

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By DAN HARRINGTON, CHAIR, on February 8, 1991, at 9:00 a.m.

#### **ROLL CALL**

##### **Members Present:**

Dan Harrington, Chairman (D)  
Bob Ream, Vice-Chairman (D)  
Ben Cohen, Vice-Chair (D)  
Ed Dolezal (D)  
Jim Elliott (D)  
Orval Ellison (R)  
Russell Fagg (R)  
Mike Foster (R)  
Bob Gilbert (R)  
Marian Hanson (R)  
David Hoffman (R)  
Jim Madison (D)  
Ed McCaffree (D)  
Bea McCarthy (D)  
Tom Nelson (R)  
Mark O'Keefe (D)  
Bob Raney (D)  
Barry "Spook" Stang (D)  
Fred Thomas (R)  
Dave Wanzenried (D)

**Members Absent:** Ted Schye (D)

**Staff Present:** Lee Heiman, Legislative Council  
Lois O'Connor, Committee Secretary

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

#### **HEARING ON HB 446**

##### **Presentation and Opening Statement by Sponsor:**

**REP. NELSON, House District 95, Billings,** stated that HB 446 is an act to require that if the property at a tax-deed auction is purchased by the delinquent taxpayer, the minimum purchase price must cover all costs, delinquencies, interest, and penalties. This bill is adding a new section to Title 7 of MCA. Under current statutes, a delinquent taxpayer can bid his property

under any tax-deed auction even after the first sale. The County Commissioner reduces the appraised value.

Page 1, Line 19, states a sale may not be made for a price less than the fair market value of the land, as determined and fixed by the board prior to making the order of sale. In determining fair market value, the board shall subtract the amount of outstanding assessments that are a lien on the land. This will take effect at the first tax sale. If property doesn't sell for the fair market value, property may come up for a tax sale a second and third time.

Page 2, Line 1, states if no bids are received at the sale of tax-deed land, the board shall order another auction sale of the land under this part within six months, and may, if required by the circumstances, redetermine the fair market value of the land. A subsequent sale could be sold for less than the taxes accumulated on the property.

HB 446 would allow a delinquent taxpayer, his successor in interest, agent, or member of his immediate family to bid on their delinquent parcels at the public auction; and if they are the successful bidder, they are required to pay all county costs, delinquent taxes, assessments, and all interest and penalties due in full. For example: A delinquent taxpayer may be delinquent to the amount of \$500,000. After the first sale, the appraised values are lower. The delinquent taxpayer may then bid on the property again at a future sale and save himself \$200,000.

Under the current process, the state, schools, counties, and cities lose 40%. This loss necessitates increasing levies up to maximum levies allowed by I-105 to compensate for the loss of taxes and special assessments.

**Proponents' Testimony:**

Merrill Klundt, Yellowstone County Clerk and Recorder, stated the old tax-deed law indicated that a taxpayer, once the notice or application went out for tax-deed, had to pay all penalties and costs. There was no partial payments made. He also had the right of repurchase up to the date of the first sale which the board set once the tax-deed is issued. In 1987, an entirely new tax sale bill was introduced. We had problems with it. He provided written testimony. **EXHIBIT 2**

Gordon Morris, Montana Association of Counties, urged the committee's support of HB 446.

**Opponents' Testimony:** None

**Questions From Committee Members:**

REP. O'KEEFE said Page 2, Subsection 4, states that if no bid is received the board may dispose of the land as provided in 7-8-

2218. 7-8-2218 states that the county or board can then sell the property for 70% of appraised value and asked **Gordon Morris** how this interacted with Subsection 5 of HB 446. **Mr. Morris** said the individual who is purchasing the property is the redemptioner. They can not purchase the property for anything less than what they actually owe on the property. This is the intent of the bill. **REP. O'KEEFE** asked how HB 446 would have affected the purchase of Placer Building in downtown Helena. **Mr. Morris** said it would not have affected the action taken by the Commissioners in reducing the values for the purposes of determining a final sale. If the final sale was given back to the original owner, the original delinquent taxpayer, they would not have been able to benefit from the reduced price for the purpose of taxes.

**REP. McCARTHY** said she was concerned with Section 5 because the only person who would be able to purchase the property at a lower price would be the original owner. **Mr. Morris** said he did not know if discrimination would come into it. The point is that they are not being discriminated against; but that they are being held to the requirement that they fully pay the tax delinquencies, and not benefit from the fact that they let the taxes go delinquent and come in and redeem the property at a fraction of what was actually due. **REP. McCARTHY** said she was concerned that if the property goes out to bid, anybody else could it for \$2,000 - \$5,000, but the person who owes the taxes can get the full value and asked if this was considered when they were working on the bill. **Mr. Morris** said that it was not. The intent is to eliminate that possibility from happening. That person shouldn't be able to take advantage of the system and save tax dollars at the expense of all other tax payers.

