

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON PROPERTY TAX

Call to Order: By **CHAIRMAN COHEN**, on April 8, 1991, at 7:30 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 370

REP. COHEN explained his proposed amendments. The bill funds the DARE (Drug Abuse Resistance Education Program), and there is a better way of funding it than the income tax check-off currently provided. The Income Tax Subcommittee said they would kill the bill if this were the only method of funding offered. The money from the tax on illegal drugs, which brings in approximately \$20,000/year, would be a better way of funding the program.

REP. MCCAFFREE asked for clarification. **REP. COHEN** said when drug distributors get arrested, along with any other penalties and fines they are responsible for, they are also responsible for paying a tax imposed on the possession of illegal drugs. If the responsible party has previously filed a return to the Department of Revenue (DOR) claiming possession of illegal substances, he or she does not have to pay the tax. Obviously, this is a very unlikely occurrence.

REP. FAGG asked where this money currently goes. **REP. COHEN** replied that one-third goes to the Department of Family Services to fund alcohol abuse after-care programs, and the remaining two-

thirds goes to the Department of Justice to use for grants that fund chemical assessments of juvenile offenders. This bill would allow the Department of Justice to establish a trust fund for the DARE program with a portion of the money they are currently allotted by statute.

REP. FAGG spoke in favor of the amendment. The DARE program is an excellent program and funding needs to be secured.

Motion/Vote: **REP. FAGG** moved the subcommittee **DO RECOMMEND** the amendment to SB 370. Motion approved unanimously.

Mr. Heiman said the Department of Justice also recommended amending the bill to remove Sections 6, 8 and 9 in their entirety. These sections deal with the income tax deductions for contributions.

Motion/Vote: **REP. THOMAS** moved the subcommittee **DO RECOMMEND** the Department of Justice's amendments to SB 370. Motion approved unanimously.

Motion/Vote: **REP. FAGG** moved the subcommittee **DO RECOMMEND** SB 370 as amended to the full committee. Motion carried unanimously.

DISCUSSION ON SB 390

Mr. Heiman explained the proposed amendments, which limit the bill to personal property, and provide a civil penalty to the taxpayer who fails to notify the department within 30 days of replacement of the personal property.

REP. COHEN asked why the bill is necessary. **Judy Rippingale, DOR**, said the bill is designed to provide "fairness to the taxpayer." If property is destroyed, it should not be taxed. Currently, there is no provision rescinding the taxation of destroyed personal property; this bill creates one. The bill will result in a loss of money to the state, as someone who loses his or her property will not have to pay taxes on that property. It is difficult to estimate the loss, but it probably will not be substantial. This policy is already in effect for real property; **SEN. VAN VALKENBURG** wanted to extend it to also include personal property.

REP. THOMAS asked for clarification of "natural disaster" with regards to fire. **Ken Morrison, DOR**, said the current law for real property says the taxes for property destroyed by fire will only be void if the fire was caused by an act of nature.

REP. THOMAS said property taxes on all personal property destroyed by fire, regardless of the cause (excepting arson), should be void. If a fire is started by a vandal, or an electrical or industrial accident, it's still a fire, and "fire" is included in the definition of natural disaster.

REP. COHEN appointed REPS. MCCAFFREE, THOMAS and FAGG to a sub-subcommittee to discuss the fire language, and report back to the subcommittee by Thursday, April 11.

DISCUSSION OF SB 412

Ms. Rippingale explained why DOR is already drafting rules for a bill that has not yet passed the legislature. If SB 412 passes, the department will need to draft and implement extensive new rules. If the department does not draft the rules until after the legislation has passed, the state will not be able to do anything in 1991 as far as property tax changes are concerned. The rules are a procedural implementation of the bill's language. The only area in the rules that will change as a result of the bill is the Big Sky area, which will be considered as its own unit. The rest of the areas in the state will remain the same as last year's.

REP. THOMAS questioned the legality of the language on page 6, paragraph D, which states that the court may not restrain or enjoin the department. Dave Woodgerd, Chief Legal Counsel, DOR, said the measure is intended to protect local governments in case there is a lawsuit concerning tax protests.

REP. COHEN said if the protest is based on the percentage adjustments or the area designation, it will be handled the same as a protest on the evaluation. Mr. Woodgerd said this was correct.

REP. WANZENRIED asked what will happen if SB 412 does not pass. Ms. Rippingale said both the HB 703 and the HB 436 adjustments will be taken off, and there will definitely be lawsuits from the eastern part of the state, where there will be a taxable value increase of 30-35%.

REP. WANZENRIED asked what the worst situation could be, assuming SB 412 passes. Mr. Woodgerd said the department could be taken to court. In the worst case, the bill could be thrown out, and again, both HB 436 and HB 703 adjustments will be taken off.

REP. WANZENRIED asked what the department and the legislature could do to avoid that situation. Mr. Woodgerd said SB 412 is the best chance the department has. Currently, the staff must still get through the current reappraisal cycle. Once the three-year reappraisals are implemented, the situation will improve significantly. Ideally, reappraisals would occur every year, but this is administratively impossible.

Ms. Rippingale said the department has followed the Supreme Court's directions. The department and the legislature, working together, have drafted a fairly aggressive plan. No system is going to please everyone, but if this bill passes, the two worst areas (2.1 and 2.2 in Great Falls) will have reappraisals completed by June of this year. The court could not expect more

than this.

REP. WANZENRIED asked whether there is a more aggressive approach to take. **Ms. Rippingale** said if the court understands how the system works, there is no way it can accuse the department or the legislature of not doing enough to initiate reform. SB 412 does more than the Property Tax Division thought it could implement in the first place. It isn't just a matter of money, it is also a matter of time. The department has six months to do what it would normally have 24 months to do; there is not enough time to hire and train enough staff to accomplish that.

REP. DOLEZAL asked whether the department will actually physically appraise each home in the Great Falls areas under consideration. **Ms. Rippingale** replied that each property will be looked at once and possibly twice; the staff will not actually go into the home, but they will look at the property to make sure the actual structural characteristics are compatible with their data.

REP. THOMAS asked for clarification of the appeals process. **Ms. Rippingale** said the current appeals process is better than the one in place before HB 703. Homeowners no longer have to go back to their base values; they can use the current market value. People can also use a much broader range of documentation to prove the value of their home than they could in previous years.

REP. DOLEZAL asked whether the department will hold public hearings to let the public know whether the new appraisals will have a positive or negative impact on the community. **Ms. Rippingale** said yes. The department has held similar hearings before, especially in communities where there would be significant changes in values.

REP. COHEN asked what the impact will be if the 1990 values are frozen until 1993, rather than being changed yearly. **Ms. Rippingale** said there will probably be a court challenge. However, not many people will go down this year.

REP. MCCAFFREE asked for clarification of the reappraisal process. **Ms. Rippingale** said to qualify for the 1991 reappraisal process, the entire area has to fall outside of the 20% error range. In 1992, an upward adjustment will be added to the error criteria for an area to qualify for reappraisal. In 1993, regardless of the coefficient of dispersion, any upward adjustment will be cause for reappraisal. If an area qualifies, then the department will try to bring every home in that area to 100% of market value. Keeping the values at their 1990 level is the simplest option for the department. A second option is keeping the values at their 1990 levels except for those areas that need immediate attention; this means selective reappraisals as needed. The homes reappraised in 1991 will be using 1990 data; the homes reappraised in 1992 will be using 1991 data.

REP. COHEN said he didn't think people wanted to stop


reappraisals. However, they do want to stop having new tax rates each year. People are concerned about varying increases in values without additional property.

REP. DOLEZAL asked what the options are for taxpayers if this reappraisal increases their taxes by a significant amount (20% or more). Could they choose to spread out payments over a period of time? Mr. Morrison said keeping a consistent cash flow is a concern for local governments. A "spread-out" option can also create accounting difficulties, since properties may be sold. Ms. Ripplingale said Maryland has used the "spread-out" option, and has encountered so many problems that it is phasing the option out.

REP. COHEN said he had several conceptual amendments to add to the bill. 1) Freeze the levels at 1990 values, but continue the reappraisals, and 2) substitute the timberland language and productivity study from HB 340 into Section 4 of SB 412.

ADJOURNMENT

Adjournment: 8:50


BEN COHEN, Chair
JULIA TONKOVICH, Secretary

BC/jmt

HOUSE OF REPRESENTATIVES

PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE

4/08/71

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			

EX-67 1
4/8/91

Amendments to Senate Bill No. 370
Third Reading Copy

Requested by Rep. Cohen
For the Committee on Taxation

Prepared by Lee Heiman
April 5, 1991

1. Title, lines 10 and 11.

Strike: "FOR A VOLUNTARY INCOME TAX CHECKOFF"

Insert: "THAT THE DEPARTMENT OF JUSTICE MAY USE PROCEEDS FROM THE
DANGEROUS DRUG TAX"

2. Title, line 12.

Strike: "15-30-121"

Insert: "15-25-122"

3. Title, lines 13 and 14

Strike: "AND A RETROACTIVE APPLICABILITY DATE"

4. Page 4, line 10 through page 10 line 10.

Strike: sections 6 through 10 in their entirety.

Insert: "Section 6. Section 15-25-122, MCA, is amended to read:

"15-25-122. Disposition of proceeds. (1) The department shall transfer all taxes collected pursuant to this chapter, less the administrative fee authorized in 15-25-111(1), to the state treasurer on a monthly basis.

(2) The state treasurer shall deposit one-third of the tax to the credit of the department of family services to be used for the youth evaluation program and chemical abuse aftercare programs.

(3) The treasurer shall credit the remaining two-thirds of the tax proceeds as follows:

(a) one-half to the department of justice to be used for grants to the Montana drug abuse resistance education trust fund account established in [section 1] and to youth courts to fund chemical abuse assessments and the detention of juvenile offenders in facilities separate from adult jails; and

(b) one-half to the account created by 44-12-206(3) if a state government law enforcement agency seized the drugs. If a local government law enforcement agency seized the drugs, then that amount must be credited to the treasurer or finance officer of the local government, be deposited in its general fund, and be used to enforce drug laws.""

Renumber: subsequent section

5. Page 10, lines 11 and 12.

Strike: "-- RETROACTIVE APPLICABILITY . (1)"

Insert: "."

