

HOUSE OF REPRESENTATIVES
PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE 1/31/91

NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIR	✓		
REP. ED DOLEZAL	✓		
REP. ORVAL ELLISON		✓	
REP. RUSSELL FAGG	✓		
REP. DAVID HOFFMAN	✓		
REP. ED MCCAFFREE	✓		
REP. MARK O'KEEFE	✓	X	
REP. TED SCHYE	✓		
REP. FRED THOMAS	✓	X	
REP. DAVE WANZENRIED	✓		
REP. DAN HARRINGTON, CHAIRMAN		-	

KM
JR

SARSA Property Ty 1990/ arguilla

Market and Taxable Values for Tax Year 1990
By Property Type

EXHIBIT 1
DATE 1/31/91
HB SC P Tax

Type ID Property Type	Class	Tax Rate	1990 Total Market Value	1990 Total Taxable Value	Market Value Within Cities/Towns	Taxable Value Within Cities/Towns
1001 Tillable Irrigated	3	30.000%	46,515,747	13,956,278	148,010	44,431
1002 Tillable Non-Irrigated	3	30.000%	279,060,517	83,721,552	31,963	9,591
1003 Grazing Land	3	30.000%	127,459,102	38,247,667	52,400	15,789
1004 Wild Hay	3	30.000%	18,412,010	5,521,613	10,775	3,231
1005 Timber Land	13	3.840%	172,191,439	6,612,075	51,267	1,968
1301 Exempt Agricultural Land	3	0.000%	2,048,145	0	5,334	0
1302 Exempt Timber Land	13	0.000%	0	0	0	0
2001 Farmstead 1 Acre	14	3.088%	130,923,557	4,041,621	551,789	18,175
2002 Farmstead 1 Acre - Low Income	14	1.874%	1,846,952	34,620	6,000	74
2003 City/town Lots Residential	4	3.860%	1,485,167,561	57,324,578	1,343,273,645	51,846,656
2004 Suburban Tracts Residential	4	3.860%	1,469,347,470	56,717,052	24,312,893	938,497
2005 Suburban Tracts - Low Income	4	2.267%	57,385,312	1,301,082	35,420,486	808,929
2101 Suburban Tracts Commercial	4	3.860%	203,974,321	7,873,376	31,438,158	1,213,494
2102 City/town Lots Commercial	4	3.860%	845,389,815	32,630,636	811,167,232	31,309,608
2103 Industrial Sites	4	3.860%	73,230,998	2,826,704	17,573,281	678,314
2104 New Industrial Sites	5	3.000%	1,315,004	39,450	13,253	415
2105 R & D Land	5	3.000%	29,214	876	0	0
2106 Qualified Golf Courses	4	1.930%	8,746,282	168,801	1,482,641	28,615
2107 Locally Assessed Co-op Land	5	3.000%	230,865	6,926	27,861	836
2108 Eligible Mining Claims	18	30.000%	34,362	10,319	185	56
2109 Nonproductive Land Under 20 Ac	19	2.000%	4,826,265	96,230	417,514	8,156
2110 Class 20 Out of Production Lan	20	3.860%	0	0	0	0
2301 Exempt Land	4	0.000%	169,830,417	0	156,604,113	0
3001 Impr. on Ag and Timber Land	14	3.088%	1,712,806,739	52,890,304	2,999,897	92,643
3002 Impr. on Ag Land - Low Income	14	1.988%	6,569,482	130,614	99,237	1,669
3003 Impr. on Disparately Owned Ag	14	3.088%	3,163,326	97,700	13,995	432
3004 Impr. on Disparately Owned Ag	4	3.860%	14,451,375	557,820	2,834,503	109,411
3005 Impr. on Rt of Way - Agricultura	4	3.860%	13,799	533	7,883	304
3006 Impr. on Class 20 Out of Produ	20	3.860%	83,878	3,238	93,348	3,275
3007 Remodeled Ag/Timber Improvemen	14	0.000%	0	0	0	0
3008 Impr. on Surban Tracts Residen	4	3.860%	2,896,236,424	111,792,353	51,863,399	2,001,921
3009 Impr. on City/Town Lots Reside	4	3.860%	4,751,682,243	183,407,415	4,228,523,124	163,213,317
3010 Impr. on Tracts and Lots - Low	4	2.246%	161,848,676	3,635,307	96,191,324	2,193,405
3011 Impr. on Rt of Way - Residenti	4	3.860%	1,151,291	44,438	162,160	6,259
3012 Remodeled Residential Improvem	4	0.758%	1,847	14	1,847	14
3101 Impr. on Surban Tracts Commerc	4	3.860%	565,589,093	21,808,143	90,298,236	3,474,371
3102 Impr. on City/Town Lots Commer	4	3.860%	2,432,640,710	93,895,884	2,265,917,123	87,460,726
3103 Impr. on Rt of Way - Commercia	4	3.860%	24,053,164	928,453	19,735,865	761,808
3104 Locally Assessed Co-op Improve	5	3.000%	206,320	6,190	55,771	1,673
3105 Impr. on Hydraulic Power Works	4	3.860%	0	0	0	0
3106 Impr. on Qualified Golf Course	4	1.930%	21,386,929	412,769	2,804,028	54,118
3107 Impr. on Industrial Sites	4	3.860%	633,933,238	24,018,428	134,511,353	4,943,009
3108 Impr. on New Industrial Sites	5	3.000%	7,700,739	231,022	29,295	879
3109 Remodeled Commercial Improve	4	1.668%	4,401,423	73,431	4,130,738	67,558
3110 R & D Improvements	5	3.000%	677,000	20,310	0	0
3111 Remodeled R & D Improvements	5	0.000%	0	0	0	0
3112 New and Expanding R & D Improv	5	1.500%	1,132,991	16,995	0	0
3301 Exempt Improvements	4	0.000%	214,765,135	0	187,030,489	0