**REP. ELLISON** said the intent of HB 446 is to take this advantage from the delinquent taxpayer so he won't let his taxes go delinquent that long. He knows that it will not benefit him. The loophole he sees is allowing someone do the bidding for him. **Mr. Morris** said the bill tries to prevent this by referring to his agent. If you have an agent going to an auction, and they don't determine that this is an individual acting as an agent for a delinquent taxpayer, and you subsequently find that he is an agent, there should be a penalty in the provisions.

**Closing by Sponsor:**

**REP. NELSON** said the purpose of HB 446 is to stop an abuse that does occur and urged the committee's support.

**HEARING ON HB 422**

**Presentation and Opening Statement by Sponsor:**

**REP. HOFFMAN**, House District 74, Sheridan, stated HB 422 is an act authorizing the state Tax Appeal Board to use hearing officers to expedite its work. It is designed to make it easier for the tax appeal boards to do their tax appeals. Currently,

the tax appeal board is created by the Constitution and provides for three judges. All three judges must travel to the county seat of the county that the appeal is filed. HB 422 allows one of the three judges to travel to the county to hear the appeal, or allows the board to appoint a hearing officer to hear the appeal. The hearing officers would make a recording of the hearing and cannot make a decision. He must go back to the board. The board would then listen to the proceedings and make their decision on that basis.

Since the reappraisal cycle started in 1986, there has been 7,400 tax appeal that would require the board's review. This bill does not request more money. It would be discretionary on the tax appeal board to hire a hearing officer within their present budget.

**Proponents' Testimony:**

John McNaught, State Tax Appeal Board, stated the board's job is to hear taxpayers' grievances. Our goal is to have a timely resolution of tax appeals. The taxpayer has the right to a speedy review. Our appeal load is directly impacted by any legislation relating to taxation matters. HB 422 provides a safeguard if the caseload gets too big to handle.

**Opponents' Testimony:** None

**Questions From Committee Members:**

REP. RANEY asked REP. HOFFMAN if HB 422 would be a benefit to the taxpayers to speed up the process of appeals. REP. HOFFMAN said absolutely.

REP. O'KEEFE said the bill provides for the cost of taking and transcribing testimony as well as the cost of the hearing officers' pay. The fiscal note says \$24,000 a year for hearing officers, but it would have no fiscal impact. He asked John McNaught if his budget could handle this bill or would there be a need for supplemental appropriations. Mr. McNaught said the board would need no money. The board tries to have all appeals done by June.

REP. STANG said there are currently three judges on the board and asked how they get paid. Mr. McNaught said they are full-time employees. REP. STANG said that the bill states that each hearing officer will be compensated \$90 per day plus expenses and asked if this was the board. Mr. McNaught said no. That is if we have to hire a hearing officer.

**Closing by Sponsor:**

REP. HOFFMAN made no closing statement.

HEARING ON HB 452

Presentation and Opening Statement by Sponsor:

**REP. LARSON, House District 65, Seeley Lake,** provided written testimony. **EXHIBIT 1**

Proponents' Testimony:

**Gordon Morris, Montana Association of Counties,** stated the Association supports HB 452, but they have one consideration to point out to the committee in regard to the governing bodies authorization to approve or disapprove the tax exemption.

Page 5 and 6 states the DOR will make the initial determination of eligibility. The option of approving or disapproving the exemptions appears to be gray. The final authority to approval or disapproval must reside at the local level regardless of the determination that a property or manufacturer is eligible. It is unclear as to whether this option is present. He requested that the committee review it. He suggested that on Page 6, Line 10, they make it clear that this is not a mandatory approval by the local government; but that they do retain discretion.

**Don Allen, Montana Wood Products Association,** stated HB 452 would help economic development in the state. The forest products industry is faced with many problems from timber availability to a worsening market situation. As a result, one of the hopes we have of maintaining any level is to have this type of tool available to those who want to expand into more valued type product.

We are in a competitive situation with the world market and free trade with Canada. It would be helpful for small and medium size firms in the state to take advantage of the opportunity to become more competitive. How many businesses would take advantage of this incentive in the future is not known, but it does provide the opportunity.