6. Page 10, lines 14 through 18.

Strike: subsections (2) and (3) in their entirety

EXHIBIT 2
4/8/91

Amendments to Senate Bill No. 370
Third Reading Copy

Requested by Dept. of Justice
For the Committee on Taxation

Prepared by Lee Heiman
April 5, 1991

1. Title, lines 12 and 13.
Strike: "AMENDING SECTION 15-30-121, MCA;"
2. Title, lines 13 and 14
Strike: "AND A RETROACTIVE APPLICABILITY DATE"
3. Page 4, line 10 through page 8, line 5.
Strike: section 6 in its entirety
Renumber: subsequent sections
4. Page 9, line 5 through page 10, line 6.
Strike: sections 8 and 9 in their entirety
Renumber: subsequent sections
5. Page 10, line 8.
Strike: "[Sections 7 through 9] are"
Insert: "[Section 6] is"
6. Page 10, line 10.
Strike: "[sections 7 through 9]"
Insert: "[section 6]"
7. Page 10, lines 11 and 12.
Strike: "-- RETROACTIVE APPLICABILITY . (1)"
Insert: "."
8. Page 10, lines 14 through 18.
Strike: subsections (2) and (3) in their entirety

EXHIBIT 3
4/8/91

SB 412

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

IN THE MATTER OF THE AMENDMENT)	NOTICE OF PUBLIC HEARING ON
of ARM 42.20.423; 42.20.426;)	THE PROPOSED AMENDMENT of ARM
42.20.429; 42.20.438; 42.20.450;))	42.20.423; 42.20.426;
42.20.453; 42.20.468; and REPEAL))	42.20.429; 42.20.438;
of ARM 42.20.426; and ADOPTION)	42.20.450; 42.20.453;
of Rules I and II for Property)	42.20.468; and REPEAL of ARM
Tax - Sales Assessment Ratio)	42.20.426; and PROPOSED
Study.)	ADOPTION OF Rules I and II
)	for Property Tax - Sales
)	Assessment Ratio Study.

TO: All Interested Persons:

1. On the dates and at the times listed below the department will conduct public hearings to consider the repeal, amendments and adoption of rules for property tax - sales assessment ratio study:

Great Falls, Montana, at the Paris Gibson Middle School Cafeteria, 2400 Central Avenue, at 7:00 p.m., on Wednesday, March 20, 1991;

Missoula, Montana, at the City Hall Council Chambers, 435 Ryman, at 3:00 p.m., on Thursday, March 21, 1991;

Bozeman, Montana, at the Community Room, 3rd Floor, 311 West Main, at 7:00 p.m., on Friday, March 22, 1991;

Kalispell, Montana, at the Winchester Room, Outlaw Inn, at 7:00 p.m., on Monday, March 25, 1991;

Butte, Montana, at the Convention Center, Copper King Inn, at 7:00 p.m., on Tuesday, March 26, 1991; and

Helena, Montana, at the SRS Auditorium, 111 Sanders Street, at 1:00 p.m., on Wednesday, March 27, 1991.

2. The proposed amendments are as follows:

42.20.423 DATA USED TO ESTIMATE SALES ASSESSMENT RATIOS

(1) For purposes of conducting the sales assessment ratio studies for commercial properties required under 15-7-111 MCA, the department will use valid, arm's length sales recorded during the three years preceding the tax year for which the results are to apply. For residential properties, the department will use valid, arm's length sales from the preceding 12 month period of November to November except if there are insufficient sales. In cases of insufficient sales, the department will use the following:

(a) Twelve months sales, if the results for the 12 month period are less than 5 percentage points different than the results for the 3 year period ~~as calculated in ARM 42.20.426~~; or

(b) Three years sales using the procedure described in ARM 42.20.426, if the results for the 12 month period are greater than 5 percentage points different than the results for the 3 year period ~~as calculated in ARM 42.20.426~~.

(2) Sales of properties with sales assessment ratios of less than 50% or greater than 200%; or which have undergone

reconstruction, have been remodeled or are newly constructed during the period between the appraisal and sales dates are not considered to be valid sales for purposes of estimating the sales assessment ratios. (AUTH: 15-1-201, MCA; IMP: 15-7-111, MCA.)

42.20.429 CRITERIA FOR REDUCING OR INCREASING PROPERTY VALUE (1) When a stratified sales assessment ratio study conducted under 15-7-111(4) MCA, establishes an assessment level of greater than 105% for residential ~~or commercial~~ property, the department shall independently adjust residential ~~or commercial~~ property values in those identified sales assessment areas to 105%. If an established assessment level of is less than 95% and equal to or greater than 80% is established, the department shall adjust property values to the 95% level. No adjustment will be made in those cases where an assessment level is between 105% and 95%.

(2) The following procedure will be implemented if an assessment level of less than 80% is established:

(a) For tax year 1991, if the result of the sales assessment ratio study on residential property for tax year 1990 shows for any area an assessment level of less than 80%, then the department shall perform a selective reappraisal of residential property in the area. The reappraisal shall be performed using a computer assisted mass appraisal system based on the market approach to value, using comparable sales of similar property. If insufficient sales are available for market modeling or if data selection criteria are unacceptable for market modeling, then the department shall reappraise the property using the cost approach to value.

(b) For tax year 1992, if the result of the sales assessment ratio study on residential property for tax year 1991 shows for any area an assessment level of less than 80% or a coefficient of dispersion with respect to the value weighted mean ratio of more than 20% rounded to the nearest 1/10 of 1% and an adjustment multiplier of 1.01 or greater, then the department shall perform a selective reappraisal of the residential property in the area. The reappraisal shall be performed using the same criteria provided in (2) (a).

(c) For tax year 1993, if the result of the sales assessment ratio study on residential property for tax year 1992 shows for any area an assessment level of less than 80% or a coefficient of dispersion with respect to the value weighted mean ratio of more than 20% rounded to the nearest 1/10 of 1% and an adjustment multiplier of 1.01 or greater, then the department shall perform a selective reappraisal of the residential property in the area. The reappraisal shall be performed using the same criteria provided in (2) (a).

(d) For those areas subject to reappraisal under the provisions of (2) (a) for tax year 1992, the department shall compare the sales assessment ratio study performed in 1991 to the 1991 assessed value to determine whether the area will be subject to further selective reappraisal. If that comparison of residential property shows for the area an assessment level of

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less than 80% or a coefficient of dispersion with respect to the value weighted mean ratio of more than 20% rounded to the nearest 1/10 of 1% and an adjustment multiplier of 1.01 or greater, then the department shall complete another selective reappraisal of residential property in the area. The reappraisal shall be performed using the same criteria provided in (2) (a).

(e) When selective reappraisal is implemented within an area, there will be no sales assessment adjustments made to residential property values within that area for that tax year.

(3) When a stratified sales assessment ratio study conducted under 15-7-111(4) MCA, establishes an assessment level of greater than 105% for commercial property, the department shall independently adjust commercial property values in those identified sales assessment areas to 105%. If an assessment level of less than 95% is established, the department shall adjust commercial property values to the 95% level. No adjustment will be made in those areas where an assessment level is between 105% and 95%.

(2) (4) The department shall make percentage adjustments rounded to the nearest whole number to coincide with the estimated assessment level from the following table: the tables remain the same. (AUTH: 15-1-201, MCA; IMP: 15-7-111, MCA.)

42.20.438 DESIGNATED AREAS - RESIDENTIAL For purposes of conducting the sales assessment ratio study and applying any subsequent percentage adjustments as required by 15-7-111, MCA, the sales assessment areas for residential property are:

(1) through (8) remain the same.

(9) Area 3.0:

(a) Rural North Gallatin County - the exterior borders of Gallatin County except the areas described in 3.1, 3.2, and 3.3, and 3.4.

(10) Area 3.1:

(a) remains the same.

(b) Bozeman Fringe and Canyon Area - Area General Description.

(i) Beginning at the northeast corner of Township 1 North, Range 7 East, proceed in a westerly direction along section line to the northeast corner of Township 1 North, Range 6 East, then south along section to Base line, then along baseline to the northwest corner of Range 5 East, then south 6 miles to the southwest corner of Township 1 South, proceed west 1 mile to Jackrabbit Lane, then south 3 miles, then east 1 mile, then proceed south to the southwest corner of Township 3 South, Range 5 East, then west to the Madison County/Gallatin County line, then south along line to Idaho Border, then east along Idaho Border to Yellowstone Park Boundary, then north along county line to northeast corner of Township 3 South, Range 6 East, then east to Park County line, then north along Park County/Gallatin County line to point of beginning, but excluding Area 3.3 and 3.4 area.

(11) and (12) remain the same.

(13) Area 3.4:

(a) Big Sky Area - Area Legal Description.
(i) Township 6 South, Range 3 East
(A) All sections and portions of sections located in Gallatin County.

(ii) All of sections 19, 29, and 30, Township 6 South, Range 3 East located in Madison County.

(b) Area 3.4 - Area General Description.

(i) Beginning at the northeast corner of Township 6 South, Range 3 East, then west 4 miles to the county line, then south 4 miles, then west 1 mile, then north 1 mile, then west 1 mile, then south 2 miles, then east 2 miles, then south 1 mile, then east 4 miles, then north to the point of beginning.

~~(13)~~ (14) Area 4.0:

(a) remains the same.

~~(14)~~ (15) Area 5.0:

(a) remains the same.

~~(15)~~ (16) Area 5.1:

(a) and (b) remain the same.

~~(16)~~ (17) Area 6.0:

(a) remains the same.

~~(17)~~ (18) Area 7.0:

(a) Northwest Madison County - All of Madison County except for the area described in 7.1 and 3.4.

~~(18)~~ (19) Area 7.1:

(a) Madison County Southeast - Area Legal Description.

(i) through (x) remains the same.

(xi) Township 6 South, Range 3 East.

(A) All of sections 5, 6, 7, 8, 17, 18, ~~19~~, 20, ~~29~~, ~~30~~, 31 and 32.

(xii) through (lix) remain the same.

(b) Madison County Southeast - Area General Description.

