MINUTES

MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON PROPERTY TAX

Call to Order: By **CHAIRMAN COHEN**, on April 9, 1991, at 7:15 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

REP. COHEN appointed **REP. WANZENRIED** to serve as subcommittee chairman for the day.

Dave Woodgerd, Chief Legal Counsel, Department of Revenue (DOR), explained the department's proposed amendments. **Exhibit 1** The amendments eliminate the sales assessment ratio adjustments. In 1992, anything with a coefficient of dispersion greater than 20.1% will be selectively reappraised. The reappraised values will go on the books in 1993. The first cycle will be four years to account for appeals year; each subsequent cycle will be three years.

REP. THOMAS asked why so much language was stricken from the bill. **Mr. Woodgerd** said **REP. COHEN** had requested that 1990 values be frozen until 1993 for those properties that do not qualify for reappraisal; the stricken language deals with the sales assessment ratio adjustments that would have been in effect for those two years.

REP. COHEN asked what the impacts to the counties will be if the amendments are adopted. **Judy Rippingale, DOR,** said if the amendments are adopted, there will be no changes anywhere in the state except for areas 2.1 and 2.2 of Great Falls. The rest of the areas will retain their current values until 1993. If the amendments are not adopted, the eastern half of the state will see a 3% reduction in commercial property. Cascade County will see a 1% increase, Gallatin County will see a 3-12% increase, and Flathead County will see a 5-12% increase. Rosebud, Yellowstone, Treasure, and Ravalli counties will see no change. Madison County will see a 0-1% decrease, Lewis and Clark County will see a 4% decrease, Valley County will see a 2% decrease, and Missoula County will see a 2-9% decrease.

Mr. Woodgerd said the reappraisal cycle will begin in January of 1993. The values from this cycle will go on the books four years later, in 1997. **Ms. Rippingale** clarified the procedure. The DOR staff will begin the reappraisal work in 1994, and be completed by 1996. The new values will come out in 1996. In tax year 1997, the staff will begin working the next reappraisal cycle. In tax year 1991, adjustments will only be made in areas 2.1 and 2.2 of Great Falls. In 1992, Carbon County and possibly Big Sky County may also need some areas reappraised. Everyone will get new reappraisal values in 1993. This amendment will be workable from an administrative standpoint, but whatever the legislature chooses to do, there will probably be a lawsuit.

REP. WANZENRIED asked whether the amendments present a weakened state position. **Mr. Woodgerd** said it is not as strong as it could be.

Ms. Rippingale noted there may be more appeals in 1993 due to the cessation of sales assessment ratios. Adjustments will probably be more substantial in 1993 because the department will not have done them for two years.

REP. O'KEEFE asked what the impact to the state would be if the values are not incrementally increased over three years. **Ms. Rippingale** said the state would probably not lose a significant amount of money, but the loss would depend on how the local governments decide to work their mill levies. In 1991, the taxable values for residential property will increase $12.8 million, and commercial property will decrease $710,000, so the total change is $12 million in taxable value. The estimated impact to the statewide levy is $1.2 million. Whether local jurisdictions will keep their mill levies the same or alter them in light of the changes in taxable value is up to them.

REP. COHEN clarified the impacts with a theoretical example. If a county's residential values are frozen and commercial values drop 3%, there is a loss in taxable value. If the properties are evenly divided (50% of total property is commercial, and 50% residential), to make up the difference, counties would increase their mills by one and a half mills. Residential properties with their values frozen would see a slight increase, and commercial properties with their reduced values would see a small reduction, but not as large as their reduction in taxable value. Conversely, a county with frozen commercial values and increasing residential values can do one of two things: 1) reduce their mills to keep their fiscal intake the same, in which case commercial properties would see a small decrease and residential properties would see an increase, or 2) keep the mills frozen, in which case commercial properties would remain the same, and residential properties' taxes would increase.

REP. THOMAS clarified that the amendments do not favor a gradual phase-in of increases in taxable value, while the bill does.