**Keith Olson, Montana Logging Association,** stated they can not say that their members will directly benefit from this legislation, they do believe the forest products industry has a chance to be strengthened. He urged the committee's support.

**Steve Granzow, Pegasus Gold Corporation,** stated if HB 452 would pass it would save the corporation \$200,000 in taxes on the Montana tunnel project in Jefferson County. He urged the committee's support.

**Evan Barrett, Butte Local Development Corporation,** stated he was a conceptual proponent of HB 452. The bill, as written, would reek havoc to the existing tax incentives that are in place for economical development. Unless it is integrated into the current

incentives it won't work. We currently have in place, a three year tax incentive for new industry that applies to the state and a local option, 5 to 10 year version of the 50% tax break, available at the local level. Passage of the bill as it is presented, would make these programs meaningless. The incentives for new and expanded industry are as good as anywhere in the country. The problems with overall property taxes need to be dealt with. Conceptually, doing value added tax incentives is a solid one.

**Geoff Badenoch, City of Missoula**, stated he was a conceptual proponent of HB 452. Missoula has one reservation with the bill which has to do with the complete exemption of all qualifying properties for a five year period. They would like to see an addition that would make it in the best interest of the local government.

**Opponents' Testimony:** None

**Questions From Committee Members:**

**REP. ELLIOTT** asked **Judy Rippengale, DOR**, if new jobs were being created in Montana with tax incentive with relation to class 5 property. **Ms. Rippengale** did not know. **REP. ELLIOTT** gave information to the committee. He stated this is the provision that gives new and expanding industry in the state a 3% property tax rate. Could the committee be provided with that information and the accompanying costs? **Ms. Rippengale** said she would provide that information to the committee.

**REP. COHEN** asked **REP. LARSON** if draglines used in strip mining minerals would qualify as value-added. **REP. LARSON** said no. The intent of the bill is to encourage people to add value to their primary product.

**REP. COHEN** said that recently a new mill was installed in Evergreen and asked **Judy Rippengale, DOR**, if it qualified for the present available credits. **Ms. Rippengale** did not know. **REP. WANZENRIED** said he was certain that it did qualify, but he was not certain under which existing laws. **REP. COHEN** asked that the information be brought to the Property Tax Subcommittee. He also encouraged all the conceptual proponents to put their concerns in writing and send it to the chairman. They need to be considered carefully in the subcommittee hearing.

**REP. THOMAS** asked **Evan Barrett** in the area of a new business, could he give a general sense of where the success has been; has it been in new business or expanding business. **Mr. Barrett** stated in reality, there are individual cases in both. There is not much new business and not much expansion. Southwest Montana is the predominant area of both businesses. If HB 452 is properly drafted, the tax incentives could apply equally to legitimate expansions as well as to start ups. The tax break on the current incentives applies only to the local levies.

REP. ELLIOTT said that when he testified, Mr. Barrett gave us the idea that this muddles our approach to economic growth and asked why. Mr. Barrett said the current incentives are more than adequate. In talking to people who have used the incentives, they help them in the first couple of years when the operation is marginal. You ultimately have to deal with the long term tax implications. REP. ELLIOTT said Montana is a resource state, but what about services. This is where the growth in the country is. Mr. Barrett said there is a bill being introduced that deals with this issue. It should be expanded into the service sector as long as that portion of the service sector is basic. REP. ELLIOTT asked REP. LARSON on Page 4, it requires a business to stay in business for 10 years and would he be amenable to adjusting this to some degree to make it more flexible in case of disaster. REP. LARSON said yes. After visiting with Mr. Barrett and Mr. Morris, they started to clarify the questions you are raising. The bill is intended to target basic industry jobs.

REP. REAM said as he reads the bill the sole criteria is the 5 jobs. If someone buys a \$50,000 piece of equipment it is totally exempt or if they buy and \$50 million piece of equipment it is exempt. The approach that is talked about it that the company would get 3% of the taxable value. REP. LARSON said when you do economic development, you try to create both jobs and tax base. There must be winners in both private and public sectors.

REP. RANEY stated there has been four expanding business in his community. All of them made the decision, made their investments, got their contracts, and the dollars were rolling before they ever applied for the tax incentives. They didn't need the incentive to do what they did; they made the decision on their own. He asked Gordon Morris why are we giving tax incentives for something they did not need an incentive for. Mr. Morris said having looked at the role of tax incentives in business decisions, they are the fifth, if not lower, in terms of making decisions to locate or relocate. They don't play a significant role in expansion or relocation decisions made by industry. Yet, they should be there as one additional local incentive option. REP. RANEY said a tax exemption becomes a tax give away in reality, and asked how local governments come out on this. Mr. Morris said under current law, we are talking about two different options, the 3% option and the law that allows for local governments to develop criteria for eligibility to pass to pass a resolution which gives them the tax incentive on the law. Establishing the criteria for eligibility should be left to the local governments and you weigh the benefits against any disadvantages there might be. Something similar should be in the bill.