(i) Beginning at the intersection between the Township 3 South and Township 4 South line and the eastern border of Madison county, then west to the intersection of that township line with the Range 2 West and Range 3 West line, then south to a point where the Range 2 West and Range 3 West line intersects Township 5 South and Township 6 South township line, then east to a point mid-way on Township 6 South, Range 2 West, then south through that township, then west to the southwest corner of said township, then south along the western line of Township 7 South, Range 2 West, then west to the southwest corner of Township 7 South, Range 3 West, then south to the southwest corner of Township 9 South, Range 3 West, then west to the western border of Madison County, then continuing south and in a counter-clockwise direction, along the Madison County border to the point of beginning. Excepting therefrom, section 19, 29 and 30 of Township 6 South, Range 3 East also known as The Big Sky Area.

~~(19)~~ (20) Area 8.0:

(a) remains the same.

~~(20)~~ (21) Area 8.1:

(a) and (b) remain the same.

~~(21)~~ (22) Area 8.2:

(a) and (b) remain the same.

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~~(22)~~ (23) Area 8.3:
(a) and (b) remain the same.
~~(23)~~ (24) Area 9.0:
(a) remains the same.
~~(24)~~ (25) Area 9.1:
(a) and (b) remain the same.
~~(25)~~ (26) Area 10.0:
(a) remains the same.
~~(26)~~ (27) Area 11.0:
(a) remains the same.
~~(27)~~ (28) Area 11.1:
(a) and (b) remain the same.
~~(28)~~ (29) Area 11.2:
(a) and (b) remain the same.
~~(29)~~ (30) Area 11.3:
(a) and (b) remain the same.
~~(30)~~ (31) Area 11.4:
(a) and (b) remain the same.
~~(31)~~ (32) Area 11.5:
(a) and (b) remain the same.
~~(32)~~ (33) Area 11.6:
(a) and (b) remain the same.
~~(33)~~ (34) Area 12.0:
(a) and (b) remain the same.
~~(34)~~ (35) Area 13.0:
(a) remains the same.
~~(35)~~ (36) Area 13.1:
(a) and (b) remain the same.
~~(36)~~ (37) Area 13.2:
(a) and (b) remain the same.
~~(37)~~ (38) Area 14.0:
(a) through (h) remain the same.
~~(38)~~ (39) Area 15.0:
(a) through (g) remain the same.
~~(39)~~ (40) Area 16.0:
(a) through (d) remain the same.
~~(40)~~ (41) Area 17.0:
(a) and (b) remain the same.
~~(41)~~ (42) Area 18.0:
(a) through (e) remain the same.
~~(42)~~ (43) Area 19.0:
(a) through (f) remain the same.
~~(43)~~ (44) Area 19.1:
(a) and (b) remain the same.
~~(44)~~ (45) Area 20:
(a) through (h) remain the same.
~~(45)~~ (46) Area 20.1:
(a) and (b) remain the same.
~~(46)~~ (47) Area 21:
(a) remains the same.
~~(47)~~ (48) Area 22:
(a) remains the same. (AUTH: 15-1-201, MCA; IMP: 15-7-111,

MCA.)

42.20.450 DIVISION OF PROPERTY INTO STRATUM (1) For purposes of conducting sales assessment ratio studies, the term "stratum" is defined to be:

(a) all residential land and improvements including noncommercial condominiums, and all agricultural 1 - acre homesites and improvements within a designated area; and

(b) all commercial land and improvements including commercial condominiums within a designated area.

(2) For the purposes of conducting sales assessment ratio studies, the term "commercial condominium" means any condominium used for commercial purposes not including time-share or other condominiums used for residential purposes. (AUTH: 15-1-201, MCA; IMP: 15-7-111, MCA.)

42.20.453 TREATMENT OF CERTAIN PROPERTIES (1) For the purposes of conducting the sales assessment ratio study and applying any subsequent percentage adjustments as required by 15-7-111, MCA, residential noncommercial condominiums are considered residential properties.

(2) For the purposes of conducting the sales assessment ratio study and applying any subsequent percentage adjustments as required by 15-7-111, MCA, duplexes, apartment houses, and other multi-family structures and commercial condominiums will be treated as commercial properties.

(3) For the purposes of applying any percentage adjustments as a result of the sales assessment ratio study required by 15-7-111, MCA, personal property mobile homes (tax class 12) will be considered as residential properties. Sales of personal property mobile homes will be excluded from the sales assessment ratio study. For the current tax year, personal property mobile homes will be adjusted in accordance with the results of the prior year sales assessment ratio studies. Personal property mobile homes will not receive any percentage adjustments as a result of the sales assessment ratio study required by 15-7-111, MCA.

(4) For the purposes of conducting the sales assessment ratio study and applying any subsequent percentage adjustments as required by 15-7-111, MCA:

(a) all industrial properties are considered commercial properties; and

(b) the term "commercial condominium" means any condominium used for commercial purposes not including time-share or other condominiums used for residential purposes. (AUTH: 15-1-201, MCA; IMP: 15-7-111, MCA.)

42.20.468 PERCENTAGE ADJUSTMENTS FOR THE 1990 1991 TAX YEAR (1) The following table reflects the sales assessment ratios and the adjustment multipliers (percentage adjustments converted to decimal form) as calculated in conformance with the provisions of 15-7-111 MCA, and ~~ARM 42.20.426~~, for each of the areas specified in ARM 42.20.438 Designated Areas - Residential.

(a) Residential area results for tax year ~~1990~~ 1991:

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		Sales Assessment Ratio	Adjustment Multipliers
Area No. 1	Carbon County	.9802	1.00
Area No. 2	Rural Cascade County	.9130	1.05
Area No. 2.1	Downtown Great Falls	.7412	1.30
Area No. 2.2	Great Falls East	.7303	1.32
Area No. 2.3	Great Falls South	.8017	1.20
Area No. 2.4	Great Falls Southwest	.8734	1.09
Area No. 2.5	Great Falls West	.8938	1.07
Area No. 2.6	Great Falls Northwest	.8381	1.14
Area No. 3	Remainder of Gallatin	.9272	1.03
Area No. 3.1	Bozeman Fringe and Canyon	.8107	1.18
Area No. 3.2	West & East rural Gallatin	.8978	1.06
Area No. 3.3	Bozeman	.8492	1.13
Area No. 4	Jefferson County	.8492	1.13
Area No. 5	Rural Lewis and Clark	1.0107	1.00
Area No. 5.1	Urban Helena	.9584	1.00
Area No. 6	Lincoln County	.9744	1.00
Area No. 7	Northwest Madison County	.9530	1.00
Area No. 7.1	Southeast Madison County	.8407	1.14
Area No. 8	Rural Missoula County	.9057	1.05
Area No. 8.1	Eastern Urban Missoula	.9520	1.00
Area No. 8.2	Central Urban Missoula	.9694	1.00
Area No. 8.3	Western Urban Missoula	.9579	1.00
Area No. 9	Remainder of Silver Bow County	.9294	1.03
Area No. 9.1	Butte Plats and Westside	.8403	1.14
Area No. 10	Stillwater County	1.0165	1.00
Area No. 11	Rural Yellowstone County	1.0848	.97
Area No. 11.1	Billings Lockwood	1.1818	.90
Area No. 11.2	Billings South Side	1.2409	.86
Area No. 11.3	Billings South West Side	1.0855	.97
Area No. 11.4	Billings West Side	1.0661	.99
Area No. 11.5	Billings Heights	1.0913	.97
Area No. 11.6	Laurel	1.0894	.97
Area No. 12	Mineral and Sanders	.9538	1.00
Area No. 13	Rural Flathead County	.8775	1.09
Area No. 13.1	Kalispell Area	.9205	1.04
Area No. 13.2	Columbia Falls	.9799	1.00
Area No. 14	Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland	.9785	1.00
Area No. 15	Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park and Powell	.9529	1.00
Area No. 16.1	Blaine, Glacier, Phillips and Roosevelt	1.0250	1.00
Area No. 17	Big Horn and Rosebud	.9173	1.04
Area No. 18	Dawson, Fallon, Powder River, Richland and Wibaux	1.1937	.89

Area No. 19	Chouteau, rural Hill, Liberty, Pondera, Teton and Toole	.9891	1.00
Area No. 19.1	Greater Havre	1.0063	1.00
Area No. 20	Carter, rural Custer, Daniels, Garfield, McCone, Prairie, Sheridan and Valley	1.0639	.99
Area No. 20.1	Miles City	1.1209	.94
Area No. 21	Lake County	.9678	1.00
Area No. 22	Ravalli County	.9131	1.05

(b) Commercial area results for tax year 1990.

		<u>Sales Assessment Ratio</u>	<u>Adjustment Multipliers</u>
Area No. 100	Silver Bow, and Lewis and Clark Counties	.9243	1.03
Area No. 200	Cascade County	1.0218	1.00
Area No. 300	Yellowstone County	1.3543	.79
Area No. 400	Missoula County	.9743	1.00
Area No. 500	Beaverhead, Broadwater, Deer Lodge, Granite, Jefferson, Lake, Lincoln, Meagher, Mineral, Park, Powell, Ravalli and Sanders	.9525	1.00
Area No. 600	Gallatin and Madison	.9728	1.00
Area No. 700	Flathead County	1.0039	1.00
Area No. 800	All other counties	1.1317	.93

		<u>Sales Assessment Ratio</u>	<u>Adjustment Multipliers</u>
Area No. 1.0	Carbon County	.9330	1.02
Area No. 2.0	Rural Cascade County	.9351	1.02
Area No. 2.1	Downtown Great Falls	.8002	1.20
Area No. 2.2	Great Falls East	.8949	1.07
Area No. 2.3	Great Falls South	.9200	1.04
Area No. 2.4	Great Falls Southwest	.9221	1.03
Area No. 2.5	Great Falls West	.9354	1.02
Area No. 2.6	Great Falls Northwest	.9406	1.01
Area No. 3.0	Remainder of Gallatin	.8903	1.07
Area No. 3.1	Bozeman Fringe and Canyon	.9179	1.04
Area No. 3.2	West & East rural Gallatin	.9291	1.03
Area No. 3.3	Bozeman	.8867	1.06
Area No. 3.4	Big Sky Area	.8522	1.12
Area No. 4.0	Jefferson County	1.1168	0.95
Area No. 5.0	Rural Lewis and Clark	.9168	1.04
Area No. 5.1	Urban Helena	.9138	1.04
Area No. 6.0	Lincoln County	1.0173	1.00
Area No. 7.0	Northwest Madison County	.9940	1.00

