

## **MINUTES**

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

#### **COMMITTEE ON PROPERTY TAX**

**Call to Order:** By **CHAIRMAN COHEN**, on April 5, 1991, at 7:00 AM

#### **ROLL CALL**

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

Rep. Ben Cohen, Vice-Chairman (D)  
Rep. Ed Dolezal (D)  
Rep. Russell Fagg (R)  
Rep. Ed McCaffree (D)  
Rep. Mark O'Keefe (D)  
Rep. Ted Schye (D)  
Rep. Fred Thomas (R)  
Rep. Dave Wanzenried (D)

##### **Members Absent:**

Rep. Orval Ellison (R)

##### **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 SB 412**

**Denis Adams, Department of Revenue (DOR)**, said no matter what the legislature does on the sales assessment issue, the state will probably be taken to court. The challenge is to come up with the plan most defensible in court. The department has not been able to find a common trend; if it could, that trend would be dealt with. Many people have the misconception that there are only certain types of properties with assessment problems, but the problem is widespread. The constitution merely states the values must be equalized across the state; it does not give any guidelines as to how the equalization process should take place. The major complaint had been that the valuation was changing, and people could not appeal that process.

**REP. THOMAS** said many people thought they could not appeal their own home, and this is not true. They could appeal.

**REP. COHEN** said the crucial issue is equalization: assessing everyone at 100% of market value.

**REP. DOLEZAL** asked how the department's new assessment system

will work. **Mr. Adams** said the department has set up a computerized assessment program into which all information pertinent to the classification of properties will be entered. This information includes property characteristics, sales prices, age, location, etc. spanning four years, and is divided into neighborhoods. The computer will then match the base property (the property being reappraised) with a comparable property in the database, and make adjustments according to the differences between properties. Comparability will not merely be based on price, but on all the characteristics entered in the database. The computer will then print out the comparable property and a list of differences between the two properties. The department is allowing an error margin, or "adjustment multiplier," of 5%. If a property assessment falls within that margin (either 5% below or 5% above market value), no adjustment will be made. A 6% increase will give a 1% change in the market value, as will a 6% decrease.

**Judy Ripplingale, DOR**, clarified "adjustment multiplier." If a property increases 13% in value, it will only be assessed at an 8% increase. Similarly, if a property decreases in value by 13%, it will only be assessed at an 8% decrease. If this bill passes, the sales assessment ratios will be phased out. Assessments will take place under the computerized system once every three years after 1993.

**REP. COHEN** asked what will happen if the bill does not pass. **Mr. Adams** said all properties will return to their 1982 values, which could prove disastrous for some areas, especially those in eastern Montana which may experience a property value increase of 10-30%.

**Mr. Adams** said the agricultural property reappraisal cycle will be the same as the residential property cycle. New agricultural values will not go on until the end of the reappraisal cycle (the 1993 cycle).

**REP. COHEN** asked why Section 4 of the bill is needed, since there is HB 340. It uses temporary formulas. **Mr. Adams** said if something happens to HB 340, the department must ensure that timberland is covered somewhere. **REP. COHEN** asked what year's values will determine the rates. **Mr. Adams** said there will be no change; the department will use the current values until the reappraisal cycle is finished. **REP. COHEN** noted that timberland has not been reappraised in many years, and asked why the timberland language is necessary. If the language is in the bill, many people will see no need for HB 340. If HB 340 is not passed, the timber productivity study will not be completed.

**REP. COHEN** asked whether the language from HB 340 concerning the appraisal of timberland could be included in SB 412. HB 340 got rid of the formula language, extended the temporary class and taxes all timberland at 3.86%. **Mr. Adams** said the department would consider that option. According to the way the bill is

written now, agricultural and timberland will be assessed using the same computer system, on a market value basis. There is not good sales data for farmsteads, because the houses on the farmsteads are not usually separated from the land at the time of sale, so it is difficult to get an accurate value of the house itself.


**DISCUSSION ON SB 111**

**REP. HOFFMAN** said the intent of the bill is to encourage recycling. If a grocery store wants to separate and bale recyclables, the bill should encourage that through a tax incentive. If it is baling its own cardboard, is that considered an "industrial waste" under Montana statute? Someone who produces "industrial waste" such as wood chips or refuse from mining must adhere to a permitting process. An incentive for these industries would not help because they must dispose of their wastes in a prescribed fashion. The language is unclear; the bill should be amended so that the language is clearer, or "industrial waste" should be left as is.

Motion/Vote: **REP. MCCAFFREE** moved the subcommittee **DO RECOMMEND** SB 111 as amended to the full committee. Motion carried unanimously. (The "industrial waste" language remains in the bill)

**ADJOURNMENT**

**Adjournment: 7:50 AM**

  
BEN COHEN, Chair  
JULIA TONKOVICH, Secretary

BC/jmt

**HOUSE OF REPRESENTATIVES**  
**PROPERTY TAX SUBCOMMITTEE**

**ROLL CALL**

**DATE**

4/5/91

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			

Amendments to Senate Bill No. 111  
Third Reading Copy

*Exhibit 1*  
EXHIBIT

DATE

4/5/91

AB

SB 111

Requested by Property Tax Subcommittee  
For the Committee on Taxation

Prepared by Lee Heiman  
April 4, 1991

1. Title, line 8.  
Strike: ", TRANSPORT,"
2. Page 2, lines 1 and 2.  
Strike: ", transportation,"
3. Page 2, line 11.  
Strike: ", transport the material,"  
Following: "process"  
Strike: "it"  
Insert: "the material"
4. Page 2, line 24.  
Strike: ", transportation,"
5. Page 3, line 4.  
Strike: "solely"  
Insert: "primarily"
6. Page 3.  
Following: line 15  
Insert: "(1) "Collect" means the collection and delivery of  
reclaimable materials to a recycling or reclaimable  
materials processing facility."  
Renumber: subsequent subsections
7. Page 4, line 3.  
Strike: ", transport,"
8. Page 4, line 9.  
Strike: ", transport,"
9. Page 4, line 14.  
Strike: "1986"  
Insert: "1990"
10. Page 4, line 19.  
Strike: ", transport,"
11. Page 4, line 23.  
Strike: ", transport,"
12. Page 5, line 2.  
Strike: ", transport,"
13. Page 5, line 8.

Strike: ", transports,"

14. Page 5, line 15.

Strike: ", transportation,"

15. Page 5, line 22.

Strike: ", transports,"

16. Page 6, line 6.

Strike: ", transporting,"

17. Page 6, line 16.

Strike: "1986"

Insert: "1990"

18. Page 7, lines 13 and 14.

Strike: ", transport,"

Definition of industrial waste in 75-5-103 (75-5-103 is same).

(2) "Industrial waste" means any waste substance from the process of business or industry or from the development of any natural resource, together with any sewage that may be present.