REP. O'KEEFE asked whether the department could provide projected losses for tax years 1992 and 1993. **Ms. Rippingale** said they could not, since the market data is not available. Although there is a loss to the state in 1991, the department cannot predict what will happen in 1992 and 1993. There were tremendous changes in different areas within the state last year, but there was no net change to the state.

REP. O'KEEFE said he did not approve the amendments and would rather see a phase-in of increases in taxable value. **REP. MCCAFFREE** said he favors the phase-in as well. Without one, the state will lose a good deal of taxable value. **REP. THOMAS** agreed, and added that people will much rather have an 8, 10, and 12% increase phased in over three years than a 30% increase in one year.

REP. THOMAS clarified that under this bill (both the original and the amended version), people can still appeal the individual assessment of their homes.

Motion/Vote: **REP. COHEN** moved the subcommittee **DO RECOMMEND** the DOR amendments to SB 412. Motion carried 5 to 3.

Ms. Rippingale said the department is taking administrative actions before SB 412 is passed to give the state the ability to do something about reassessment this year. Tax notices must be sent out very shortly after the legislative session ends, and if the rulemaking policies aren't decided by that time, the department and the legislature will have its hands tied for tax year 1991. The rules can be adjusted to fit with whatever the legislature decides to do, but if the process isn't put into action now, there won't be enough time to implement changes. The department could have closed down tax year 1991 and kept all values as they are for another year. This gives the legislature maximum flexibility.

ADJOURNMENT

Adjournment: 8:45 AM

BEN COHEN, Chair

JULIA TONKOVICH, Secretary

BC/jmt

HOUSE OF REPRESENTATIVES

PROPERTY TAX SUBCOMMITTEE

ROLL CALL DATE 4/09/91

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			

EXHIBIT 1
EXHIBIT 4/09/91
DATE
HB SB 412

Amendments to Senate Bill 412
3d Reading Copy

Prepared by the Department of Revenue
April 8, 1991

1. Title, lines 13 through 18.
   Following: "reappraisal;
   Strike: The remainder of lines 13 through "review" on line 18
   Insert: To provide for a freeze of property values through 1992; To eliminate sales assessment ratio adjustments;

2. Page 4, line 13.
   Following: "(6)"
   Strike: "(a)"

3. Page 5.
   Following: line 16
   Strike: "subsections (b), (c), and (d) in their entirety.

4. Page 6.
   Following: line 15
   Strike: "Section (7) in its entirety.

5. Page 7.
   Following: line 8
   Strike: Section subsections (2), (3), (4), (5), (6), (7), and (8) in their entirety.
   Insert: (2) The value of all taxable real property within the state for tax years 1991 and 1992, is the value of the property as shown on the assessment roll of the county wherein the property is located as of the second Monday in July, 1990, provided that:

   (a) for tax year 1991, if the result of the stratified sales assessment ratio study for residential property for tax year 1990 shows for any area an assessment level of less than 80% then the department shall perform a reappraisal of the 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 then the department shall reappraise the property using the cost approach to value. The reappraised values shall be based on 1989 market values:

   (b) for tax year 1992, if the result of the stratified sales assessment ratio study for residential property sales from November 1989 to

Ex. 1
SB 412
4/9/9

October 1990 shows for any area a coefficient of dispersion with respect to the value weighted mean ratio of more than 20.1% the department shall perform a reappraisal of the residential property in the area. The reappraisal must be performed as provided in subsection (a).

(3) Any property owner may appeal the property values determined in subsection (2) as provided in 15-7-102.

6. Page 25, line 16.
Following: "years"
Insert: "except as provided in subsection (2)"

7. Page 25.
Following: line 22
Insert: "(2) The reappraised values determined for the reappraisal cycle beginning January 1, 1993 shall be placed on the tax rolls for tax year 1997, and shall be effective for that year. Thereafter, the reappraised values shall be placed on the rolls and effective every third year.