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Area No. 7.1	Southeast Madison County	1.0637	
Area No. 8.0	Rural Missoula County	.8798	1.09
Area No. 8.1	Eastern Urban Missoula	.8916	1.07
Area No. 8.2	Central Urban Missoula	.9386	1.02
Area No. 8.3	Western Urban Missoula	.8889	1.07
Area No. 9.0	Remainder of Silver	.9302	1.03
	<u>Bow County</u>		
Area No. 9.1	Butte Flats and Westside	.9414	1.01
Area No. 10.0	Stillwater County	.9561	1.00
Area No. 11.0	Rural Yellowstone County	1.0147	1.00
Area No. 11.1	Billings Lockwood	1.0130	1.00
Area No. 11.2	Billings South Side	.9598	1.00
Area No. 11.3	Billings South West Side	.9916	1.00
Area No. 11.4	Billings West Side	1.0167	1.00
Area No. 11.5	Billings Heights	1.0094	1.00
Area No. 11.6	Laurel	1.0351	1.00
Area No. 12.0	Mineral and Sanders	.9422	1.01
Area No. 13.0	Rural Flathead County	.8547	1.12
Area No. 13.1	Kalispell Area	.8891	1.07
Area No. 13.2	Columbia Falls	.9118	1.05
Area No. 14.0	Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Sweet Grass, Treasure and Wheatland	1.0151	1.00
Area No. 15.0	Beaverhead, Broadwater, Deer Lodge, Granite, Meagher, Park and Powell	.9553	1.00
Area No. 16.0	Blaine, Glacier, Phillips and Roosevelt	1.0476	1.00
Area No. 17.0	Big Horn and Rosebud	1.0164	1.00
Area No. 18.0	Dawson, Fallon, Powder River, Richland and Wibaux	1.0665	0.99
Area No. 19.0	Chouteau, rural Hill, Liberty, Pondera, Teton and Toole	.9807	1.00
Area No. 19.1	Greater Havre	.9677	1.00
Area No. 20.0	Carter, rural Custer, Daniels, Garfield, McCone, Prairie, Sheridan and Valley	1.0804	0.98
Area No. 20.1	Miles City	1.0852	0.97
Area No. 21.0	Lake County	.9150	1.04
Area No. 22.0	Ravalli County	.9694	1.00

(b) Commercial area results for tax year 1991:

		<u>Sales Assessment Ratio</u>	<u>Adjustment Multipliers</u>
Area No. 100	Silver Bow, and Lewis and Clark Counties	.9717	1.00
Area No. 200	Cascade County	1.0508	1.00

Area No. 300	Yellowstone County	1.0152	1.00
Area No. 400	Missoula County	.9546	1.00
Area No. 500	Beaverhead, Broadwater, Deer Lodge, Granite, Jefferson, Lake, Lincoln, Meagher, Mineral, Park, Powell, Ravalli and Sanders	.9471	1.01
Area No. 600	Gallatin and Madison	.9502	1.00
Area No. 700	Flathead County	1.0190	1.00
Area No. 800	All other counties	1.0912	0.97

(AUTH: 15-1-201, MCA; IMP: 15-7-111, MCA.)

3. The rule to be repealed, ARM 42.20.426 can be reviewed at page 42-2076 of the ARM. (AUTH: Sec. 15-1-201, MCA; IMP: 15-7-111, MCA.)

4. The new rules proposed to be adopted are as follows:

RULE I CONSIDERATION OF SALES PRICE AS AN INDICATION OF MARKET VALUE (1) When considering any objection to the appraisal of property adjusted by the sales assessment ratio study, the department may consider the actual selling price of the property as evidence of the market value of the property. For the actual selling price to be considered in lieu of the sales ratio adjusted value, a taxpayer or his/her agent must meet the following requirements:

(a) Must make application on a property adjustment form (AB-26) to the department of revenue, property assessment division, appraisal office, located in the county where the property is situated;

(b) In order to be considered, the property adjustment form (AB-26) must be filed by April 1 of the current tax year or 15 days after receipt of a valuation notice, whichever is later. For tax year 1991 only, the application deadline will be May 6 or within 15 days after receipt of a valuation notice, whichever is later;

(c) The sale must have taken place no later than 12 months prior to November 1 of the immediately preceding tax year and prior to April 1 of the current tax year or 15 days after receipt of a valuation notice for the current tax year, whichever is later;

(d) The sale must be substantiated by an accurately completed and filed realty transfer certificate;

(e) Must complete and sign a sales verification form including sales price;

(f) Must provide a signed affidavit completed by at least one party or person who is not a participating party (buyer or seller) in the transaction that identifies the conditions, terms and sales price of the property;

(g) Must provide an executed buy/sell agreement as supporting documentation;

(h) Must provide a minimum of three comparable sales of similar property to support the market value under consideration; and

(i) The actual selling price must be trended to the value

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that is consistent with the base year adopted by the department in its administrative rules, Title 42, Chapter 18.

(2) For the actual selling price to be considered in lieu of the sales ratio adjusted value, the department of revenue must:

(a) Analyze and maintain the information and requirements in (1), (a) through (i), as a part of the file supporting the value placed on the property for tax purposes;

(b) Verify the subject sale as a valid arms length transaction as defined in ARM 42-20-435 and as further defined in 15-8-111 (2)(a), MCA;

(c) Verify the comparable sales as valid arms length transaction as defined in ARM 42-20-435 and as further defined in 15-8-111 (2)(a), MCA;

(d) Conduct physical on site reviews of the subject property; and

(e) Conduct physical on site reviews of the comparable properties being used to support the sale value of the subject property.

(3) After making a determination regarding use of the actual selling price as market value for tax purposes, the department of revenue must return the form (AB-26) to the taxpayer stating clearly the reasons for accepting or rejecting the application.

(a) If the application is accepted, the actual selling price shall become the current year valuation for assessment and taxation purposes. The department must trend the actual selling price to base year values using the inverse of each year's sales assessment ratio percentage adjustments. Subsequent years' sales assessment ratio percentage adjustments shall be applied against the current value determined by the department.

(4) When a tax appeal board decision indicates that the actual selling price is market value for the property under appeal and the department files no further appeal within the time prescribed by law, the actual selling price shall become the current year valuation for assessment and taxation purposes. The department shall trend the actual selling price to base year values using the inverse of each year's sales assessment ratio percentage adjustments. The result will be a new base year value. Subsequent years' sales assessment ratio percentage adjustments shall be applied against the current year value determined by the tax appeal board. (AUTH: 15-1-201, MCA; IMP: 15-7-111 and 15-8-111, MCA.)

RULE II CONSIDERATION OF INDEPENDENT APPRAISALS AS AN INDICATION OF MARKET VALUE (1) When considering any objection to the appraisal of property adjusted by the sales assessment ratio study, the department may consider independent appraisals of the property as evidence of the market value of the property. For an independent appraisal to be considered in lieu of the sales ratio adjusted value, the taxpayer or his/her agent must meet the following requirements:

(a) Prior to July 1, 1993, must submit a signed original long form narrative appraisal, performed by a licensed appraiser

if a state licensing program is in effect, or an appraiser who has been certified by a nationally recognized appraisal society or institute if a state licensing program is not in effect, to the department of revenue, property assessment division, appraisal office, located in the county where the property is situated;

(b) After July 1, 1993, must submit a signed, original long-form narrative appraisal, performed by a licensed appraiser after a state licensing program is in effect, to the department of revenue, property assessment division, appraisal office, located in the county where the property is located;

(c) The appraisal required in (a) or (b) must have been completed no later than 12 months prior to November 1 of the immediately preceding tax year and prior to April 1 of the current tax year or 15 days after receipt of a valuation notice for the current tax year, whichever is later;

(d) Must submit a property adjustment form (AB-26) to the department of revenue, property assessment division, appraisal office, located in the county where the property is situated; and

(e) In order to be considered, must file the property adjustment form (AB-26) and the original long form narrative appraisal by April 1 of the current tax year or within 15 days after receipt of a valuation notice whichever is later. For tax year 1991 only, the application deadline will be May 4 or within 15 days of receipt of a valuation notice, whichever is later.

(2) For the independent appraisal to be considered in lieu of the sales ratio adjusted value, the department of revenue must:

(a) Maintain the information and requirements in (1)(a) through (e), as a part of the file supporting the value placed on the property for tax purposes;

(b) Conduct on site reviews of the subject property verifying the property characteristics of the subject property;

(c) Verify the comparable sales used in the independent appraisal as valid arms length transactions as defined in ARM 42-20-435 and as further defined in 15-8-111 (2)(a), MCA; and

(d) Conduct on site reviews of the comparable properties being used to support the value of the subject property in the appraisal.

(3) After making a determination regarding use of the independent appraisal value as market value for tax purposes, the department of revenue must return the form (AB-26) to the taxpayer stating clearly the reasons for accepting or rejecting the application.

(a) If the application is accepted, the independent appraisal value shall become the current year valuation for assessment and taxation purposes. The department must trend the independent appraisal value to base year values using the inverse of each year's sales assessment ratio percentage adjustments. Subsequent years' sales assessment ratio percentage adjustments shall be applied against the current value determined by the department.

(4) When a tax appeal board decision indicates that the

independent appraisal value is market value for the property under appeal and the department files no further appeal within the time prescribed by law, the independent appraisal value shall become the current year valuation for assessment and taxation purposes. The department shall trend the independent appraisal value to base year values using the inverse of each year's sales assessment ratio percentage adjustments. The result will be a new base year value. Subsequent years' sales assessment percentage adjustments shall be applied against the current year value determined by the tax appeal board. (AUTH: 15-1-201, MCA; IMP: 15-7-111 and 15-8-111, MCA.)

5. The amendments are meant to implement the provisions of the department sponsored bill HB 703. The amendments apply different procedures for residential and commercial property. They require selective reappraisal under certain conditions. If all conditions are not met, there is no selective reappraisal and the appropriate percentage adjustment is applied against the properties.

The amendments to ARM 42.20.438 reflect the geographic boundaries of the sales assessment ratio areas in Gallatin County and Madison County. In Gallatin County the Big Sky area is removed from area 3.1. In Madison County the Big Sky area would now become a part of the Big Sky area in Gallatin County.

The amendments to ARM 42.20.450 reflects residential condominiums included with residential land and improvements for purposes of conducting sales assessment ratio studies.