REP. ELLIOTT said we are getting into the philosophical issue of tax incentives. One of the considerations on a state by state basis or local government by local government, it is the fear and possibility that states get in tax give away bidding wars against

one another. He asked Mr. Morris if he felt that the dependency of this is to lower the tax base. Mr. Morris said relative to current law, the local governments could be placed in a position where they would be competing with one another. This is not happening in Montana. The problem under the current law is that very few local governments have adopted the resolution required under the current tax incentive law. The local governments have a dilemma in providing a tax incentive to new or expanding business at the expense of existing facilities. Commissioners are very cognizant of this. There is also another issue that must be dealt with and this is free trade. If a person has a logging operation that goes into value-added production that is designed for export to Canada, and they are given a 5 year tax deferral, does this constitute a subsidy in this country under the free trade law and put them in a competitive advantage with Canada.

**Closing by Sponsor:**

REP. LARSON said in definition, new industry is defined but new employee is not. He stated that HB 452 is introduced to create basic jobs with value-added production. He urged the committee's support and would work with them and proponents of the bill to develop amendments.

**HEARING ON HB 444**

**Presentation and Opening Statement by Sponsor:**

REP. WANZENRIED, House District 7, Kalispell, stated HB 444 is a bill to exempt community colleges from the property tax freeze imposed by I-105. In 1989, school districts were exempted from I-105. Community colleges are, in fact, school districts; and Montana has three of them. It doesn't make sense to subject these three school districts to the affects of I-105 when all of the other school districts have been exempt when the same laws apply. The problem is compounded by state funding which has decreased over the last 15 years. The local levy to make up the difference has been frozen. In 1983, 53% of the revenue for community colleges came from the state level. In 1991, it is down to 47%. The future recommendations is that we get back to the established policy of 65% in 4% increments over the next 4 to 5 fiscal years.

We have a serious problem. There is not enough state funding to fully fund the community colleges and they do not have enough property tax revenue to make up the difference. Flathead Community College has the highest tuition rates in a four state region. We are trying to encourage student to come to Flathead, but they are being discouraged because of the accelerating tuition rates. HB 444 exempts community colleges from the I-105 property tax freeze, and it caps the growth at 5%.



**Proponents' Testimony:**

**REP. STICKNEY** stated that she and **REP. JOHNSON** wanted to go record in support of HB 444. Community colleges are caught in a bind. Community colleges are supported with local levies. She knows that Mr. Kettner from Dawson Community College is going to suggest that the 5% limit will be very difficult to deal with. The enrollment at community colleges has a roller coaster appearance in that they have so many nontraditional students. Putting a cap on this would be difficult. She would be in support of the amendments that are going to be introduced.

**Don Kettner, President, Dawson Community College**, stated there are three points that he would like to emphasize. (1) We totally support HB 444 with the elimination of the 5% cap. The cap is a double edge sword in that it cuts both ways. If we had a tuition projection shortfall, if interest rates vary, or if we have a roller coaster enrollment, we will get in the 5%. They receive 47% of their funding from the state and 53% from the local level. With the small budgets they have, it could be dangerous if anyone of the above three variables happen. Because of the I-105 cap, Dawson has had less than a \$59,000 total budget increase in the last six years. This is less than 1% per year increase. Community colleges fall under public school laws. We relate to the Regents in three functionary capacities: (1) a review of the budget; (2) articulation of the transferability of courses; and (3) approval of the programs for credibility and transferability.

The state share six years ago was 53%. This has since been reversed. If the state wishes to ease the burden on the local tax payers, then this percentage of state shares should be restored to a more equitable proportion. We ask only for equal treatment. People in the rural areas are finding that the community colleges are not only a resource institution, but an institution of relief for them. Community colleges are the most rapidly growing full secondary institutions in the United States. Why? Because they can most quickly address the needs of their immediate and surrounding service area. He entered a letter from **REP. JOHNSON** into testimony. **EXHIBIT 3**

**Howard Fryett, President, Flathead Valley Community College**, provided written testimony. **EXHIBIT 4** He also introduced amendments to HB 444 **EXHIBIT 5**

**Terry Minnow, Montana Federation of Teachers**, supported the bill and the amendments. Community colleges are a high quality, low cost way to provide education to Montanans. Property tax is the only avenue left to community colleges when their share of General Fund revenue does not meet their needs. HB 444 will allow community colleges to survive another two years.