TABLE 4
 RESIDENTIAL PROPERTY TAX RATES IN THE LARGEST CITY IN EACH STATE
 1988

RANK	CITY	ST	NOMINAL RATE 4/ PER \$100	ASSESSMENT LEVEL 5/	EFFECTIVE RATE PER \$100
1.	Detroit,	MI	\$8.28	49.5%	\$4.10
2.	Milwaukee,	WI	3.71	99.4%	\$3.69
3.	Newark,	NJ	14.46	22.2%	\$3.20
4.	Portland,	OR	3.10	100.0%	\$3.10
5.	Des Moines,	IA	3.71	80.0%	\$2.97
6.	Baltimore,	MD	6.21	42.5%	\$2.64
7.	Sioux Falls,	SD	5.37	46.0%	\$2.47
8.	Providence,	RI	2.39	100.0%	\$2.39
9.	Philadelphia,	PA	7.87	30.2%	\$2.38
10.	Omaha,	NE	2.61	88.0%	\$2.29
11.	Minneapolis,	MN	12.02	17.9%	\$2.15
12.	Cleveland,	OH	6.00	35.0%	\$2.10
13.	Jacksonville,	FL	2.02	97.3%	\$1.97
14.	Boise City,	ID	1.93	100.0%	\$1.93
15.	Memphis,	TN	7.09	25.0%	\$1.77
16.	Burlington,	VT	2.17	81.0%	\$1.76
17.	Manchester,	NH	10.07	17.0%	\$1.71
18.	Fargo,	ND	36.11	4.5%	\$1.62
19.	Portland,	ME	3.28	48.0%	\$1.57
20.	Indianapolis,	IN	10.48	15.0%	\$1.57
21.	Wilmington,	DE	1.56	100.0%	\$1.56
22.	Bridgeport,	CT	5.74	27.0%	\$1.55
23.	Chicago,	IL	9.66	16.0%	\$1.55
24.	Houston,	TX	1.53	100.0%	\$1.53
25.	Atlanta,	GA	5.20	28.9%	\$1.50
26.	Anchorage,	AK	1.64	90.3%	\$1.48
27.	New Orleans,	LA	14.63	10.0%	\$1.46
28.	Jackson,	MS	13.92	10.0%	\$1.39
29.	Louisville,	KY	1.33	100.0%	\$1.33
30.	Billings,	MT	33.65	3.9%	\$1.30
31.	Charlotte,	NC	1.25	100.0%	\$1.25
32.	Seattle,	WA	1.34	92.5%	\$1.24
33.	Norfolk,	VA	1.35	90.6%	\$1.22
34.	Wichita,	KS	14.97	7.8%	\$1.17
35.	St. Louis,	MO	6.13	19.0%	\$1.16
36.	Columbia,	SC	28.25	4.0%	\$1.13
37.	WASHINGTON,	DC	1.22	92.4%	\$1.13
38.	New York City,	NY	9.27	12.1%	\$1.13
39.	Salt Lake City,	UT	1.11	100.0%	\$1.11
40.	Boston,	MA	1.08	100.0%	\$1.08
41.	Charleston,	WV	1.73	62.0%	\$1.07
42.	Little Rock,	AR	5.10	20.0%	\$1.02
43.	Albuquerque,	NM	3.03	33.3%	\$1.01
44.	Denver,	CO	5.89	16.0%	\$0.94
45.	Las Vegas,	NV	2.71	32.5%	\$0.88
46.	Oklahoma City,	OK	7.35	11.0%	\$0.81
47.	Casper,	WY	7.74	9.1%	\$0.70
48.	Birmingham,	AL	6.95	10.0%	\$0.70
49.	Phoenix,	AZ	12.53	5.4%	\$0.68
50.	Los Angeles,	CA	1.04	61.2% 6/	\$0.64
51.	Honolulu,	HI	0.66	89.0%	\$0.59
	UNWEIGHTED AVERAGE		\$7.03	50.0%	\$1.62
	MEDIAN		\$5.20	35.0%	\$1.48

NOTE: All rates and percentages in this table are rounded.