Amendments to ARM 42.20.453 cover the sales of personal property mobile homes which are excluded from the sales assessment ratio studies. Personal property mobiles homes will also not receive any percentage adjustment as a result of the ratio studies.

Changes to ARM 42.20.468 reflect the new areas and provide space for the final sales assessment ratios and adjustment multipliers.

6. ARM 42.20.426 is proposed to be repealed because imposing the 3-year time adjustment imparts an artificially imposed bias in the time trend when previous sales assessment adjustments have been used to adjust appraisal values in one of the years.

7. The proposed new rules identify the general methodology the department will employ. Rule I provides a process whereby a taxpayer may request that an actual selling price be used as the current year market value for tax purposes. It requires the taxpayer to provide certain information within a specified deadline. It provides a mechanism for trending the actual selling price to the base year value if the actual selling price is accepted. It also specifies that subsequent years' percentage adjustments will be applied against that current value. Appeal board decisions that result in the acceptance of the actual selling price as the market value for the property under appeal are required to meet those same trending and


subsequent year adjustment provisions.

Rule II provides a process whereby a taxpayer may request that an independent appraisal value be used as the current year market value for tax purposes. It requires the taxpayer to provide a narrative appraisal that was completed by a licensed appraiser if a state licensing program exists or an appraiser certified by a nationally recognized appraisal society or institute if there is no state licensing program. It requires the taxpayer to provide the required information by a specified deadline. It provides a mechanism for trending the independent appraisal value to the base year value if the independent appraisal value is accepted. It also specifies that subsequent years' percentage adjustments will be applied against that current value. Appeal board decisions that result in the acceptance of the independent appraisal value as the market value for the property under appeal are required to meet those same trending and subsequent year adjustment provisions.

8. Interested parties may submit their data, views, or arguments either orally or in writing at the hearing. Written data, views, or arguments may also be submitted to:

Cleo Anderson
Department of Revenue
Office of Legal Affairs
Mitchell Building
Helena, Montana 59620
no later than April 12, 1991.

9. Cleo Anderson, Paralegal, Department of Revenue, Office of Legal Affairs, has been designated to preside over and conduct the hearing.


DENIS ADAMS, Director
Department of Revenue

Certified to Secretary of State February 19, 1991.

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APPENDIX A

EXHIBIT 4
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HB 703 Area Maps

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

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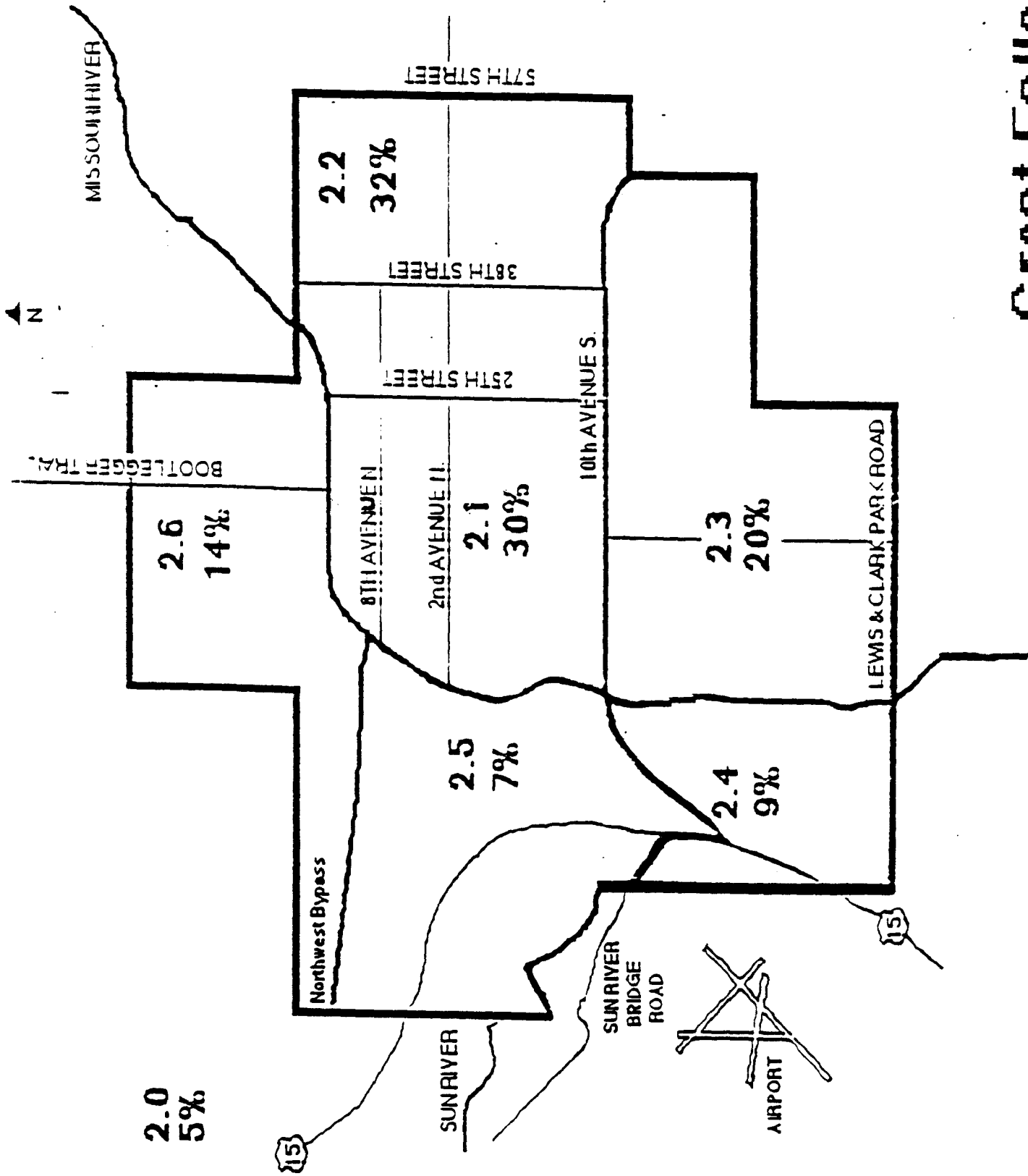
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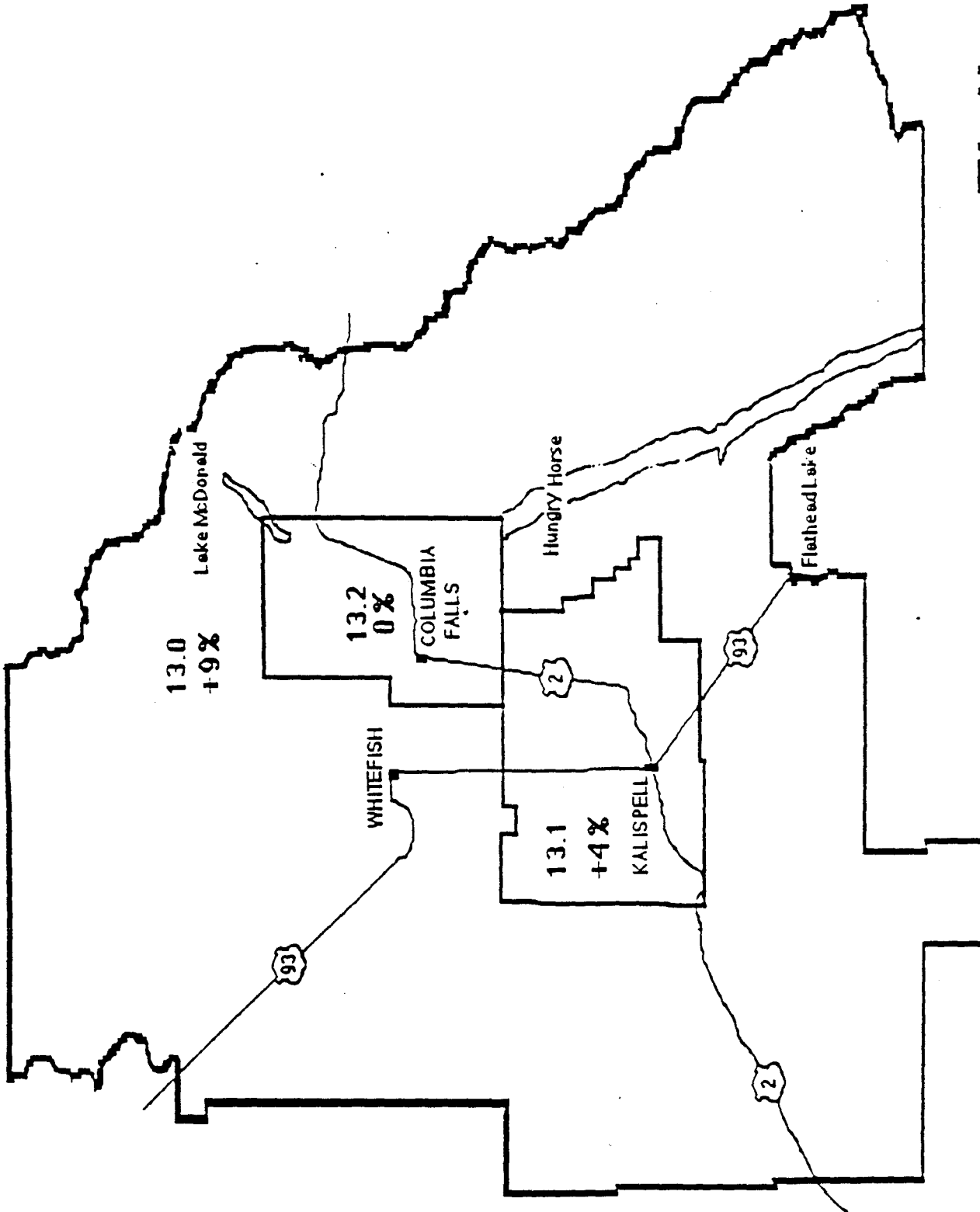
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Great Falls