**Eric Feaver, Montana Education Association,** stated that I-105 was a colossal mistake. All the devastation and pain from this initiative fell on the local property tax person. Community colleges are victims of this mistake. It is also a mistake to put into statute the 5% cap.

**Jerry Hudspeth, Lincoln County Campus, Flathead Community College,** stood in support HB 444 and the amendments.

**Leroy Schramm, Montana University System, and Board of Regents,** stated the Board of Regents has general oversight authority over the community colleges. They do not govern the authority because this is vested in the local districts. The Regents support HB 444.

**Thomas Harding, Flathead Valley Community College,** stated when Flathead Community College was established it was supported by the state with 67%. Today the support is 47%. Our student fees have gone from 8% to 17% over the last nine years. Over 75% of the students at FVCC qualify and receive special aid funding. They have the highest tuition of any two year school. I-105 has restricted their funding. There a four counties affected in this bill, and HB 444 will give them equity.

**Tricia Farmer, Student, FVCC,** stated over the past nine years the Board of Trustees and State Board of Regents have asked for tuition increases which have totaled 243%. Many people have said that a four state region have had increases. She provided testimony that showed the comparisons of tuition in these states.  
**EXHIBIT 5**

**Theresa Cubberly, Student, FVCC,** stated that she was a concerned student who stands in support of HB 44. She is the mother of four children and feels that the community college is an asset to her community. She comes from a depressed area and FVCC has provided her with the opportunity to further her education and accomplish her goals.

**REP. COHEN, Whitefish,** stated on Page 9, Lines 2 and 3, the bill was not drafted the way he had intended. This states that the mandatory levy increase may not be more that 5%. It was his intention to cap the total increase in the budget in any given year by 5%.

**Opponents' Testimony:**

**Gordon Morris, Montana Association of Counties,** stated that he is not necessarily opposed to HB 444 but suggested an amendment. He suggested that the committee amend HB 444 by striking Section 1 in its entirety.

**Questions From Committee Members:**

**REP. THOMAS** asked **Gordon Morris** if **MACO** was going to introduce legislation with a county exemption to **I-105**. **Mr. Morris** said that **MACO** has taken the position that we would not themselves introduce any legislation that would repeal **I-105** relative to counties. They would oppose any peace-meal revisions of the application of **I-105**.

**REP. COHEN** said the way the bill is written it talks about a 5% cap on the mandatory levy. This was not his intent. He intent was to ask for a 5% maximum increase in their total budget. If the total budget is \$3.3 million, it would allow you to increase in one year by \$165,000. **REP. DOLEZAL** asked if the bill were amended to read as **REP. COHEN** had intended, would it be satisfactory to the community college presidents. **Don Kettner** said that they would not support the amendment. **Mr. Kettner** stated that the community colleges are far behind in state support. Any cap on the 65%, 35% will hurt the systems. This would erode the state support they now receive. **LeRoy Schramm** commented on the same question. He stated the budget is enrollment based. In the state share, there is a certain amount per FTE, If the enrollment goes up 15 or 20% in one year, the student amount will remain the same and the state budget will go up. You can't solve the problem by saying their whole budget.

**REP. FAGG** said that only four communities would have their taxes affected by **HB 444** and asked how did these four counties voted on **I-105**. **REP. HARRINGTON** said the information can be gotten if it is going to be relevant to how they will vote on the bill.

**REP. M. HANSON** asked **Don Kettner** if we pass the legislation without a cap what will this do to the mill levies in Dawson County. How much additional are they going to ask for. **Mr. Kettner** said at this point, they are right at the cap. The next two years would have little affect on the tax base in Dawson County. As they grow, it could have an affect on the interest and enrollment.

**REP. REAM** said he was gray in the areas that deal with these issues. The community colleges have a third source of revenue, which is the local mill levy, and asked **LeRoy Schramm** how the tuition, local mill levy, and the state funding are controlled by the Board of Regent. **Mr. Schramm** said the driving force for the budget is state appropriations. The State Appropriation Subcommittee will set an amount per student FTE amount. They will then take the enrollment, multiply it times the \$3,907 per student, then apply the 47% to get the state general fund appropriation. This is the state share of the budget. The remaining 53% has to be made up at the local level. It can either come from the levy or tuition. The Regents have to approve tuition levels, but if the local board says they want

this much for local levy and this much for tuition, the Regents have not quarreled with it. Kalispell is up against their limits and Dawson is getting there. The only way for them to get to 100% of their budgeted amount is to raise tuition. The \$3,907 figure applies to all colleges.