EXHIBIT 3 p. 1 of 7
 DATE 1/31/91
 SC P. T. G. X

Table 38

Classification of Real Property and Tangible Personal Property, by State, 1989

State	Number of Classes		Selected Rates, by Classification									
			High/Low		Differential by		Residential		Commercial/Industrial		Telecommunications Utility	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal
Alabama*	3	3	3:1		Value		10%		20%		30%	
Alaska	1	1										
Arizona*	9	9	5:1		Value		10%		25%		25%	
Arkansas	1	1										
California*	2	1										
Colorado	2	1	1.61:1		Value		21%		29%		29%	
Connecticut	1	1										
Delaware	1	X										
District of Columbia	4	1	1.66:1		Rate		\$1.22		\$2.03		\$2.03	
Florida	1	1										
Georgia	1	1										
Hawaii*	8	X	2.11:1		Rate		\$4.75/10		\$6-\$10			
Idaho	1	1										
Illinois*	1	X										
Indiana	1	1										
Iowa	4	X	4.41:1		Value		22.64%		100%		100%	
Kansas	4	4	2.5:1		Value		12%		30%		30%	
Kentucky	1	1										
Louisiana*	5	5	2.5:1		Value		10%		25%		25%	
Maine	1	1										
Maryland*	1	1										
Massachusetts*	4	4			Value		2.5%		2.5%		2.5%	
Michigan	1	1										
Minnesota*	32	X	28:1		Value/ Credit		18/28%		28/43 %		43%	
Mississippi	3	3	2:1		Value		15%		15%		30%	
Missouri*	3	8	1.68:1	6.66:1	Value	Value	19%	33.3%	32%	33.3%	32%	33.3%
Montana*	11	13	2.07:1	10:1	Value	Value	3.86%	X	3.86%	11%	3/8%	3/8%
Nebraska	1	1										
Nevada	1	1										
New Hampshire	1	X										
New Jersey*	1	1										
New Mexico	1	1										
New York*	4.2	X	1.217:1		Value		\$92.77/ 94.52		\$95.82		\$112.89	
North Carolina	1	1										
North Dakota*	4	X	1.1:1		Value		9%		10%			
Ohio*	2	3	3.12:1		Rate/ Credit Value		32%		32%		32%	

Ex. 3 p 2063
1/31/91
SC P.T.9X

Table 38 (cont.)

Classification of Real Property and Tangible Personal Property, by State, 1989

State	Number of Classes		High/Low		Selected Rates, by Classification								
					Differential by		Residential		Commercial/Industrial		Telecommunications Utility		
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal	
Oklahoma*	1	1											
Oregon*	1	1											
Pennsylvania*	1	X											
Rhode Island	1	1											
South Carolina*	5	5	2.63:1	2.1:1	Value	Value	4%	10.5%	6%	10.5%	10.5%	10.5%	
South Dakota	2	X			Assessed Locally								
Tennessee	3	3		11:1	Value	Value	25%	5%	40%	30%	55%	55%	
Texas	1	1											
Utah*	3	3	1.33:1		Value		75% of MV		100% of MV		100% of MV		
Vermont*	1	2				Value/ Cost							
Virginia	1	1											
Washington	1	1											
West Virginia*	3	3	2:1		Rate		\$1		\$1.50/2	\$1.50/2			
Wisconsin	1	1											
Wyoming	1	1											

Notes

Note: High/Low refers to the ratio of the highest taxed property class to the lowest.
Differential by value refers to the proportion of market value at which each class of property is assessed.
Differential by rate refers to percentage of assessed value at which each class of property is taxed.

MV—market value
X—exempt

*State Notes

- Alabama** Fourth class added for tangible personal property composed of passenger automobiles and noncommercial pickup trucks assessed at 15%.
- Arizona** High/low ratio based on relationship between class for commercial/industrial and telecommunications utility of 25% (high) and class for historic property 5% (low). The 25% utility rate applies for 1990 and thereafter.
- California** Full cash value or fair market value is defined, in terms of base year or when change of ownership occurs, as the amount of cash or its equivalent which property would bring if offered for sale in the open market.
- Hawaii** Hawaii counties may classify by differential rates both on the basis of use (four counties) and land v. improvements (three counties). High/low ratio based on relationship between \$10 per thousand assessed on the land of commercial and industrial in Hawaii County (highest) and \$4.75 per thousand on all residential in Maui County (lowest). Residential and commercial/industrial rates shown are improved and unimproved in all four counties. Public utilities may obtain exemption based on payment of public utility tax in lieu of real property.
- Illinois** Ten classes applicable only in Cook County. Residential rate, 16%; industrial, 36%; commercial and utilities, 38%.
- Louisiana** Excludes land and property of electric cooperatives whose land is taxed at 15%.
- Maryland** Agricultural property is valued at full cash value less inflation allowance of 50% of current value. Exemption of personal property either in full or part permitted at the option of localities: 13 counties and Baltimore City have exempted all commercial and manufacturing inventories and manufacturing machinery from ad valorem taxation.
- Massachusetts** Beginning with fiscal 1982, total property taxes on realty may not exceed 2.5% of the full and fair cash valuation, except for any overrides created in accordance with specific statutes.
- Minnesota** Real property high/low ratio based on relationship between class for unmined ore at 50% and low-end class of residential at 18%. Residential rates are 18% for first \$65,000, 28% for excess value excluding 5%-14% rates for disabled, blind, paraplegic veterans. Commercial/industrial rates are 28% for first \$60,000, 43% for excess value.
- Missouri** Personal property high/low ratio based on relationship between property taxed at 33.3% (high) and class for historic motor vehicles taxed at 5% (low). Low end of ratio does not reflect 0.5% for grain and other agricultural crops in unmanufactured condition.