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Flathead County



BUTTE

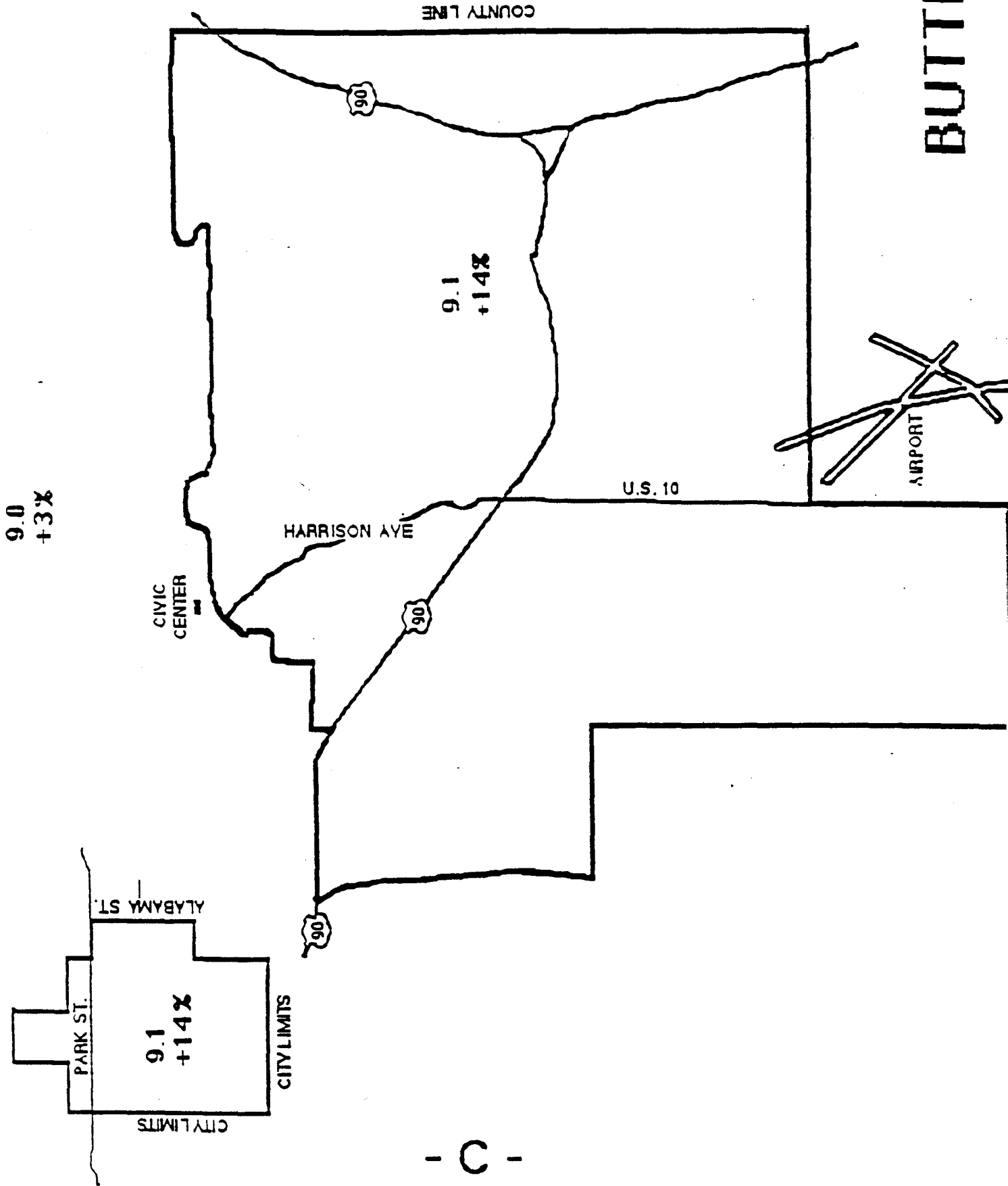
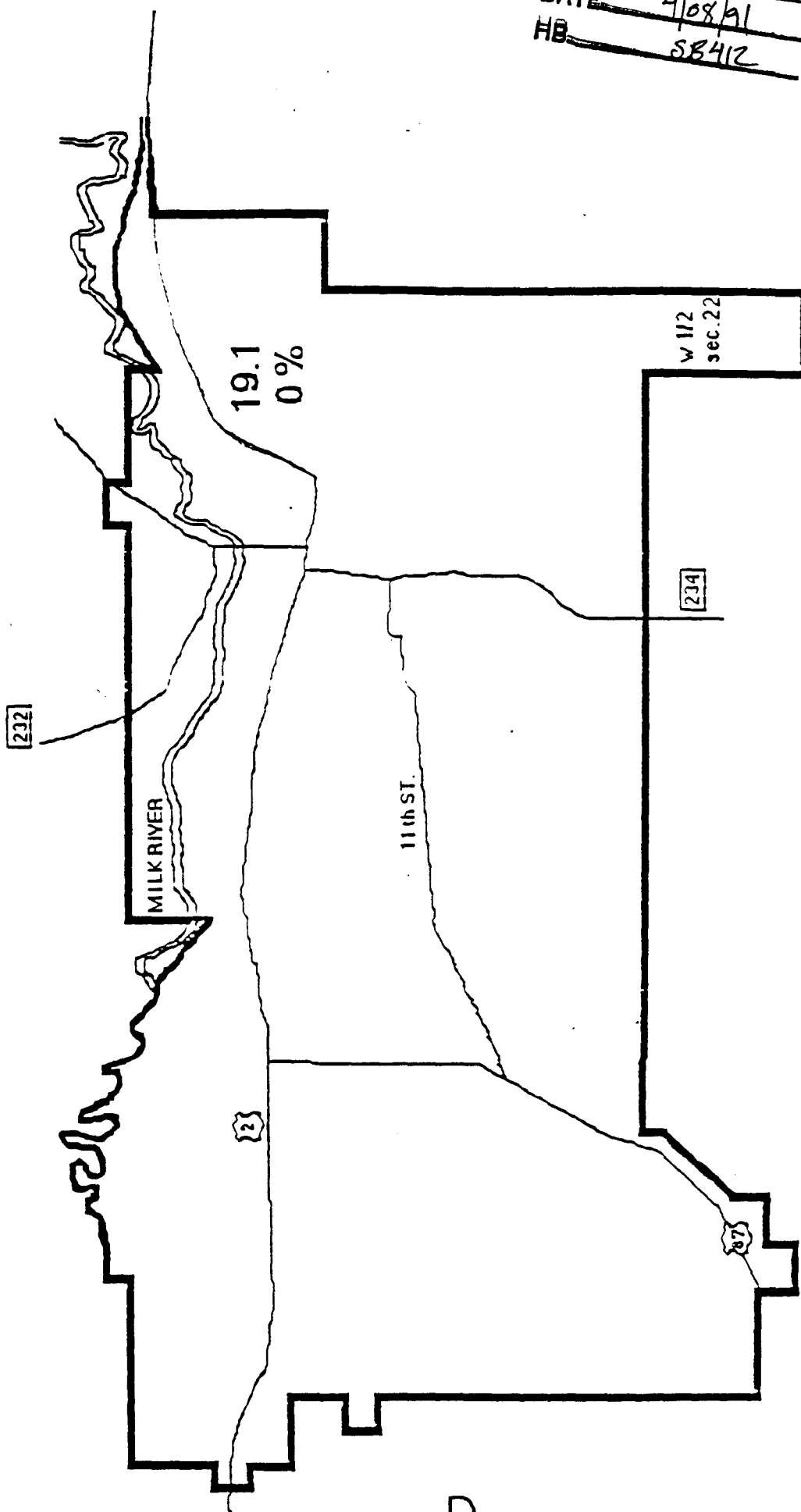


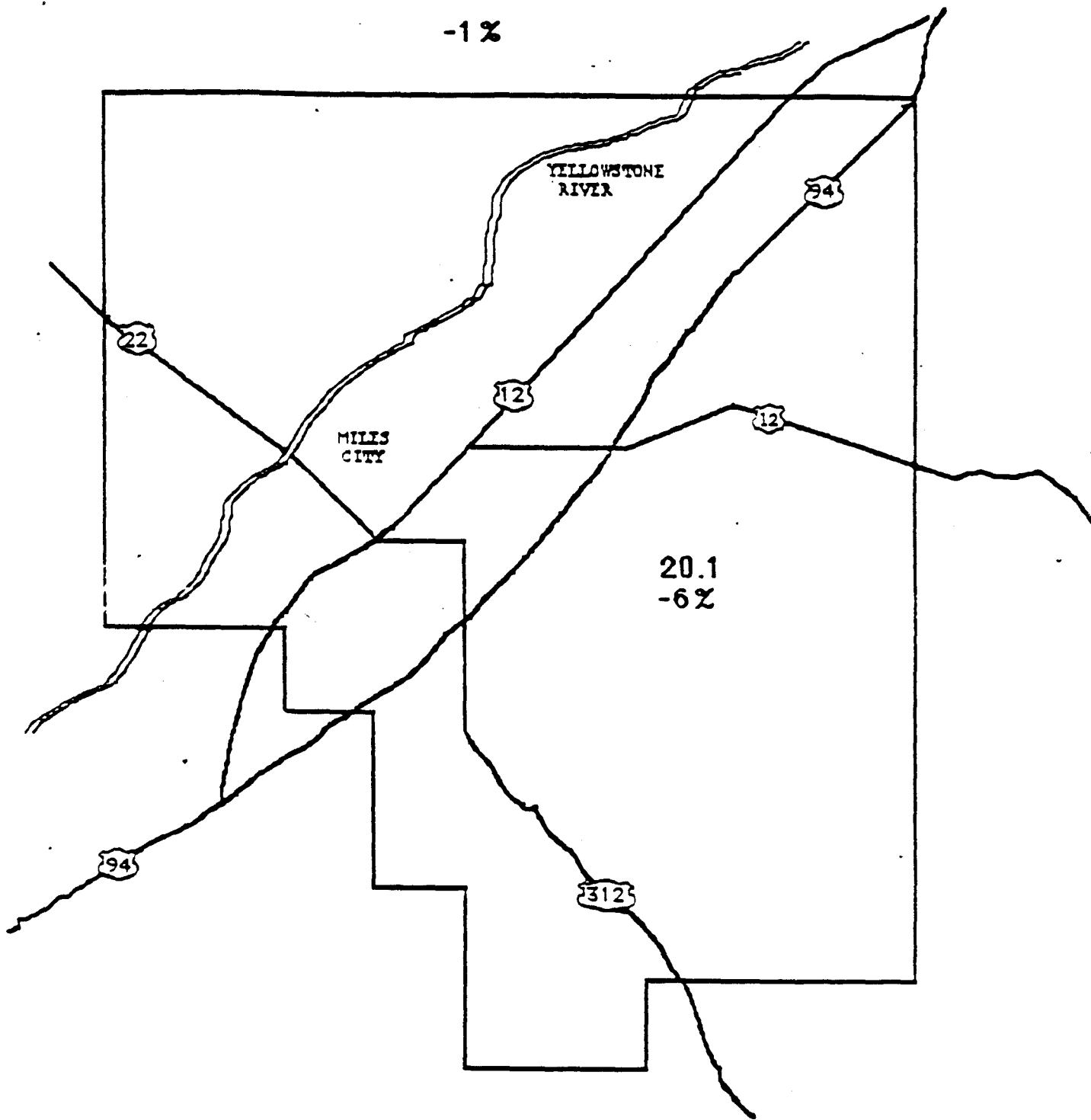
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Hayre

