%	17,247,390	862,370
Area 8 -- Missoula County	1%	48,134,955	414,799
- Missoula	0%	18,077,036	0
Area 21 -- Lake County	0%	17,852,069	0
Area 1 -- Carbon County	0%	6,583,730	0
Area 5 -- Lewis and Clark County	0%	29,417,565	0
- Helena	0%	13,766,796	0
Area 6 -- Lincoln County	0%	9,975,788	0
Area 10 -- Stillwater County	0%	4,517,394	0
Area 12 -- Sanders and Mineral Counties	0%	5,694,711	0

* * * * * Continued * * * * *

Table 5 - Continued
HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value - Residential Property
March 26, 1990

Area	Percent Change	Current Taxable	Change
Area 14 -- Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland Counties	0%	13,416,101	0
Area 15 -- Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park, and Powell Counties	0%	25,497,740	0
Area 16 -- Blaine, Glacier, Phillips and Roosevelt Counties	0%	11,198,478	0
Area 19 -- Chouteau, Hill, Liberty, Pondera, Teton and Toole Counties	0%	24,127,450	0
- Havre	0%	4,908,489	0
Area 20 -- Carter, Custer, Daniels, Garfield, McCone, Prairie, Sheridan and Valley Counties	-2%	16,734,431	-390,016
- Miles City	-6%	3,662,368	-219,742
Area 11 -- Yellowstone County	-4%	82,115,438	-3,275,387
- Billings	-4%	58,141,463	-2,314,030
Area 18 -- Dawson, Fallon, Powder River, Richland and Wibaux Counties	-11%	14,288,688	-1,571,756
Change in Residential Taxable Value			11,353,188

* * * * * Continued * * * * *

Table 5 - Continued
HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value - Residential Property
March 26, 1990

* Subareas included in Residential Groupings:

Area 2 - Cascade County	7 Areas
Area 3 - Gallatin County	4 Areas
Area 4 - Jefferson County	1 Areas
Area 5 - Lewis & Clark County	2 Areas
Area 7 - Madison County	2 Areas
Area 8 - Missoula County	4 Areas
Area 9 - Silver Bow County	2 Areas
Area 11 - Yellowstone County	7 Areas
Area 13 - Flathead	3 Areas
Area 19 - Northcentral	2 Areas
Area 20 - Northeastern	2 Areas

Table 6
HB 703 -- Sales Ratio Study
Estimated Change in 1989 Taxable Value - Commercial Property
March 26, 1990

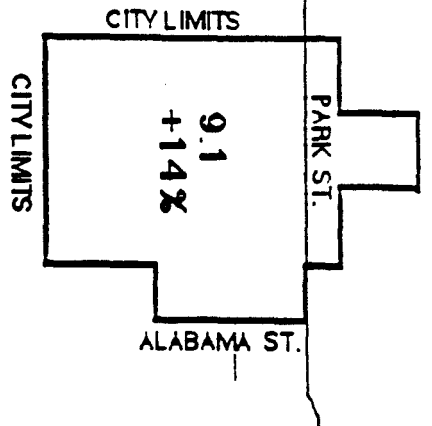
<u>Area</u>	<u>Percent Change</u>	<u>Current Taxable</u>	<u>Change</u>
Area 100 -- Lewis and Clark and Silver Bow Counties	3%	19,749,756	592,493
Area 500 -- Beaverhead, Broadwater, Deer Lodge, Granite, Jefferson, Lake, Lincoln, Meagher, Mineral, Park, Powell, Ravalli and Sanders Counties	0%	18,602,973	0
Area 200 -- Cascade County	0%	16,376,801	0
Area 400 -- Missoula County	0%	25,218,515	0
Area 600 -- Gallatin, Madison County	0%	17,263,913	0
Area 700 -- Flathead County	0%	18,887,146	0
Area 800 -- Rest of the State	-7%	32,146,721	-2,250,270
Area 300 -- Yellowstone County	-21%	48,562,500	<u>-10,198,125</u>
Change in Commercial Taxable Value			-11,855,902

APPENDIX A

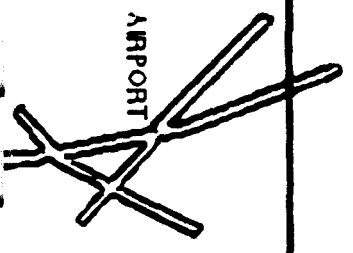
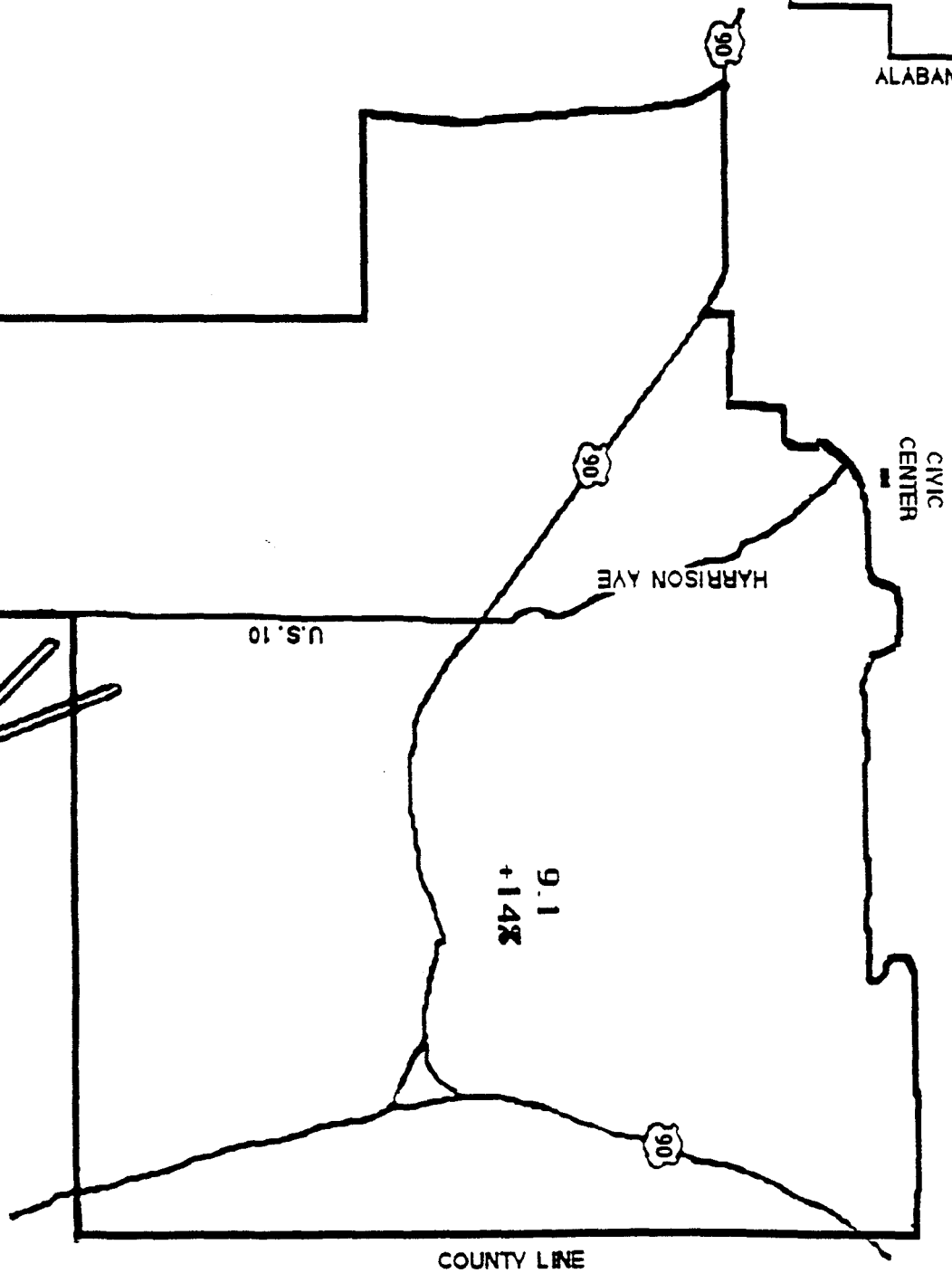
HB 703 Area Maps