EX. 3 p 3 of 3
1/31/91
SC PT97

Table 38 (cont.)

Classification of Real Property and Tangible Personal Property, by State, 1989

Montana	Cooperative rural telephone associations, 3%; cooperative rural telephone associations that serve less than 95% of consumers within the incorporated limits of a city or town, 8%. Personal property ratio based on relationship between class for nonproductive patented mining claims, 30% (high) and class for property of cooperative rural telephone associations, 3% (low). Rate for property of cooperative rural telephone associations, 3%. All property used and owned by persons, firms, corporations, or other organizations engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or fewer; all property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity or telephone users within the incorporated limits of a city or town.
New Jersey	Real property rates based on value not lower than 20% or higher than 100% (multiples of 10) as established by each county Board of Taxation.
New York	Four classes in New York City and Nassau County; two optional elsewhere. Real property high/low ratio based on figures applicable to New York City only. Residential 1, 2, or 3 family, \$92.77; all other residential \$94.52. in New York City only. Commercial/industrial and utility rates applicable to New York City only.
North Dakota	Telephone companies subject to tax on percentage of operating receipts in lieu of real and personal property tax.
Ohio	A two-part real property classification system (residential and agricultural) freezes tax shares of the classes and all other real property from one tax period to the next when considering only those properties that existed in an unchanged form in both periods. Personal property ratio based on relationship between class for machinery of electric power plants taxed at 100% of value (high) and class for all other tangible personal property taxed at 32% of value (low).
Oklahoma	Intercounty deviations of not more than 3% above or below mean of the assessed 12% taxable value may occur.
Oregon	Personal property exceptions: taxable ships and vessels with Oregon as home port registry assessed at 40% of true cash value; those in intercoastal or foreign trade assessed at 4% of true cash value.
Pennsylvania	Real property at actual value; certain counties not to exceed 75% of actual value.
South Carolina	Personal property high/low ratio based on relationship between property taxed at 10.5% (high) and class for commercial fishing boats and power driven farm machinery at 5% (low).
Utah	All metalliferous mines and mining claims, both placer and rock in place, assessed at \$50 per acre plus 10 times the average net annual proceeds for the three preceding calendar years.
Vermont	Personal property, commercial/industrial and utility rates for listed value which is 100% of appraised value, 1% of the listed value of personalty is entered in the grand list. That grand list value (1% of listed value) is the value against which the tax rate is applied. Business personalty is appraised, at the taxpayer's option, at either 50% of cost (10% if fully depreciated) or net book value (10% if fully depreciated).
West Virginia	Real property outside of municipalities taxed at lower rate of \$1.50. Property inside municipalities taxed at higher rate of \$2.

Source: U.S. Department of Commerce, Bureau of the Census, *Taxable Property Values, 1987 Census of Governments*, Volume 2, 1989, Appendix A.

Comparison of Personal Property Exemptions EXHIBIT 4

DATE 1/31/91
HR SC P TgX

✓ Exempt

	Bus Equip	Bus Inv	Live-stock	Farm Mach	Grain/ Ag Prod	HHG/ PE		Bus Equip	Bus Inv	Live-stock	Farm Mach	Grain/ Ag Prod	HHG/ PE
Alabama		✓	✓	✓	✓	✓	Montana		✓		7	✓	✓
Alaska *	✓	✓	✓	✓	✓	✓	Nebraska		✓	✓	✓	✓	✓
Arizona **		✓				✓	Nevada		✓	✓		✓	✓
Arkansas							N. Hampshire *	✓	✓	✓	✓	✓	✓
California		✓	✓		✓	✓	New Jersey		✓	✓	✓	✓	✓
Colorado		✓	✓	✓	✓	✓	New Mexico		✓			✓	✓
Connecticut		✓	✓	✓ ²	✓	✓	New York *	✓	✓	✓	✓	✓	✓
Delaware *	✓	✓	✓	✓	✓	✓	North Carolina		✓	✓	✓	✓	✓
Dist. C.		✓	✓	NA	NA	✓	North Dakota *	✓	✓	✓	✓	✓	✓
Florida **		✓	✓			✓	Ohio			✓	✓	✓	✓
Georgia						✓	Oklahoma				✓	✓	✓
Hawaii *	✓	✓	✓	✓	✓	✓	Oregon		✓	✓	✓	✓	✓
Idaho **		✓	✓		✓	✓	Pennsylvania ⁸	✓	✓	✓	✓	✓	✓
Illinois *	✓	✓	✓	✓	✓	✓	Rhode Island ⁹	⁹	⁹	✓	✓ ¹	✓	✓
Indiana						✓	South Carolina		✓	✓	✓	✓	✓
Iowa *	✓	✓	✓	✓	✓	✓	S. Dakota ** ***	✓	✓	✓	✓	✓	✓
Kansas		✓	✓	✓	✓	✓	Tennessee		✓	✓	✓	✓	✓
Kentucky			✓ ³	✓ ³	✓	✓	Texas			✓	✓	✓	✓
Louisiana			✓	✓	✓	✓	Utah		✓	✓	✓	✓	✓
Maine		✓	✓	✓ ¹	✓	✓	Vermont		⁴	✓	✓	✓	✓
Maryland		⁴	✓	✓	✓	✓	Virginia		⁹	⁴	⁴	✓	⁴
Massachusetts			✓	✓	✓	✓	Washington		✓	✓		✓	✓
Michigan		✓	✓	✓	✓	✓	West Virginia					✓	✓
Minnesota ⁵	✓	✓	✓	✓	✓	✓	Wisconsin ⁹	⁹	✓	✓	✓	✓	✓
Mississippi **		✓	✓	✓	✓	✓	Wyoming **		✓	✓			✓
Missouri ⁶	⁶	✓	⁶	⁶	⁶	✓							