**Closing by Sponsor:**

REP. WANZENRIED said one thing that the Legislature can do is put more funding into the community college system. This is one of the Commission of the 90's recommendations, that the state reassume the funding so that they can end up with 100% funding without driving property taxes any closer to their limitations.

**EXECUTIVE ACTION ON HB 422**

**Motion/Vote:** REP. HOFFMAN MOVED HB 422 DO PASS. Motion carried unanimously.

**EXECUTIVE ACTION ON HB 446**

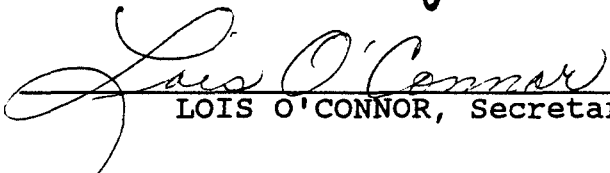
**Motion/Vote:** REP. McCAFFREE MOVED HB 446 DO PASS. Motion carried unanimously.

**Announcements:** CHAIR HARRINGTON referred HB 452 and HB 444 to the Property Tax Subcommittee.

**ADJOURNMENT**

**Adjournment:** 11:05 a.m.

  
DAN HARRINGTON, Chair

  
LOIS O'CONNOR, Secretary

DH/lo

# HOUSE OF REPRESENTATIVES

## TAXATION COMMITTEE

ROLL CALL

DATE 2/8/91 Fri

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG	✓		
REP. MIKE FOSTER	✓		
REP. BOB GILBERT	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE		✓	
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		

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1:00  
2-8-91  
JDB

HOUSE STANDING COMMITTEE REPORT

February 8, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 422 (first reading copy -- white) do pass .

Signed: \_\_\_\_\_

Dan Harrington  
Dan Harrington, Chairman

HOUSE STANDING COMMITTEE REPORT

February 8, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 446 (first reading copy -- white) do pass.

Signed: Dan Harrington  
Dan Harrington, Chairman

EXHIBIT 1  
DATE 2-8-91  
HB 452

Testimony of Representative Don Larson, Sponsor, HB 452  
Before the House Taxation Committee 2/8/91

Mr. Chairman and members of the Committee:

For the Record my name is Don Larson, HD 65 and I appear before you today to present HB 452, a bill to create a five year tax exemption for new and expanding industries that create new value added products from Montana primary products.

Members of the Committee, in plain language, this bill grants a five year personal property tax exemption for any new or expanding business in Montana that adds new value to a Montana-produced primary product. A primary product is a wood product, an ore, or an agricultural product, to name a few.

The business must create at least five new jobs. The exemption is reviewed and approved by the local city or county government affected by the expansion, and there is a recapture provision for government to reclaim the taxes if the private enterprise fails to hold up its end of the bargain.

This bill does not conflict with local tax increment financing legislation which creates special taxing districts. This bill, in fact, gives local government another option in the fight to attract new businesses to its area.

In fact, house bill 452 is intended to target expanding businesses--existing industries such as lumber mills or farming operations which could take their primary products, wood or wheat, and re-manufacture them.

Montana is a resource-based economy and too long we have allowed the raw materials to leave the state unprocessed. This bill is one of several "first steps" in encouraging new value-added processing of our state's primary products.

Any economic development plan in Montana must address the loss of jobs in the basic sector--that is jobs that derive dollars from out-of-state. The service sector, by contrast, derives its dollars from in-state sources. I believe this piece of legislation can become an integral part of any sensible economic development plan for Montana.

The bill does not I emphasize DOES NOT take tax dollars from a local government entity. It merely says "we'll give you a tax break if you'll expand your business and add some new jobs."

I will be available for questions, Mr. Chairman, and I reserve the right to close.



EXHIBIT 2  
DATE 2-8-91  
HB 446

Representative Dan Harrington  
Chairman of Taxation Committee  
Room 437  
Capital Building  
Helena, MT 59601

Dear Chairman Dan Harrington and Members of this Committee.

This Bill No. 446 is adding a new Section 5 to the Sale of Tax Deed Laws.

Under current statutes a delinquent taxpayer can bid his property at any tax deed auction and especially after the first sale, the County Commissioners reduce the appraised value and the taxpayer can bid on his delinquent property at a reduced price and thus escape in paying the actual amount of delinquent taxes due, costs, interest and penalties.