1. State Residential Areas
2. State Commercial Areas
3. County/City
 - A. Great Falls
 - B. Flathead
 - C. Butte
 - D. Havre
 - E. Custer
 - F. Gallatin
 - G. Madison
 - H. Lewis & Clark
 - I. Billings
 - J. Yellowstone/Laurel
 - K. Missoula
 - L. Missoula County

- C -



9.0
+3%



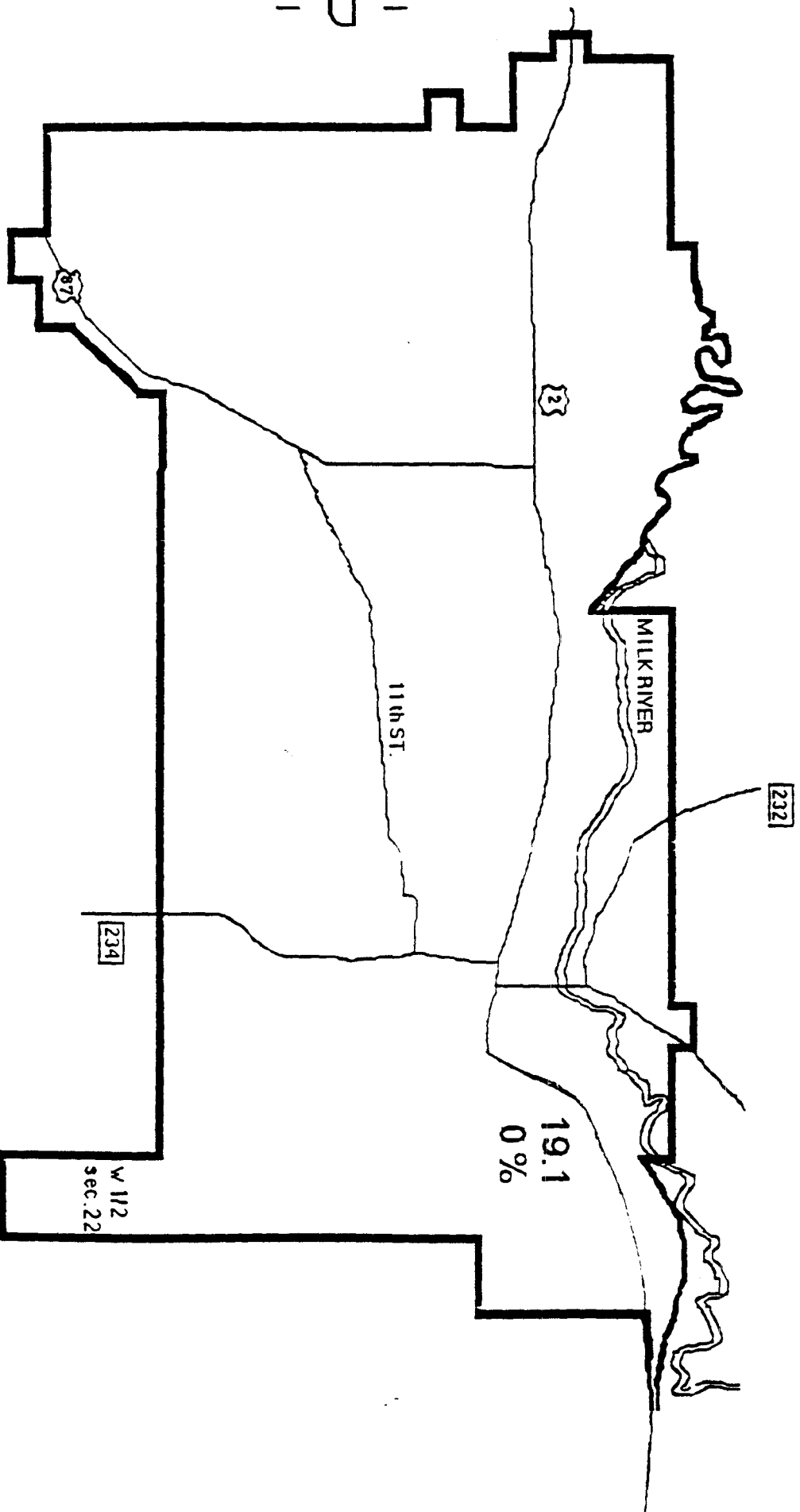
BUTTE

EXHIBIT 9

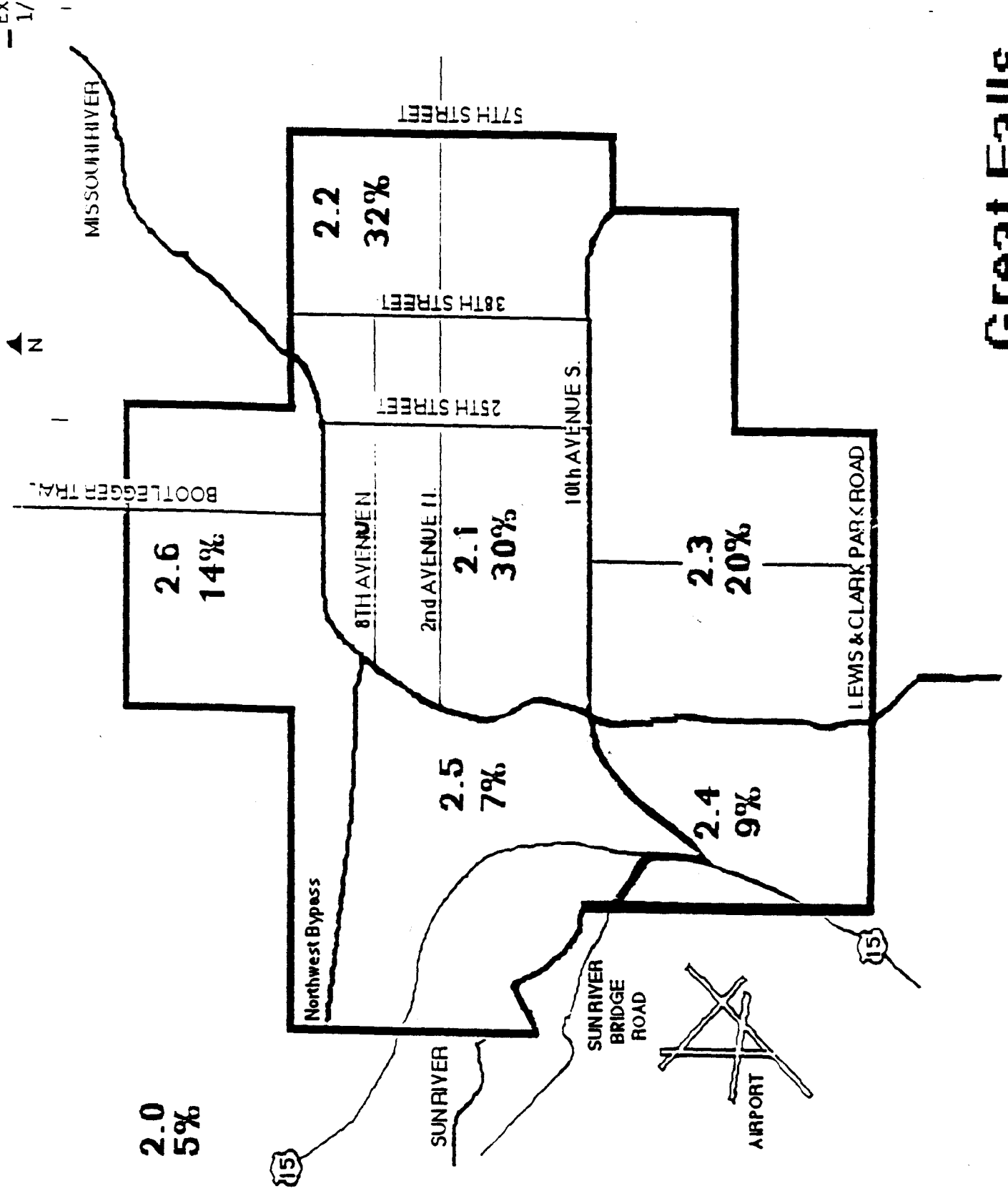
DATE 1-10-91