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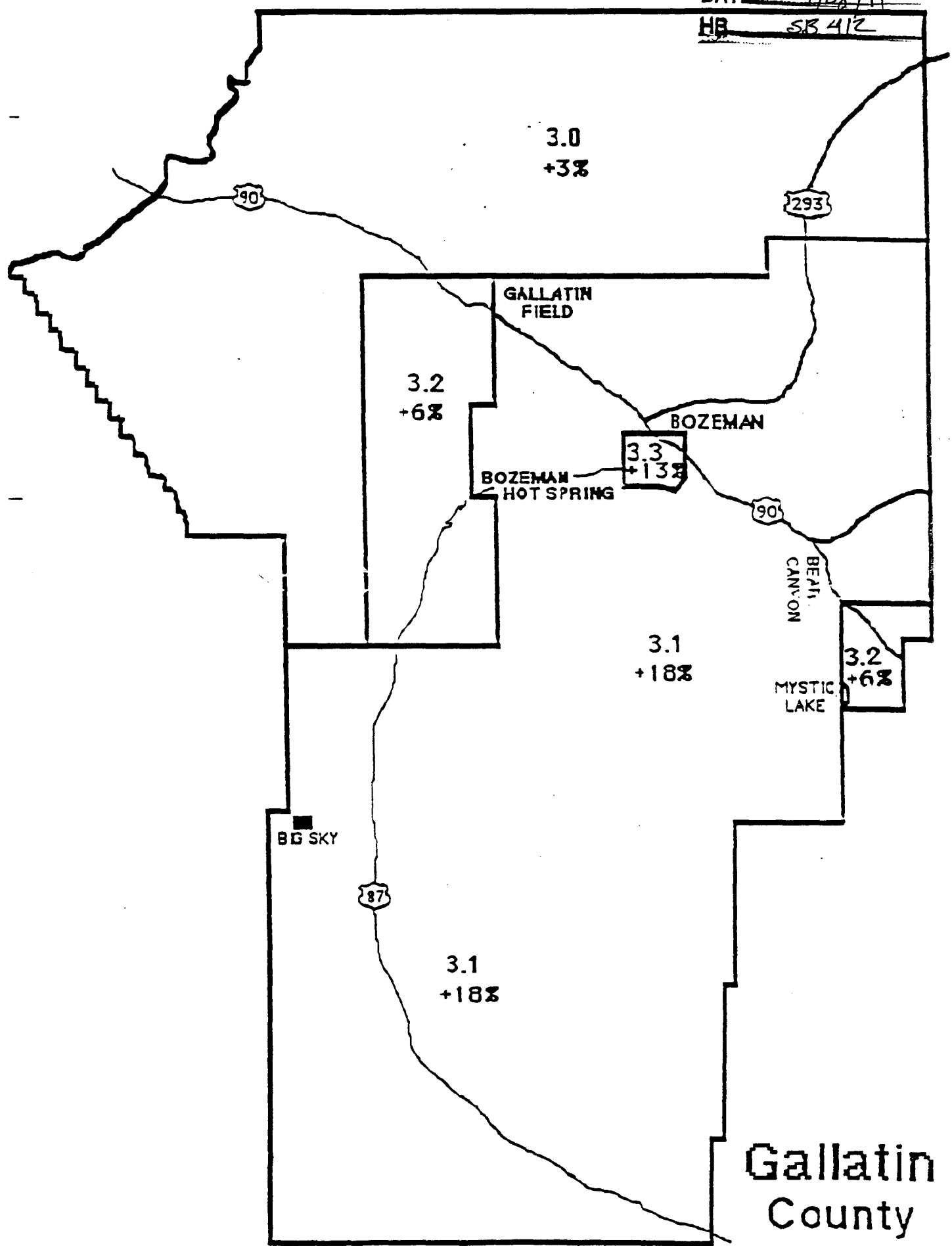


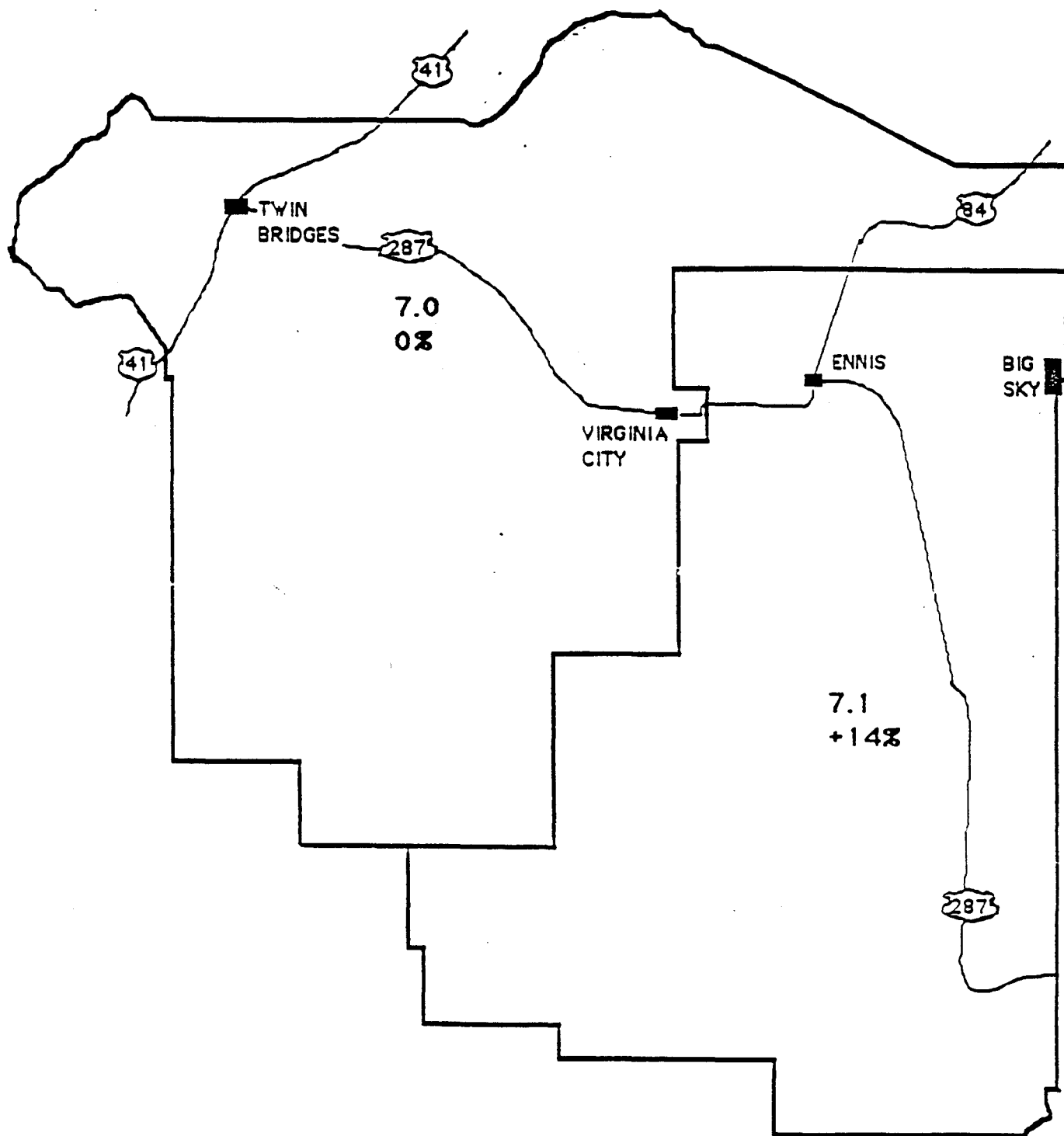
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Custer County