Summary

	Bus Equip	Bus Inv	Live-stock	Farm Mach	Grain/ Ag Prod	HHG/ PE
Taxable	40	14	10	18	11	3
Exempt	11	37	41	33	40	48

- * Denotes states that do not tax any personal property.
- ** Did not respond to survey.
- *** The only taxable personal property in South Dakota is that which is centrally assessed.
- ¹ \$10,000 exemption.
- ² \$100,000 exemption.
- ³ DeFacto exemption.
- ⁴ Local-option exemption.
- ⁵ The only taxable personal property in Minnesota is that which is owned by public utilities.
- ⁶ Assessment level varies by property type.
- ⁷ Taxable if market value of item is over \$100.
- ⁸ The only personal property tax in Pennsylvania is a local levy on intangible property held by individuals.
- ⁹ Manufacturing property is exempt.
- NA Not applicable to this area.

TABLE I

SUMMARY OF STATE PREFERENTIAL TAX ASSESSMENT LAWS

STATE	PREFERENTIAL TAX ASSESSMENT ONLY	PREFERENTIAL TAX ASSESSMENT WITH DEFERRED TAXATION	PREFERENTIAL TAX ASSESSMENT WITH RESTRICTIVE AGREEMENTS
ALABAMA		X	
ALASKA		X	
ARIZONA	X		
ARKANSAS	X		
CALIFORNIA			X
COLORADO	X		
CONNECTICUT		X	
DELAWARE		X	
FLORIDA	X		
GEORGIA		X	
HAWAII			X
IDAHO	X		
ILLINOIS	X		
INDIANA	X		
IOWA	X		
KANSAS	X		
KENTUCKY		X	
LOUISIANA	X		
MAINE		X	
MARYLAND		X	
MASSACHUSETTS		X	
MICHIGAN			X
MINNESOTA		X	
MISSISSIPPI	X		
MISSOURI	X		
MONTANA	X		
NEBRASKA		X	
NEVADA		X	
NEW HAMPSHIRE		X	X
NEW JERSEY		X	
NEW MEXICO	X		
NEW YORK		X	
NORTH CAROLINA		X	
NORTH DAKOTA	X		
OHIO		X	
OKLAHOMA	X		
OREGON		X	
PENNSYLVANIA		X	X
RHODE ISLAND		X	
SOUTH CAROLINA		X	
SOUTH DAKOTA	X		
TENNESSEE		X	
TEXAS		X	
UTAH		X	
VERMONT		X	
VIRGINIA		X	
WASHINGTON		X	
WEST VIRGINIA	X		
WISCONSIN			X
WYOMING	X		

Protested Property Taxes

⑥
EXHIBIT 6 P'06
DATE 1/31/11
HB SC P. TEX

Taxpayers may pay property taxes under protest if the protest is in writing and if the protest is made before the tax becomes delinquent (15-1-402, MCA).

The taxpayer must proceed through the administrative appeals process or may proceed with a declaratory judgment (15-1-402, MCA).

All protested taxes must be deposited by the treasurer of the county or municipality to the credit of a special fund to be designated as a protest fund and must be retained in the protest fund until the final determination of any action or suit (15-1-402(6), MCA).

Taxing jurisdictions affected by the payment of taxes under protest may borrow a portion or all of the protest funds in the second and subsequent years that a tax protest remains unresolved under 15-1-402(7), MCA. They can exercise this right in any ensuing tax year. They may not borrow money resulting from the first year of protest.

If a taxing jurisdiction has borrowed money from a protest fund, and the final action is decided adversely to the taxing jurisdiction:

1. The taxing jurisdiction is allowed not more than 1 year from the beginning of the fiscal year following a final resolution of the protest to pay back the protested tax (15-1-402(8)(e), MCA)
2. The taxpayer is entitled to interest on the unpaid balance from the date of final resolution of the protest until refund is made (15-1-402(8)(e), MCA)
3. If there are insufficient funds in the protest fund, the taxing jurisdiction may use funds from one or more of the following sources: (15-1-402(9), MCA)
 - a. Imposition of a property tax to be collected by a special tax protest refund levy (Satisfaction of judgments against a taxing unit do not apply to CI 105 restrictions 15-10-412(8)(f), MCA);
 - b. General fund, except that amount generated by the all-purpose mill levy, or any other funds legally available to the governing body; and

EX. 6 p. 206
1/31/91
SC P.Tax

- c. Proceeds from the sale of bonds issued by a county, city, or school district for the purpose of deriving revenue for the repayment of tax protests lost by the taxing jurisdiction.