MR. J. G. Smith

19.0
0%

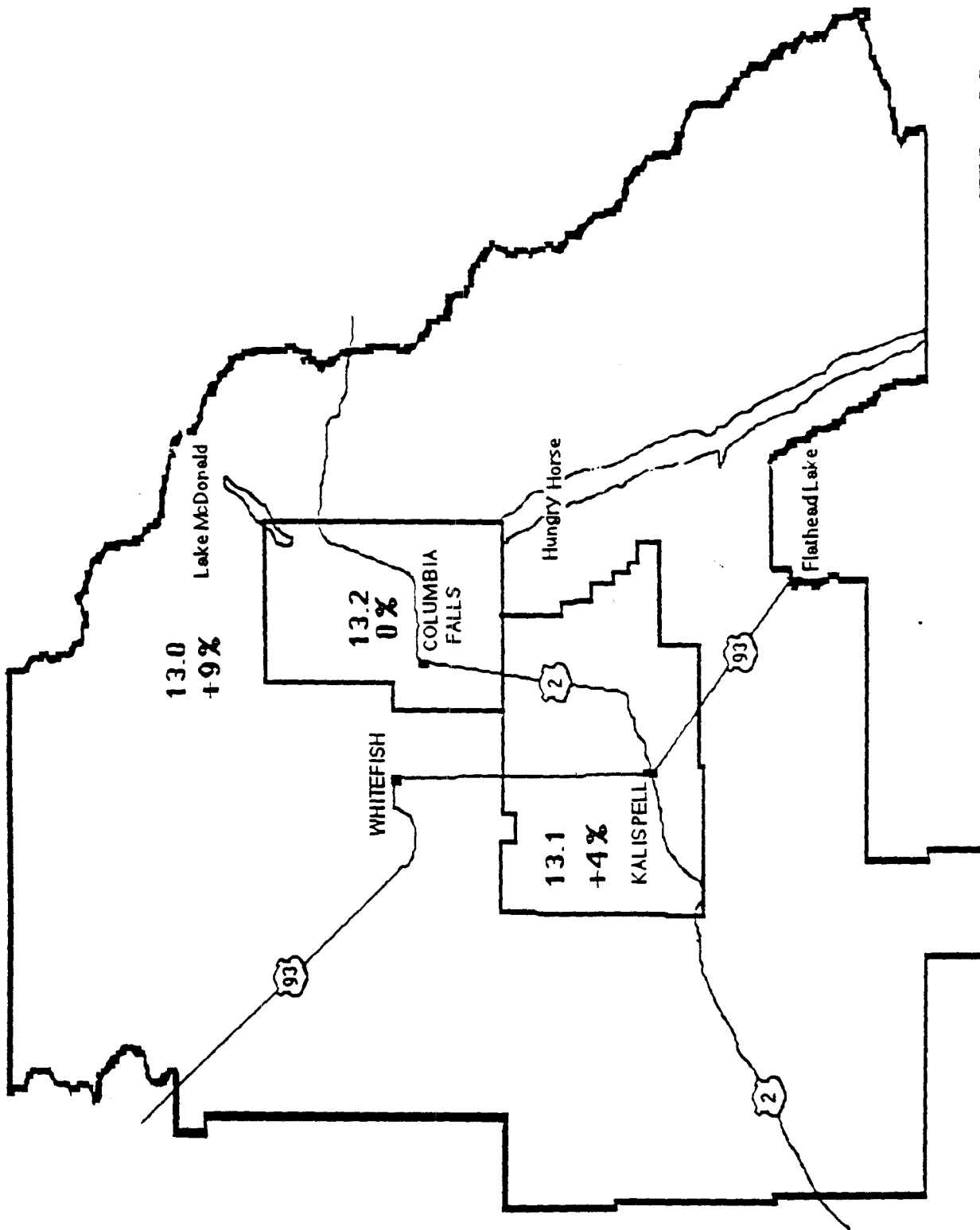


- D -

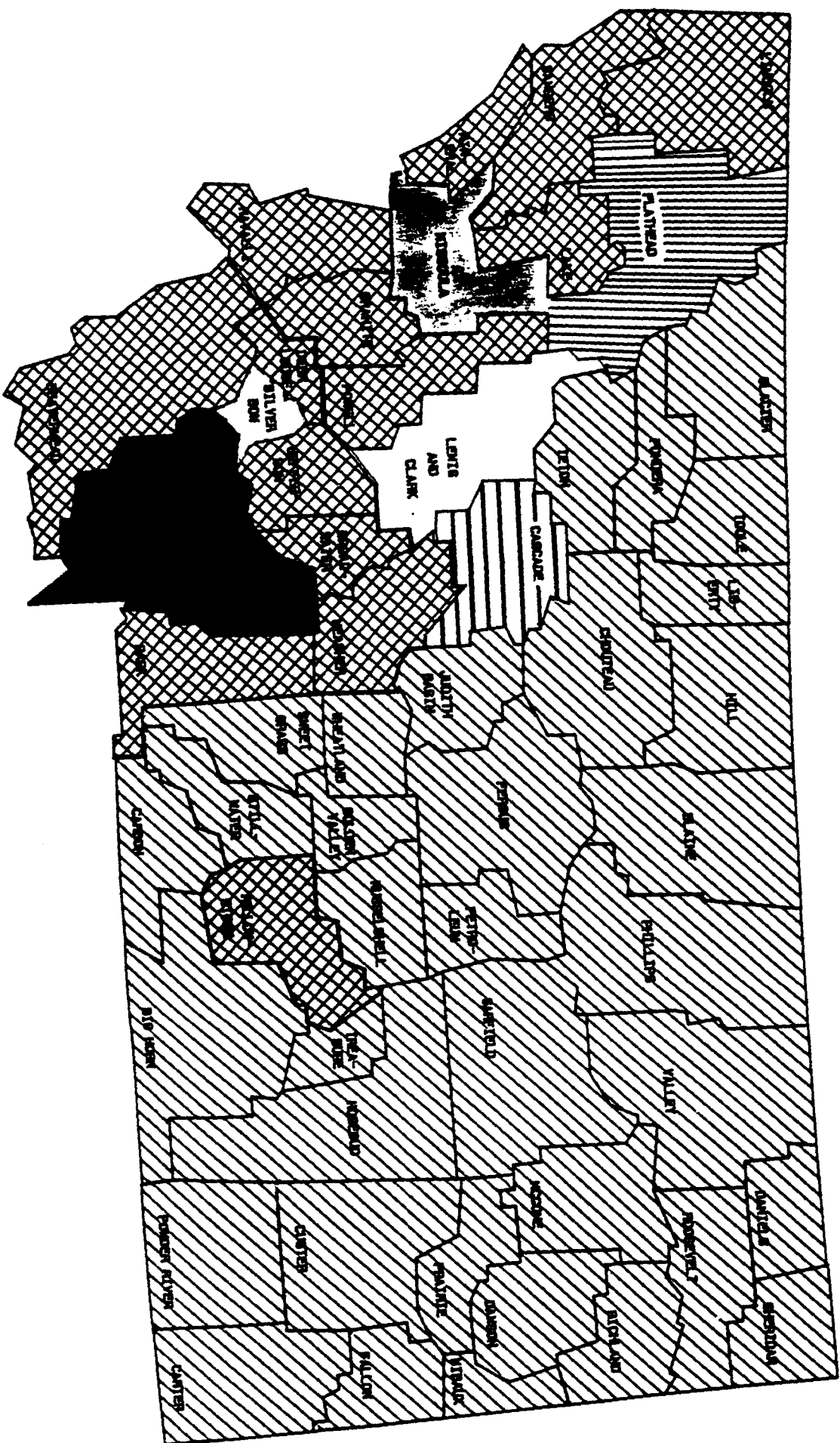


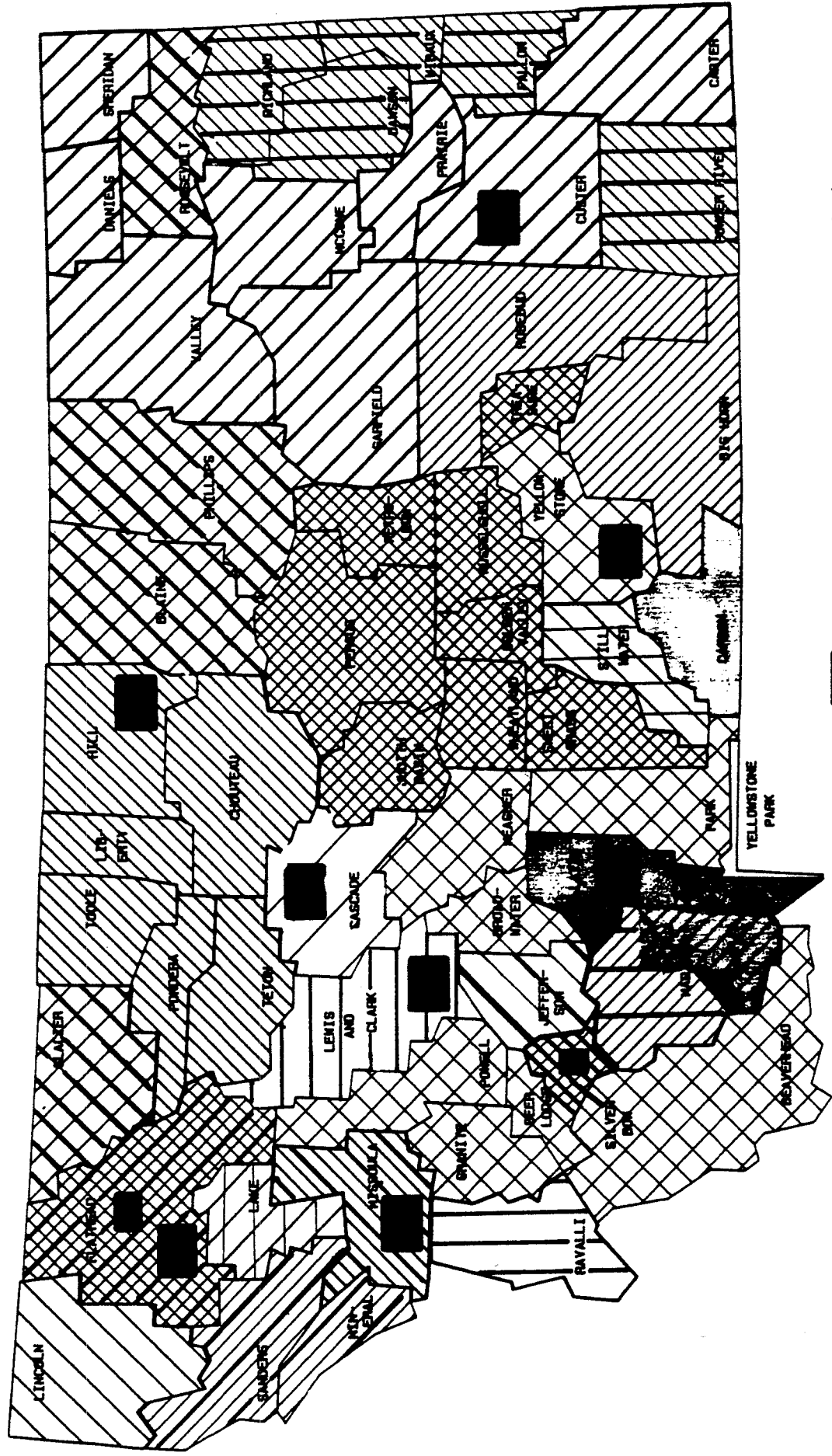
Great Falls

Flathead County



