

## **MINUTES**

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

#### **SUBCOMMITTEE ON PROPERTY TAX**

**Call to Order:** By **CHAIRMAN COHEN**, on February 13, 1991, at 8:07 AM

#### **ROLL CALL**

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

Rep. Dan Harrington, Chairman (D)  
Rep. Ben Cohen, Vice-Chairman (D)  
Rep. Ed Dolezal (D)  
Rep. Orval Ellison (R)  
Rep. Russell Fagg (R)  
Rep. Ed McCaffree (D)  
Rep. Ted Schye (D)  
Rep. Fred Thomas (R)  
Rep. Dave Wanzenried (D)

##### **Members Excused:**

Rep. Dave Hoffman (R)  
Rep. Mark O'Keefe (D)

**Staff Present:** Lee Heiman, Legislative Council  
Julia Tonkovich, Committee Secretary

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

#### **DISCUSSION ON HB 282**

**REP. WANZENRIED** said this bill provides a mechanism to distribute among the counties the appropriated amount of dollars the state makes available. **Exhibit 1** As a distribution formula already exists, why is a new one needed, seeing as it doesn't create any new "winners" or "losers?"

**Gordon Morris, Montana Association of Counties**, said HB 282 replaces the existing formula with a formula that derives a pilt payment comparable to what state land would pay were it in the private sector. The existing formula does not reflect the true value of the land, or the taxes it would pay if it were private sector land. The existing formula gives the acreage payments in terms of grazing, agricultural and timber land. The proposed formula doesn't carry any fiscal implications, as the Department of State Lands will prorate the appropriations. This new formula will generate a higher figure in terms of appropriations.

REP. THOMAS said the fiscal statement indicates an increase in cost. Mr. Morris replied according to the amendments, the Department of State Lands will prorate whatever money is available.

REP. COHEN explained the present formula is x amount/acre, regardless of whether the county has a high or low tax base. This new formula will be based on the county mill levy, and the estimated value of the land relative to its classification. Will the new formula redistribute the money? Mr. Morris said as these are all relatively low mill levy counties, the redistribution will not be that significant.

REP. COHEN asked whether the committee could get an estimate of what these counties would actually be paid under this new formula. Mr. Morris said the exact values cannot be generated; however, the numbers would be significantly higher than the present amounts. REP. ELLISON said if the old method were x amount/acre (depending on the land classification), the new method wouldn't reflect those old figures, as they were set quite a few years ago.

REP. COHEN asked the department to explain the amendments. Ken Morrison, Department of Revenue, said the department consulted with Mr. Morris and John North from the Department of State Lands to prepare these amendments. The bill as drafted would require the Department of Revenue to reclassify all state lands in Montana based on those counties having state land in excess of 6% of total land. This would be a costly process. DOR staff suggested leaving the computation responsibility to the Department of State Lands, not DOR. DOR staff also struck most of Section 1's existing language, and inserted a formula for computing the value/acre based on statewide averages and statewide mill levies. The formula takes the statewide taxable value multiplied by the average statewide mill levy, divided by the total acreage of each type of land. This gives the average tax breaker of grazing, timber and agricultural land.

REP. COHEN asked if the Department of State Lands had more categories than this (i.e., irrigated and non-irrigated agricultural land). Mr. Morrison said he didn't know; however, grazing, timber and agricultural are the three major classifications the department is currently working with. Exhibit 2 Only those counties whose state land exceeds 6% of total land are eligible to receive payments from the department.

REP. WANZENRIED asked if there were a correlation between these numbers and the real potential increase. Mr. Morrison replied yes, these numbers are based on real-life situations and are not simply flat numbers.

REP. THOMAS asked about the impact of setting up a new system requiring more money. REP. COHEN explained the decision to pay more money rests with the appropriations committee; however much

they decide to give the counties will then be portioned out according to this formula.

REP. THOMAS noted the amendments will set up a new formula which seems to have a market value approach based on a productivity rate system, versus a fixed-cents breaker. Will the subcommittee act on this bill? REP. COHEN said there are too many remaining questions for the committee to act on it immediately.

William Tande, Daniels County Commissioner said this past year, value rates have gone up; consequently, the county requested a larger amount than in past years. However, the county received less money this year -- about 51% of requested funds. Commissioners have never been given a satisfactory answer as to why there has been such a significant decrease.

REP. ELLISON asked if this percentage were consistent with the percentage that other counties have received. Mr. Tande said no; some counties have gotten more.

REP. ELLISON said if the same formula was used to make payments to all counties, the percentages shouldn't be substantially different. Mr. Morrison said the Department of State Lands may have made some changes to their standard formula.


John Whalen, Choteau County said the Fish & Game Department pays 100% to any county which has over 100 acres of Fish & Game land. State Lands do not. REP. ELLISON said Fish & Game pays according to a different law.

Mr. Whalen said In the 1970's, the county received approximately 80% of what we requested; that percentage has declined to around 70%. Mr. Morris said DOR asked State Lands about that difference, and they couldn't give a satisfactory explanation. The formula has not been changed; the amount of appropriations is the only thing that fluctuates. There may have been erroneous calculations, because the received percentage of funds requested went up in some counties, and down in others. The percentages should all remain relatively constant.

REP. COHEN said before the subcommittee can act on this bill, the Department of State Lands must explain it. A departmental presentation will be scheduled next week.

ADJOURNMENT

Adjournment: 8:47 AM



BEN COHEN, Chair



JULIA TONKOVICH, Secretary

BC/jmt

# HOUSE OF REPRESENTATIVES

## PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE

2/13/91

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

# VISITOR'S REGISTER

# PROPERTY TAX

SUBCOMMITTEE

AGENCY (S)

TAXATION COMMITTEE

DATE \_\_\_\_\_

2/13/91

DEPARTMENT

HOUSE OF REPRESENTATIVES

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IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT.  
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.