If the final action is decided in favor of the county or municipality the amount of the protested portions of the tax must be taken from the protest fund and deposited to the credit of the fund or funds to which the same property belongs, less a pro rata deduction for the costs of administration of the protest fund and related expenses charged the local government units (15-4-401(8)(a), MCA).

EXHIBIT 7
DATE 1/31/91
HB SC P Tax

NEW INDUSTRY PROPERTY TAX INCENTIVE

- * Montana law provides a tax incentive for new industrial property both real and personal (15-6-135, MCA). Qualifying property is taxed at a rate of 3 percent rather than at 3.86 percent for real property and 8 percent for personal property. The incentive applies during the first three years of operation.

- * The law was enacted in 1979.

- * To qualify a new industry must manufacture, mill, produce, or fabricate materials; do similar work in which natural materials are extracted, processed, or made fit for use or altered creating commercial products; or engage in mechanical or chemical transformation of materials into new products.

- * New industry doesn't include:
 - Property used by retail and commercial activities;
 - A plant creating an adverse impact on existing services; or
 - Property used in a plant that has been operational for 3 years.

- * Application for the new industry incentive is made to the Department of Revenue. The department must consider adverse impact on existing services and hold a public hearing.

- * There are no restrictions on the new industry property owner doing business out of state.

EXHIBIT 8
DATE 1/31/91
HB SC P. TAX

INVENTORY OF BUSINESS TAX INCENTIVES IN MONTANA

DECEMBER 1989

Research
Report

Prepared by



Montana Legislative Council

Montana Legislative Council
State Capitol, Room 138
Helena, Montana 59620
(406) 444-3064

EXHIBIT ~~20~~ 9 dup.
DATE 1/31/91
HB SC P. T9A

THE "NEW INDUSTRY" PROPERTY TAX ABATEMENT INCENTIVE SOME FACTS AND FIGURES

Montana law provides for a "new industry" property tax incentive under 15-6-135, MCA. Under the incentive, qualifying property is taxed at 3 percent, rather than at the usual rates of 3.86 percent for real property and 11 or 13% for personal property, for the first three years of operations.

No systematic study has ever been undertaken to evaluate the effectiveness of this incentive. This is in large part due to the fact that an evaluation of effectiveness is largely subjective.

First, legislative bodies rarely, if ever, enact tax incentive measures containing stipulated objective goals. Determination of the effectiveness of a tax incentive depends on whether the goal is to increase jobs, increase capital investment, attract out-of-state capital or some combination of the above. These economic development goals may be at odds with one another. A tax incentive specifically designed to increase capital investment may displace employees, for example. Effectiveness depends on the yardstick chosen to measure the successes of the incentive.

Second, a major determinant of the effectiveness of an incentive is whether the business investments receiving the incentive would have been made in its absence. However, as a recent issue of State Policy Reports notes: "Unless state officials were able, before or after the fact, to get inside the decisionmaking processes of institutions that have no need or desire to allow them this access, the extent to which concessions were necessary to encourage a location decision will never be known with certainty."

This report does not provide a determination of the effectiveness of the new industry property tax abatement incentive. Rather it attempts to provide administrators and legislators with access to specific information that hopefully will allow them to formulate a subjective evaluation of the effectiveness of this measure, with respect to their individual understanding of what the incentive is intended to accomplish.

Use of the Incentive

In preparing this report, information was collected from Industrial Bureau files for every firm receiving the new industry abatement since 1980.

Information collected included the name and address of the firm; the major industrial grouping of the firm; the year of incorporation, or formation, and the year operations began; the years during which the abatement was in effect; the type of property included in the abatement; the county affected by the abatement; and whether the firm is incorporated and/or Montana-based.

In all, only 39 firms applied and qualified for the new industry incentive over the 1980 - 1988 period. (There were also a handful of firms that applied but did not qualify for the abatement over the same period.) Virtually all of these firms, with the exception of one alternative energy facility, were either manufacturing or mining concerns.

Of the 39 firms qualifying, 27 were manufacturing firms and 12 were mining firms. Of the 25 manufacturing firms, 7 manufacture wood products (primarily sawmills), 2 firms refine copper ore, 1 firm manufactures chemicals, 1 firm processes natural gas, and one firm processes aluminum. In other words, 24 (62%) of the 39 firms receiving the abatement were natural resource based.

Of the 39 firms qualifying, 10 were affiliated with out-of-state enterprises. The remainder were locally-owned, Montana-based enterprises with virtually no outside affiliations. To put this in perspective, since 1980 an average of only 1 firm a year with out-of-state interests has used this incentive.

The number of firms receiving tax relief appears to be a small fraction of all new business formations in the state. A recent study prepared by the Department of Labor and Industry (DOLI) found that 121 new mining and 304 new manufacturing businesses were born in the two-year period from June, 1984 to June, 1986. In contrast, only 9 of the 39 firms qualifying for the new industry abatement began operations during this period. This suggests that approximately 2 percent of the new businesses received some tax relief through the incentive.

Further examination of the data suggests that some of the qualifying firms did not take this incentive into consideration when making their investment decision. During the 1980 - 1988 period 5 of the 39 firms did not apply for the incentive until after they had been in operation for a year or two. It is apparent that for these firms the incentive did not play a major role in their decision to invest.