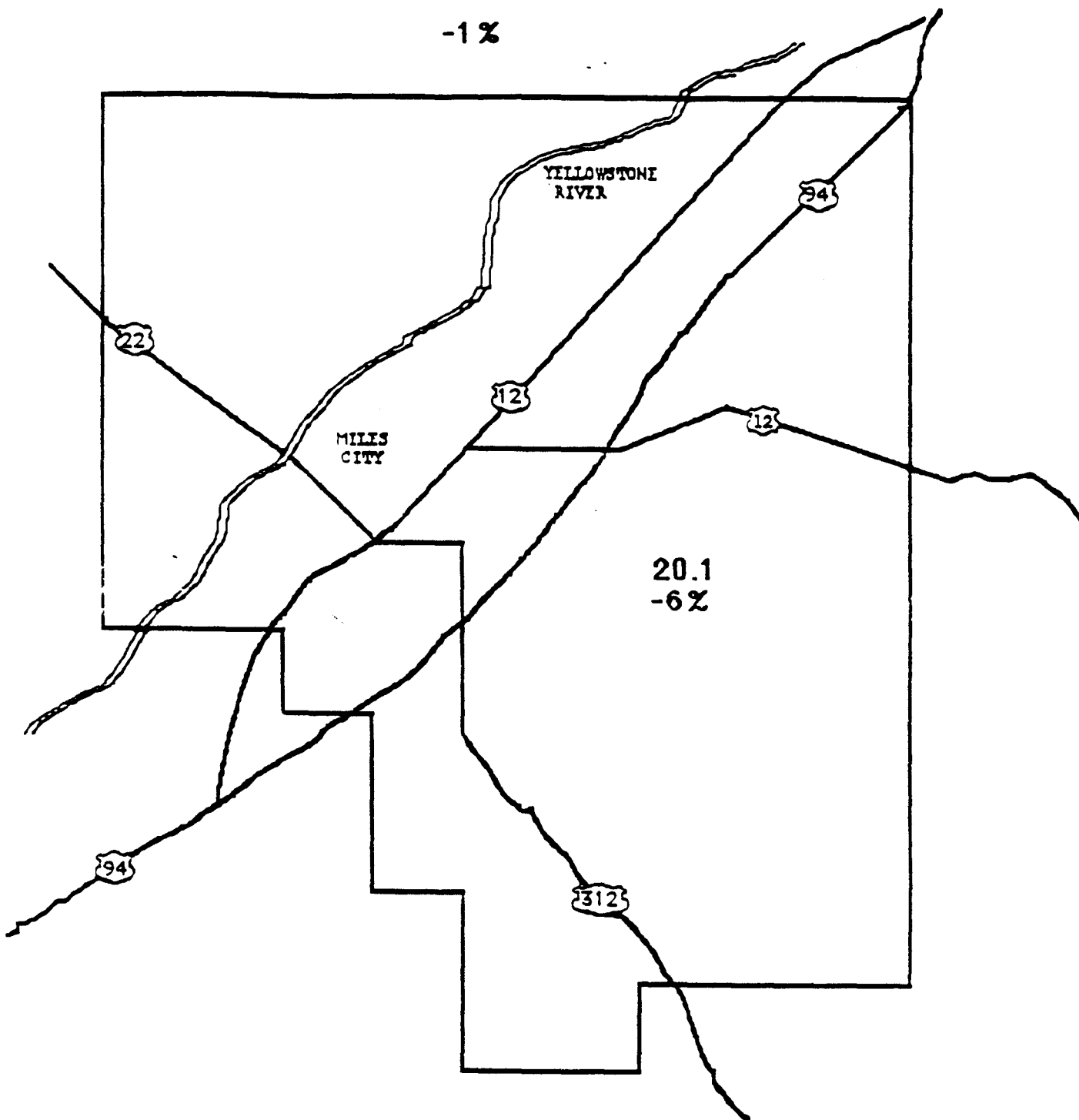
- 2 -



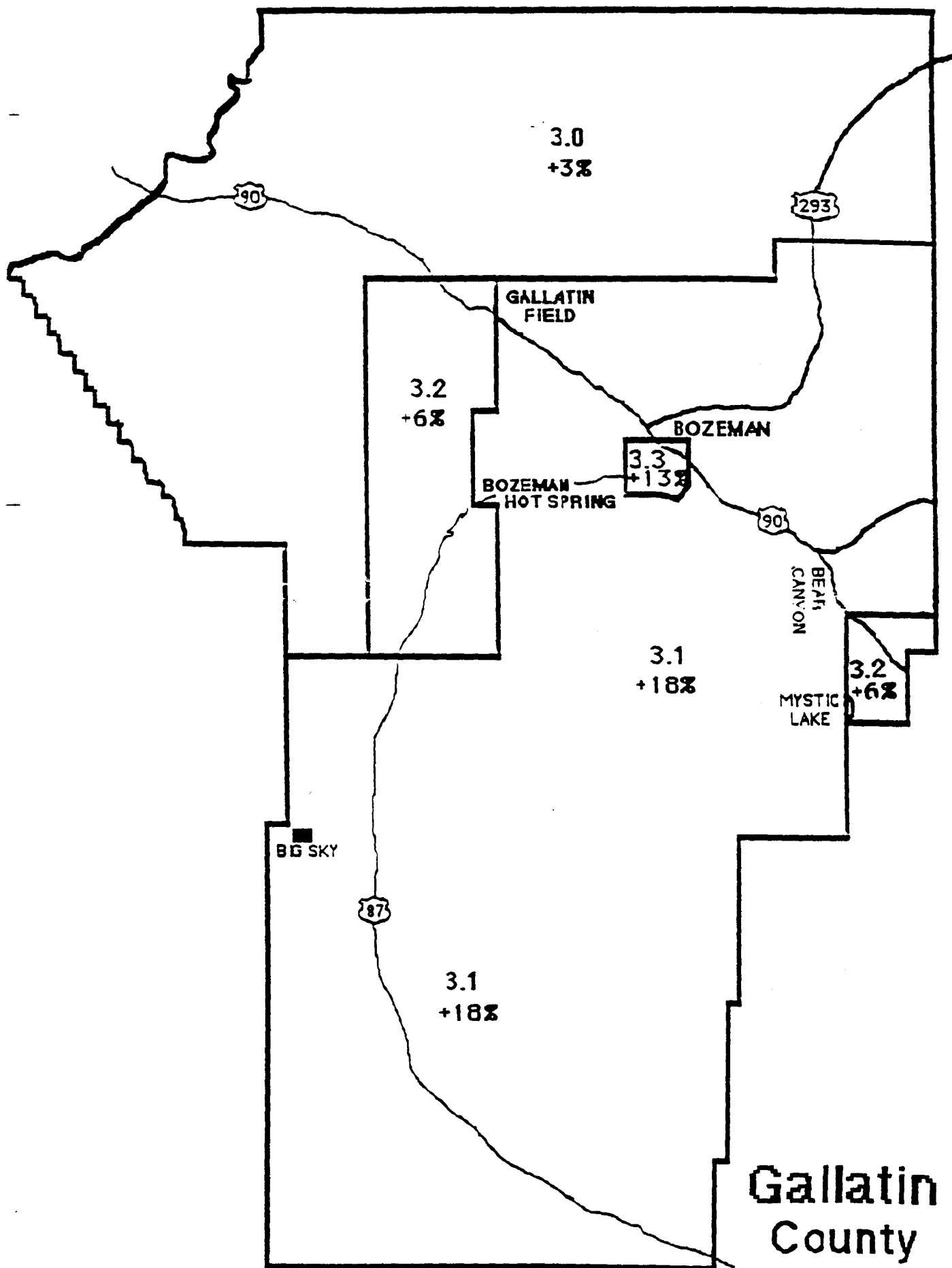
SALES ASSESSMENT RATIO STUDIES
RESIDENTIAL PROPERTY AREAS

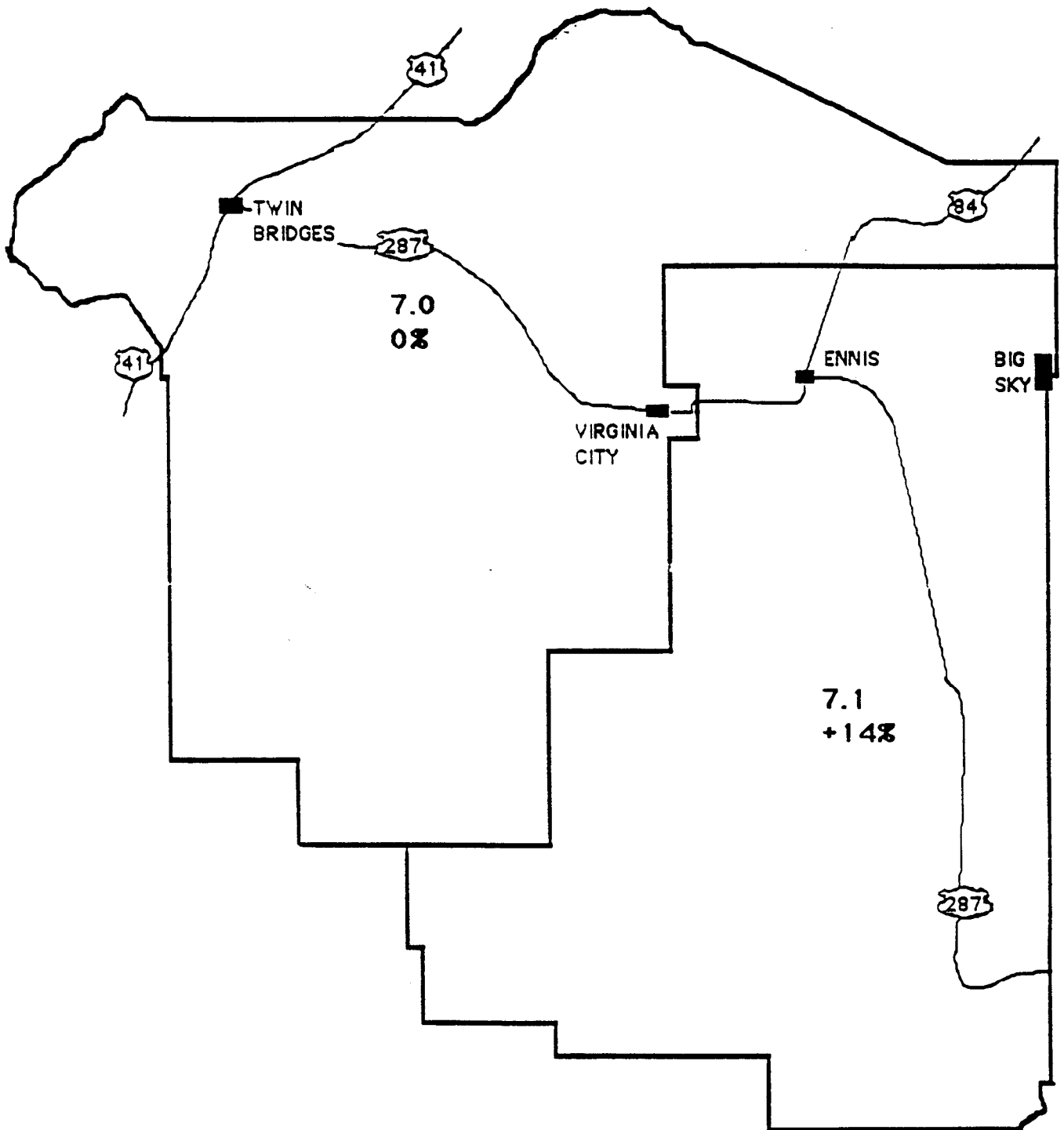
Separate City Area (s)