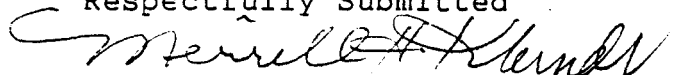
This bill would allow a delinquent taxpayer, successor in interest, members of the immediate family or agent to bid on their delinquent parcels at a public auction and if successful bidder, they are required to pay all county costs, delinquent taxes, assessments and all interest and penalty due in full.

Example: A delinquent taxpayer maybe delinquent to the amount of \$500,000.00. After the first sale the appraised values are lowered and the delinquent taxpayer may bid them in at the following auctions and save at least \$200,000.00. Under the current process, the state loses 40%, schools, county and city all lose 40%. This loss necessitates increasing levies, wherever possible, up to maximum levies allowed by I-105 to compensate for the loss of taxes and special assessments.

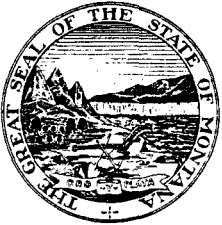
Further, if the revolving fund of the city and county are depleted, there must be a levy to provide funds for the revolving fund of each entity in order to retire outstanding bonds. Therefore, a taxpayer in good standing is paying again. This bill will stop some of the abuse in the current system.

If you will note no penalty or fine is stated in this bill; perhaps there should be an amendment placing a penalty and fine if found in violation.

Respectfully Submitted



Merrill H. Klundt  
Clerk and Recorder  
Chairman M. A. C. D.



*The Big Sky Country*

EXHIBIT 3  
DATE 4/2/89  
HB 444

## MONTANA HOUSE OF REPRESENTATIVES

**REPRESENTATIVE JOHN JOHNSON**

HOUSE DISTRICT 23

HOME ADDRESS:  
124 GRESHAM  
GLEN DIVE, MONTANA 59330  
PHONE: (406) 365-2982

HELENA ADDRESS:  
CAPITOL STATION  
HELENA, MONTANA 59620  
PHONE: (406) 444-4800

REPRESENTATIVE HARRINGTON, CHAIRMAN  
HOUSE TAXATION COMMITTEE

I support HB 444, which effectively removes the Community Colleges from I-105; enabling the colleges to more effectively meet to needs of their students.

John Johnson  
Representative  
House District 23

EXHIBIT 4  
DATE 2-8-91  
HB 444



OFFICE OF THE PRESIDENT

## *Flathead Valley Community College*

777 Grandview Drive, Kalispell, MT 59901 • 406/756-3800 • Fax 406/756-3815

### BEFORE HOUSE TAXATION COMMITTEE

February 8, 1991  
H.B. 444

Mr. Chairman and Members of the House Taxation Committee, my name is Howard L. Fryett, President of Flathead Valley Community College. I appear before you in support of House Bill 444.

Let me provide you with a brief overview of the community college funding formula so you can better understand the impact I-105 has had on Flathead Valley Community College. The general operating budget for community colleges is based on a dollar allocation per student FTE which is established by the legislature (presently 3,907 through June, 1991). The general fund pays a percentage of community colleges' total operating budget; tuition and local property tax monies make up the rest of the budget. Last biennium, the legislature determined that the state general fund would finance 47% of the community colleges' budget (that is down from 53% in FY 84).

I-105 froze the amount of property tax which may be levied at the rate in effect in 1986. As a result, community colleges are prevented from collecting all of the money authorized by the legislature. Not only are legislatively approved inflationary increases prohibited under I-105, increases in enrollment are also ignored. The effect of I-105 is especially severe at FVCC where enrollment has increased from 850 in 1986 to over 1,000 in 1990. In FY 90 FVCC had a budget shortage of \$237,362 because of the effects of I-105. The shortage would have been much greater but FVCC substantially increased tuition (by almost double during the last biennium) in order to survive. Passage of HB 444 would mean an additional \$58,065 for FVCC in FY 92.

The impact of HB 444 is very limited. Only four districts are affected, Glendive, Miles City, Kalispell, and Libby. A majority of legislators from the area served by Flathead Valley Community College and the Lincoln County Campus have agreed to support HB 444 and have signed the bill as cosponsors. I urge you to go along with their wishes and give HB 444 a "do pass" recommendation.