Since 1980, 6 of the 39 firms receiving the abatement are listed on DOLI files as being inactive (i.e., out of business). An additional 4 firms not listed on DOLI files could not be located or reached by telephone. These firms also are assumed no longer to be in business. It appears that 10 of the 39 firms receiving the abatement are no longer in business.

Impact on Rate of Return

If the amount of tax relief provided by a particular property tax abatement has no appreciable impact on a firm's internal rate of return on its initial investment, then it might be argued that the incentive has little bearing on a firm's location decision. On the other hand, if the abatement significantly increases a firm's internal rate of return then it might be argued that the incentive could indeed influence investment decisions.

To explore the impact on rate of return, investment and income data were constructed for four hypothetical mining operations. To test the sensitivity of the rate of return to different circumstances, each operation was assumed to have a different mix of real (land and improvements) and personal (machinery and equipment) property. The first operation was assumed to have no market value in real property; and the second operation had 20% invested in real property and 80% invested in personal property. The percentages for real and personal property for operations three and four were assumed to be 50/50 and 80/20, respectively. In each case, the portion that represented personal property was assumed to be comprised 80% of Class 8 (11%) property, 10% of Class 9 (13%) property, and 10% of Class 10 (16%) property.

Also, under one scenario all four operations were expected to have a total operating life of 14 years, while under an alternative scenario an operating life of 22 years was used. All operations were assumed to have initial capital investments of \$50 million, equal annual net cash flows sufficient to generate an 18% internal rate of return before application of the abatement, and face 250-mill levies.

Table 1 shows the increase in rate of return attributable to the property tax abatement. For example, the firm having no taxable value in land and improvements and having a 14-year lifespan would experience an increase from 18.0 to 18.9098% under the above assumptions.

Table 1. Increase in rate of return for four hypothetical mining operations.

	<u>14-Year Lifespan</u>	<u>22-Year Lifespan</u>
No Land and Improvements	0.9098 %	0.7299 %
20% Land and Improvements	0.7450 %	0.5969 %
50% Land and Improvements	0.4969 %	0.3974 %
80% Land and Improvements	0.2530 %	0.2020%

The table illustrates that the shorter the lifespan and the greater the investment in machinery and equipment, the greater the increase in internal rate of return. For these four hypothetical operations the rate of return is increased from 0.20 to 0.91 percent, depending on the circumstances.

Costs/Benefits of Abatement

In response to a written questionnaire, county assessors were able to provide the information necessary to calculate the revenue loss to counties over the 1980 - 1988 period stemming from this abatement. (Records could not be located for only two very small firms.)

The following table shows the number of firms receiving Class 5 status, and the total revenue loss for each year since 1980:

Table 2. Number of firms, total revenue loss, 1980 - 1989.

<u>Year</u>	<u># Firms</u>	<u>Total Revenue Loss</u>
1980	5	\$ 117,220
1981	9	639,108
1982	10	1,211,049
1983	7	1,746,151
1984	8	1,350,071
1985	9	667,099
1986	13	1,770,403
1987	12	2,891,995
1988	13	<u>3,794,254</u>
Total Revenue Loss		\$ 14,187,350

Since 1980, counties have foregone \$14.2 million in revenue due to the new industry property tax abatement. Of this amount \$13.4 million is attributable to six firms. All six firms are involved in either mining or smelting operations.

The next section provides data on the number of jobs added to the economy by firms that received this abatement. Recall that this cannot be construed to imply that the abatement by itself is responsible for these additional jobs, as firms may have begun or expanded operations regardless of the abatement provision.

The Department of Labor and Industry maintains files showing the average number of employees by firm and year. Employment data for the firms receiving the abatement were retrieved for each year since 1979. This data was then used to determine the number of jobs added to the economy by firms that also received the abatement.

(If a firm was already in operation prior to the year in which it first received the abatement, then only the incremental employment added to the economy was counted. No jobs were added to the economy if employment for a firm was higher in the years immediately preceding the years in which the firm received the abatement.)

Table 3 shows the number of jobs added to the economy in each year, the cumulative total, and the cost per job added in each year over the 1980 to 1988 period.

Table 3. Annual number of jobs added, cumulative number of jobs added, and cost per job added.

<u>Year</u>	<u>Number of Jobs Added</u>	<u>Cumulative Total</u>	<u>Total Revenue Loss</u>	<u>Cost per Jobs Added</u>
1980	87	87	\$ 117,220	\$ 1,347
1981	287	374	639,108	2,227
1982	7	381	1,211,049	173,007
1983	92	473	1,746,151	18,980
1984	135	608	1,350,071	10,000
1985	(2)	606	667,099	-
1986	216	822	1,770,403	8,196
1987	364	1,186	2,891,995	7,945
1988	317	1,503	3,794,254	11,969

By year-end 1988, firms receiving the abatement had received \$14.2 million in tax decreases and had increased employment by 1,503 jobs. This represents an average cost of \$9,439 per job. Over the same period a total of 19,522 jobs were added to the economy statewide. Almost 8 percent of all jobs added to the economy from 1980 to 1988 were associated with firms receiving the abatement.