20
-1%

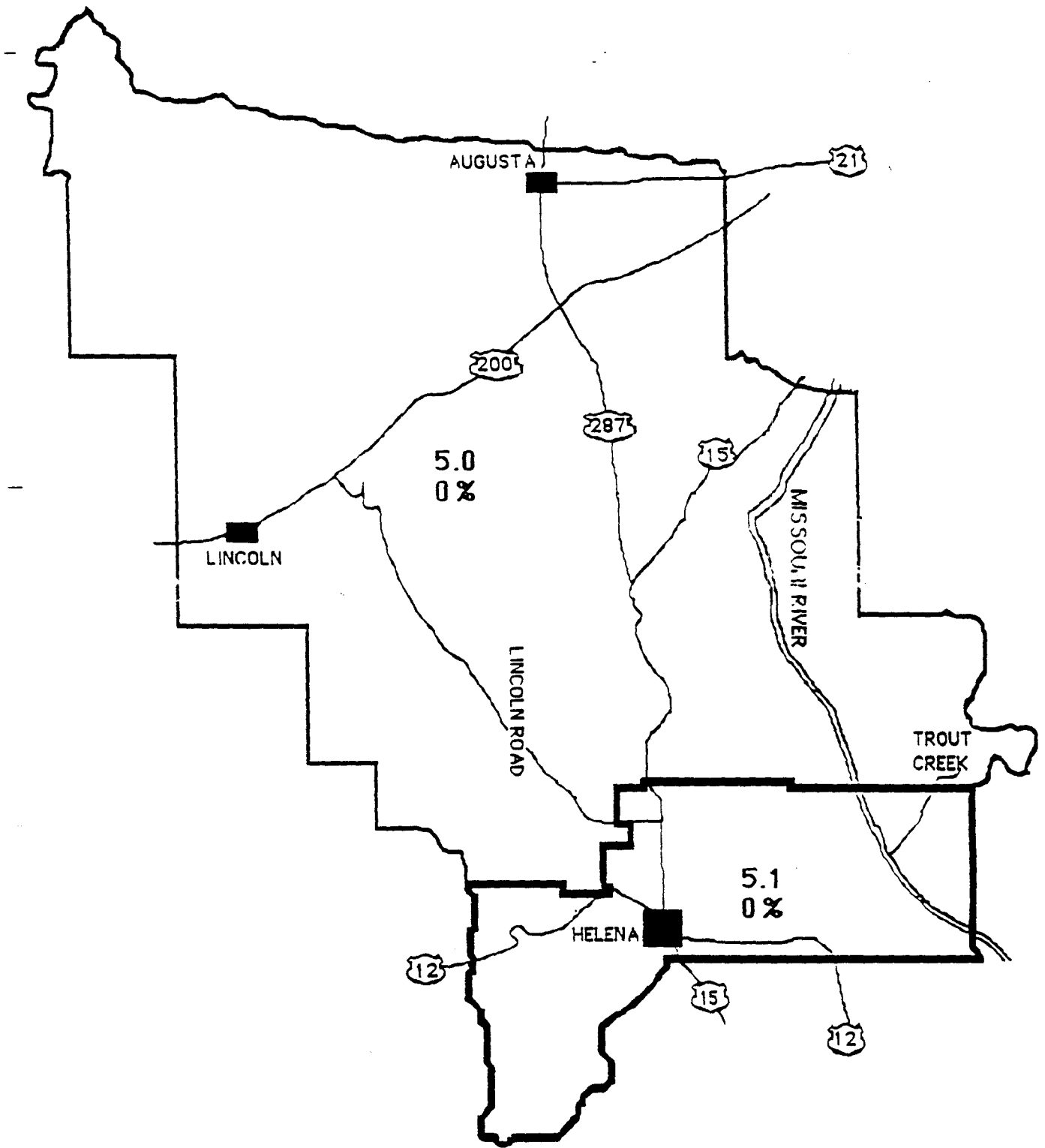


Custer County





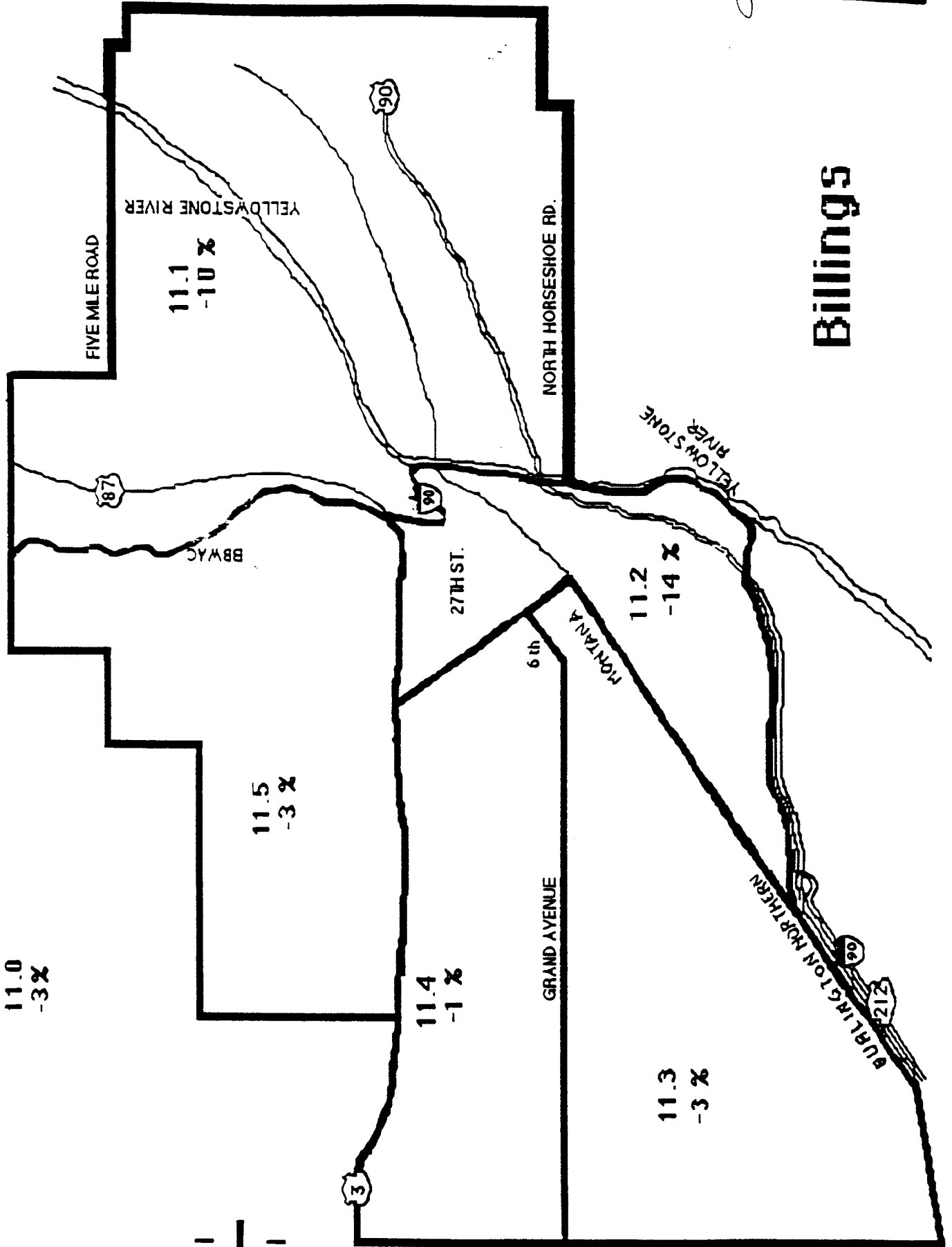
Madison County

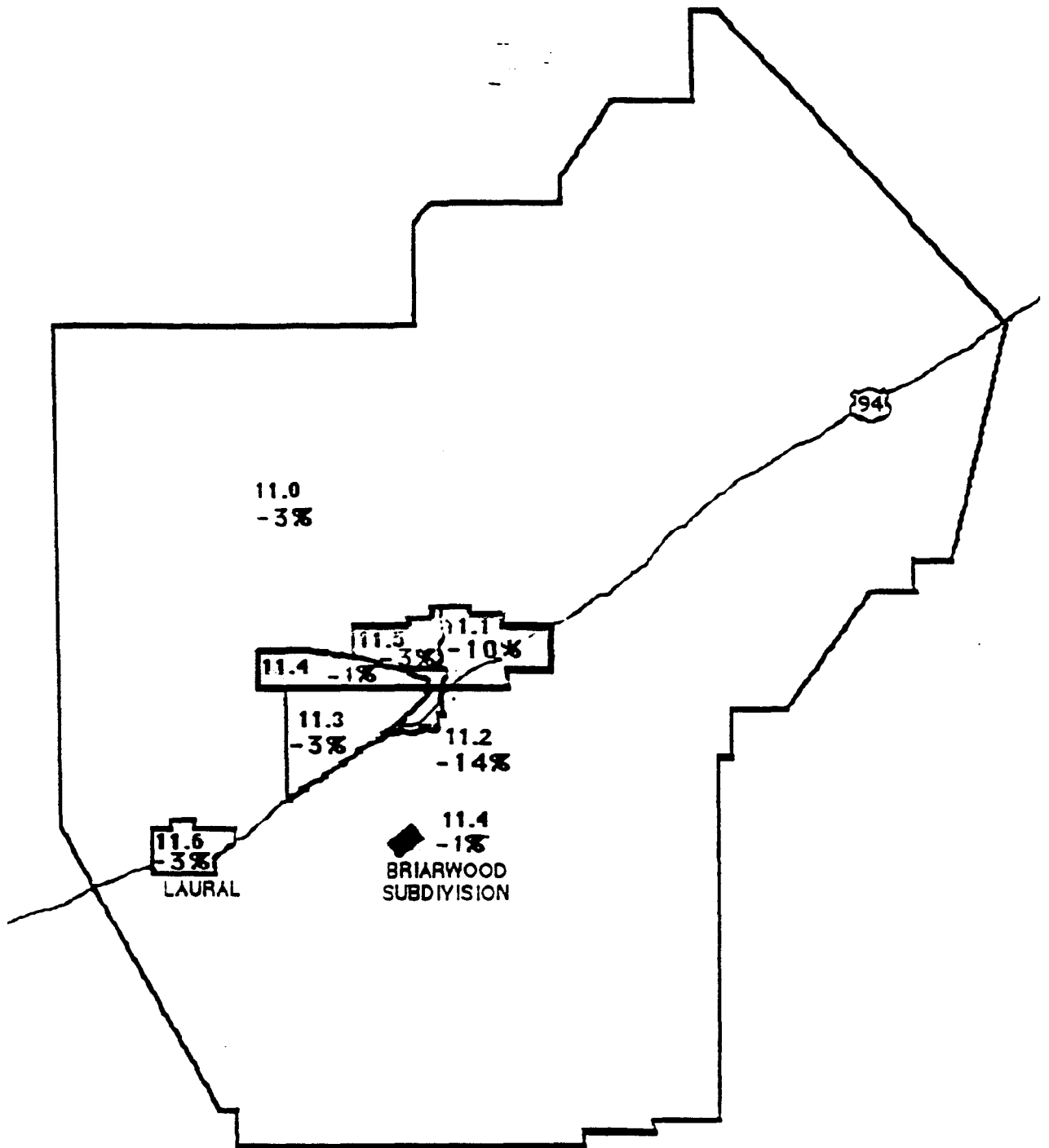


Lewis & Clark County

EXHIBIT 9
DATE 1-10-91
HB Joint Session

Billings





**Yellowstone
County**

8.0
+5%

8.0
+5%

8.2 0%

TOOL

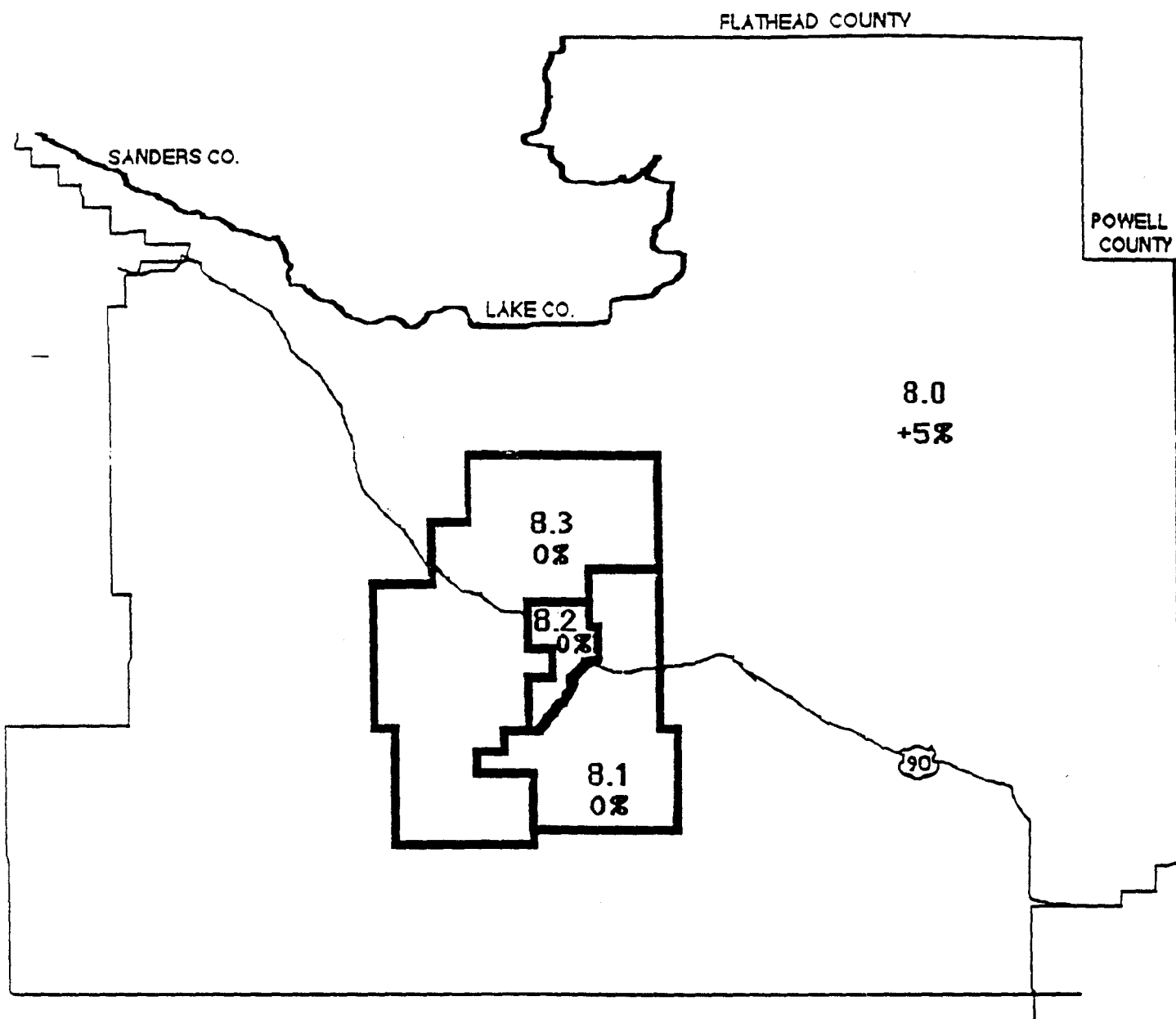
3RD ST.
RUSSEL

8.30%

8.1%

Missoula

- K -



**Missoula
County**

VISITORS' REGISTER

TAXATION - Joint Session COMMITTEE

1 of 2

BILL NO. 0DATE 1/10/91

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bernie Swift	Hamilton Mt. Sande		