Ex. 4

2-8-91

HB 444

Passage of HB 444 is critical for the future growth and well-being of Montana's community colleges. The importance and good educational value of Montana's community colleges were recognized by the Montana Education Commission for the Nineties and Beyond who recommended substantial increases in funding for community colleges. A report prepared by the Legislative Fiscal Analyst's Office found that Montana's community colleges were dramatically under funded and received only 67% of the funding provided peer institutions.

Community colleges are the only educational institutions which are impacted by I-105. Elementary and high school districts are excluded from the limitation imposed by I-105. Community colleges are covered by a majority of the same budget and finance laws governing the K-12 education. It is unfair and inequitable to treat community colleges differently from the rest of public education.

Community colleges desperately need additional funding in order to continue to meet the needs of their students. It is not realistic with the cost of inflation and enrollment increases to expect Montana's community colleges to operate on budget amounts which must remain below ceilings which were frozen at levels set in 1986.

Please support HB 444. Thank you.

Amendments to House Bill No. 444  
First Reading Copy

Requested by Rep. Wanzenreid  
For the Committee on Taxation

Prepared by Lee Heiman  
February 2, 1991

1. Title, line 5.  
Following: "DISTRICT"  
Insert: "AND SERVICE REGION"
2. Title, lines 6 and 7.  
Strike: "PLACING" on line 6 through "YEAR;" on line 7
3. Page 6, line 16.  
Following: "districts"  
Insert: "and community college service regions"
4. Page 9, lines 2 and 3.  
Strike: "The" on line 2 through "year." on line 3

Montana and Regional Public Post-Secondary Institutions

Tuition and Fees Comparison

4 Year Institutions

Northern Montana	\$1,272
Montana Tech	1,321
Montana State University	1,376
University of Montana	1,450
Western	1,274
Eastern	1,308

Community Colleges

Dawson	\$ 864
Miles	756
Flathead Valley	936

Vocational-Technical Centers \$ 876

Regional Public Community Colleges

Idaho	
Northern Idaho - Coeur d'Alene -	\$ 760
College of So. Idaho - Twin Falls	800
Washington	
Spokane and Spokane Falls	\$ 867
Everett	858
Grays Harbor - Aberdeen	822
Wyoming	
Eastern Wyoming - Torrington	\$ 858
NW College- Powell	760
Sheridan	532
North Dakota	
ND State College at Devils Lake	\$1,332
U of ND - Williston	1,334
ND State University - Bottineau	1,283
South Dakota	
Sisseton - Wahpeton	\$2,070

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

Taxation

COMMITTEE

BILL NO. HB 446

DATE 2/8/91

SPONSOR(S) Rep. T. Nelson

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Gordon Morris	MACo.	✓	
Merrill F. Lundell	Full Co Club & Recorder	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS  
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 422  
DATE 2/8/91 SPONSOR(S) Rep. Holtzman  
PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<i>John J. Hanger</i>	<i>State Tax General Board</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Norma Taylor</i>	<i>"</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

Taxation

COMMITTEE

BILL NO. HB 452

DATE 2/8/91 SPONSOR(S) Rep. Larson

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
<u>Gordon Morris</u>	<u>MACo.</u>	<u>✓</u>	
<u>GEOFF BADENOCH</u>	<u>CITY OF MISSOULA</u>	<u>SB ✓</u>	<u><del>✓</del></u>
<u>John Fitzpatrick</u>	<u>Pegasus Gold Corp</u>	<u>✓</u>	
<u>Don Allen</u>	<u>MT. Wood Products</u>	<u>✓</u>	
<u>Stephen R. Grogan</u>	<u>Pegasus Gold Corp</u>	<u>✓</u>	
<u>KEITH OLSON</u>	<u>MT. Logging Assn.</u>	<u>✓</u>	
<u>Kathryn Macelfield</u>	<u>City of Helena</u>	<u>✓</u>	

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**HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER**

Taxation COMMITTEE BILL NO. HB444  
DATE 2/8/91 SPONSOR(S) Rep. Wanzel

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PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Jerry Hubspeth	FVCC/LCC Libby, Mt.	✓	
Don Keltner	Dawson Corn College	✓	
Gordon Morris	MA Co.		
Theresa Cumberly	FVCC/LCC Student Body Libby	✓	
<del>Agnes Z. Fagot</del>	FVCC Kalamazoo	✓	
Thomas K. Harding	FVCC Kalamazoo	✓	
Tricia Farmer	FVCC Kalamazoo	✓	
John Johnson	Rep. Dist. 23	✓	
Libby H. Schuman	Mt. Union System	✓	
Eric De	MGA	3	
Terry Minow	MFT	✓	

**PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.**