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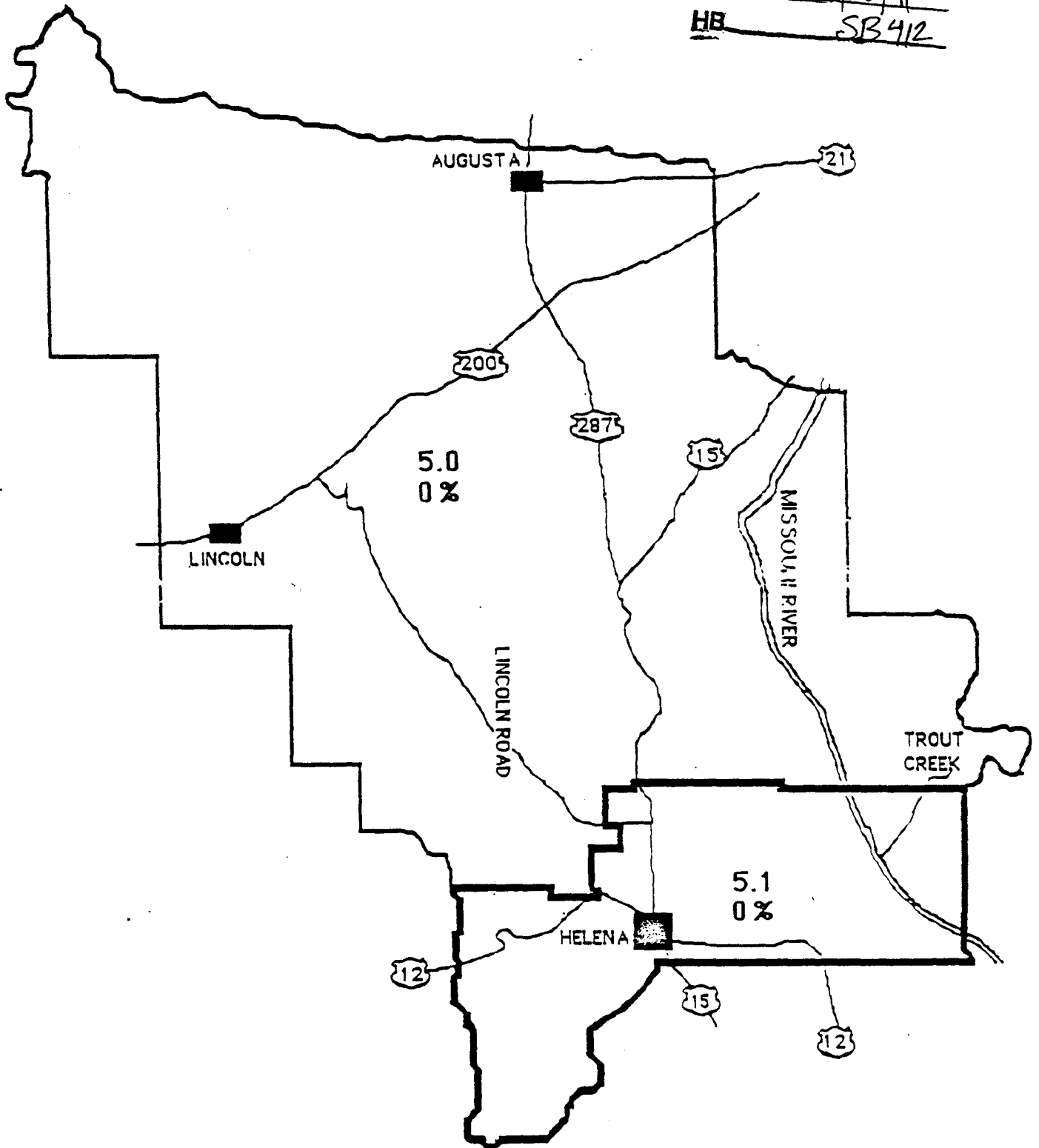
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Madison County

EXHIBIT 4
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HB SB 412



Lewis & Clark
County

Billings

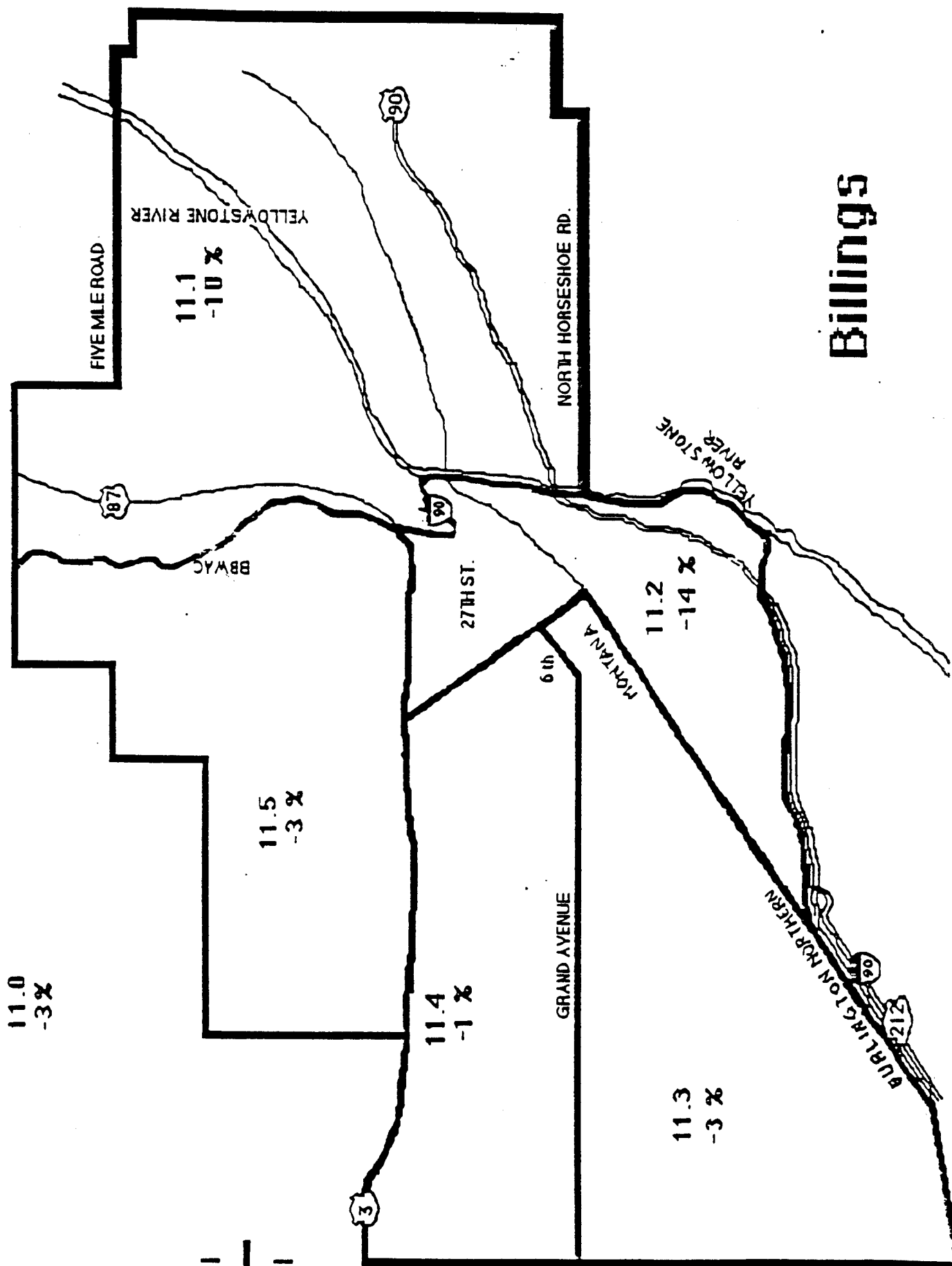
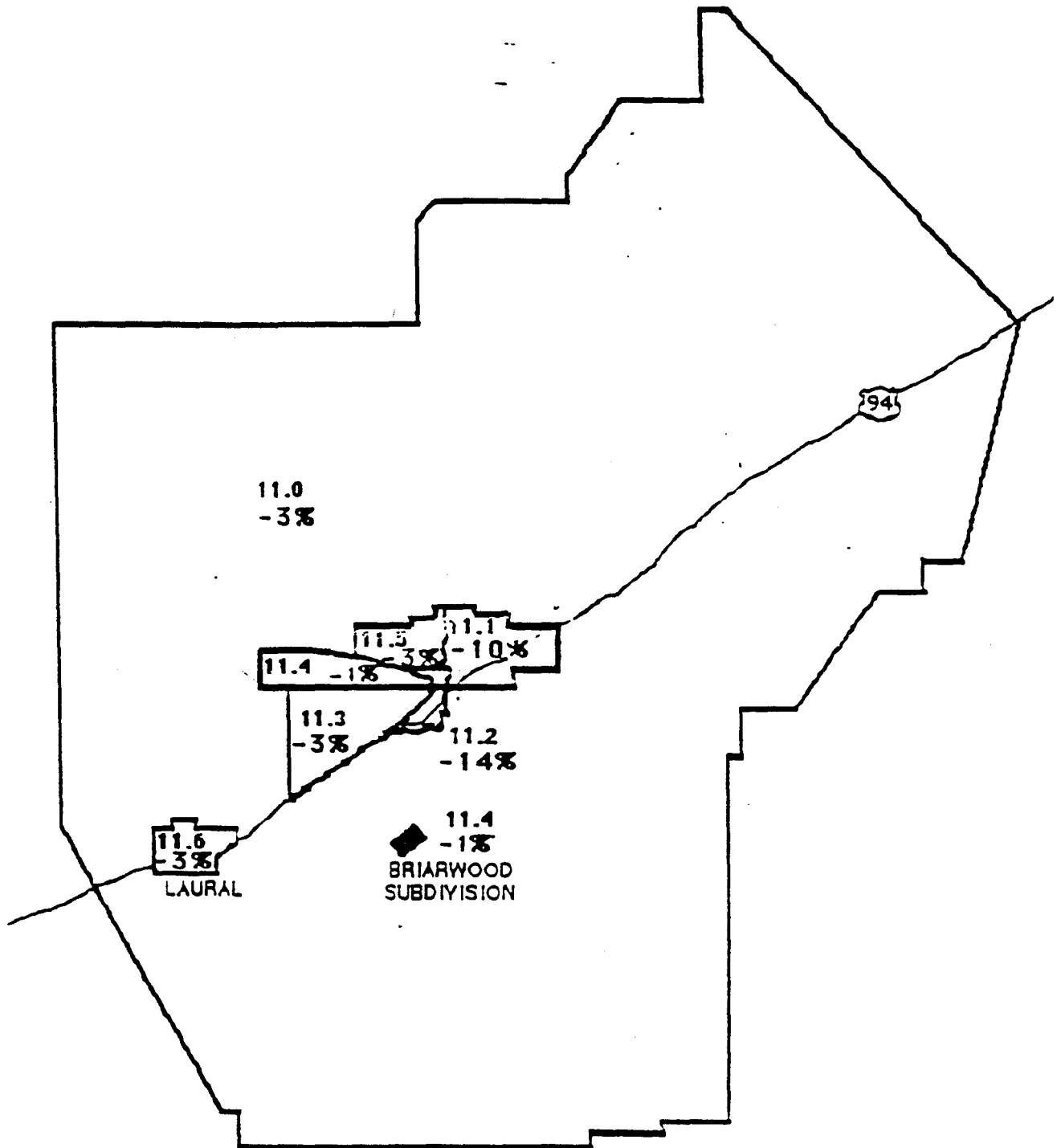


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Yellowstone
County

8.0
+5%

90

93

8.2
0%

TOOLE

3RD ST.
RUSSELL

ORANGE

8.3
0%

RESEARCH ST.

93

12

8.1
0%

8.0
+5%

90

Missoula

HOUSE OF REPRESENTATIVES

PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE

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NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIR	X		
REP. ED DOLEZAL	X		
REP. ORVAL ELLISON			
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			