Stephen R. Grazzoni	Helena		
Forrest Tule	"		
Gene Huntington	Helena		
Leo BERRA	"		
Richard E. Callahan	"		
Paul Ames	AR.		
Ethel M. Harding	Polson		
Don Johnson	LFA		
Jim Standaert	LFA		
Mike Walsh	OBPP		
Dennis BURR	Clancy Mt		
Kay Foster	Billings		
Laurie Shadon	Bozeman		
Gary Willis	Helena		
Pat Messin	Missoula		
Stan Kellogg	HELENA		
H. Robinson	Roundup Mt		
Mark O'Byrne	Helena		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION - Joint Session COMMITTEE

2 of 2

BILL NO. _____

DATE 1/10/91

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JAMES Tutwiler	MT Chamber		
MARY L. Craig	ET		
Tom Margueret	ET		
Ed Sheehy	RETIRED FENDLER EMPLOYEE		
Norm Anderson	Montana Exp		
TOM EBZERY	Billings		
Samantha Sanchez	Helena		
Bill FEINER	Mont Sheriff's & Prosecutors Assoc.		
Claudia Clifford	Helena		
Janelle Gallan	Helena		
DAN WHYTE	HELENA		
TUCKER HILL	Missoula		
SOBB BENDER	OBPP		
DOUG ABEHIN	NIMOGA		
Ken Williams	Estech		
Don Allen	MT. Wildlife Assoc		
Stuart Duggan	mt. Mining		
Troy W McGee	Helena		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.