(The abnormally large cost per additional job in 1982 is explained by the fact that in that year a very large abatement was provided to a firm that was just starting up, while a different large firm that was in its second year of receiving the abatement reduced its work force substantially. The net effect was a large increase in tax abatements, but a very small net increase in additional jobs.)

Table 4 shows the number of new jobs added, total revenue loss, and the cost per job, by county. The number of new jobs are the number that were still in existence at the end of 1988. Some counties provided abatements to firms that subsequently went out of business resulting in no new jobs at the end of 1988. In each of these instances, however, the associated revenue loss is relatively minor.

Table 4. Total Revenue Loss, Number of New Jobs, and Cost per Job, by County.

<u>County</u>	<u>Number of New Jobs</u>	<u>Total Revenue Loss</u>	<u>Cost per Job</u>
Big Horn	148	\$ 1,603,130	\$ 10,832
Broadwater	18	271,082	15,060
Carbon	0	36,678	-
Deer Lodge	0	2,344	-
Fallon	0	12,696	-
Fergus	6	10,193	1,699
Flathead	170	2,453,148	14,430
Gallatin	13	64,437	4,957
Garfield	0	1,318	-
Granite	3	55,507	18,502
Hill	0	62,127	-
Jefferson	391	2,188,643	5,598
Lake	144	18,600	129
Lewis & Clark	118	2,077,903	17,609
Missoula	140	9,305	66
Phillips	0	101,716	-
Ravalli	8	38,202	4,775
Richland	12	18,972	1,581
Silver Bow	328	5,139,076	15,668
Sweet Grass	<u>4</u>	<u>22,273</u>	<u>5,568</u>
Totals	1,503	\$ 14,187,350	\$ 9,439

For those counties that still had new jobs at the end of 1988, the cost per job ranged from a high of \$18,502 in Granite County, to a low of \$66 in Missoula County. Missoula and Lake Counties are examples of where the abatement was provided early in the decade to a firm in its infancy, which subsequently experienced rapid growth in employees during the remainder of the period.

(The high cost per job in Flathead county is in reality not representative of the cost per "new" job as it incorporates significant revenue losses associated with the retention of jobs for one particularly large firm. When the revenue loss associated with job retention is excluded, the cost of "new" jobs in Flathead County over the 1980 to 1988 period is \$74, and the average total cost of all new jobs drops from \$9,439 to \$7,816.)

The table indicates that over the 1980 to 1988 period five counties--Big Horn, Flathead, Jefferson, Lewis & Clark, and Silver Bow--incurred 95% of the total revenue loss while

garnering 77% of the new jobs added.

Summary

Key points of the information presented above may be summarized as follows:

- 1) Over the 1980 to 1988 period 39 mining and manufacturing firms applied and received the abatement. A quarter of these firms were no longer in business in 1988.
- 2) Over the period June, 1984 to June, 1986, 121 new mining and 304 new manufacturing firms registered with the Unemployment Insurance Division. Approximately 2 percent of these new firms applied for and received new industry tax relief.
- 3) Application of the abatement increased the pre-abatement 18% internal rate of return for four different hypothetical mining operations 0.20 to 0.91 percent, depending on the circumstances facing each operation. Whether this change is large enough to influence a location decision is uncertain. However, it is clear that the abatement is more likely to influence a decision to invest the shorter the expected lifespan of the operation, and the greater the percentage investment in machinery and equipment.
- 4) The total cost of the abatement over the 1980 to 1988 period was \$14.2 million. Of this amount \$13.4 million is attributable to just six firms.
- 5) At the end of 1988 firms receiving the abatement had added 1,503 new jobs to the economy, for an average cost of \$9,439 per new job. (When revenue losses associated with job retention are excluded, the average cost per new job falls to \$7,816). Cost per new job still in existence at the end of 1988 ranged from \$66 in Missoula County to \$18,502 in Granite County.
- 6) Five counties--Big Horn, Flathead, Jefferson, Lewis & Clark, and Silver Bow--incurred 95% of the total revenue loss while garnering 77% of the new jobs added over the 1980 to 1988 period.

EXHIBIT 10 P. 1 of 7
DATE 1/31/91
HB SC P TAX

MONTANA FARMLAND

A COMPARISON OF MARKET VALUE PER ACRE to ASSESSED VALUE PER ACRE.

SOURCES:

ASSESSED VALUES PER ACRE ARE DERIVED FROM THE DEPARTMENT OF REVENUE BIENNIAL REPORTS FOR THE YEARS 1926-1990.

MARKET VALUES PER ACRE ARE FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE MONTANA CROP AND LIVESTOCK REPORTER.

TWO GRAPHS WERE DEVELOPED FOR EACH LAND CATAGORY FOR THE PURPOSE OF CLARITY.

IN 1963, THE MONTANA BOARD OF EQUALIZATION DEVELOPED AND IMPLEMENTED AG. LAND VALUATION SCHEDULES THAT WERE TO BE USED STATE WIDE FOR TAX YEAR 1964. THESE SCHEDULES ARE IN EFFECT TODAY.

VISITOR'S REGISTER

AGENCY (S) PROPERTY TAX SUBCOMMITTEE
TAXATION Com. DATE 1/31/91
DEPARTMENT House of Rep. Rep Cohen, VC

NAME	REPRESENTING	SUP-PORT	OP-POSE

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