#### MINUTES

#### MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on February 12, 1991, at 8:00 a.m.

#### ROLL CALL

#### Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Robert Brown (R)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused: None

Staff Present: Jeff Martin (Legislative Council).

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

Announcements/Discussion: None

#### HEARING ON SENATE BILL 263

#### Presentation and Opening Statement by Sponsor:

Senator Williams, District 15, sponsor, said the bill provides that the general fund of a county is to be reimbursed for tax sale expenses before any distribution of the proceeds of a tax-deed sale is made. The bill is a high priority for counties and has no fiscal impact.

#### Proponents' Testimony:

Vernon Peterson, Fergus County Commissioner, presented his testimony in support of the bill (Exhibit #1).

Gordon Morris, MACo, said this is a reasonable cost issue. It clarifies the cost issue and makes it consistent with 15-17-322 and 15-18-114. Both sections address similar issues.

Cort Harrington, Montana County Treasurers, said last session a bill passed giving County Treasurers the ability to recover the reasonable costs of issuing a tax deed. This bill takes that one step further and extends their ability to collect the costs after the sale.

#### Opponents' Testimony:

There were none.

#### Questions From Committee Members:

Senator Towe asked if this would amount to a substantial cost to the state and if it would affect county revenues and mill levies.

Mr. Morris said he felt it would have an impact but could not give an estimate of the net effect.

Mr. Peterson said \$700 seems to be about the maximum shortfall. That amount would be prorated to the entities involved except for the county which is just out the money.

#### Closing by Sponsor:

Senator Williams closed.

#### HEARING ON SENATE BILL 262

#### Presentation and Opening Statement by Sponsor:

Senator Williams, District 15, sponsor, said this bill allows the County Commissioners to set the interest rate on contracts for the sale of tax-deed land and provides that the interest rate may not exceed more than 4 percentage points above the prime rate. He said the interest rate is currently 8% (page 1, line 19) and the counties are losing money on that level. Counties are not in the business of being bankers but they would like to break even.

#### Proponents' Testimony:

Vernon Peterson, Fergus County Commissioner, referred the Committee to his written testimony (Exhibit #2). He said this bill is a high priority of Fergus County. Fergus County is currently carrying nine contracts. People who cannot get a conventional loan are borrowing from the county and the county, if effect, becomes the bank.

Gordon Morris, Executive Director, MACo, said there is no reason for counties to have to hold these contracts when there are other options available.

Cort Harrington, County Treasurers, expressed support for the bill.

#### Opponents' Testimony:

There were no opponents.

#### Questions From Committee Members:

Senator Towe asked Mr. Peterson what he would change.

Mr. Peterson replied the County needs a floating tax rate. They want the property back on the tax rolls. This bill allows the flexibility to help people if they cannot get a bank loan. He said he doesn't want to be in the position of encouraging people to borrow money from the county, but they do want to get the property back on the rolls.

#### Closing by Sponsor:

Senator Williams closed.

#### EXECUTIVE ACTION ON SENATE BILL 262

#### Recommendation and Vote:

Senator Towe moved Senate Bill 262 DO PASS.

The motion CARRIED unanimously.

#### EXECUTIVE ACTION ON SENATE BILL 263

#### Recommendation and Vote:

Senator Towe moved Senate Bill 263 DO PASS.

The motion CARRIED unanimously.

#### HEARING ON SENATE BILL 197

#### Presentation and Opening Statement by Sponsor:

Senator Kennedy, Jr., District 3. sponsor, said this is a revised West Yellowstone bill. It would enable other areas of the state to become resort areas and was drafted so that it would not have any impact on West Yellowstone or Senator Halligan's local option resort tax bill (SB 128). This bill allows for a resort area to be formed and removes the designation of a resort area by the Department of Commerce. Language on page 4 includes resort areas and other recreation facilities in the designated areas. He presented a proposed amendment which would allow electors to petition the county commissioners. Senator Kennedy reviewed the impacts of tourism on Flathead County as presented in Exhibit #4.

#### Proponents' Testimony:

Alec Hansen, Montana League of Cities and Towns, said West Yellowstone has proven beyond doubt that the local option resort tax can work successfully. There are no property taxes now in West Yellowstone because the system is working so well. The tax passed in that area on a 2 to 1 basis and they now collect in excess of \$750,000 a year. He said other resort areas in Montana should be able to take advantage of this option. He noted there is a 15% higher property tax rate in those communities impacted by resort areas because of the additional demand on services due to tourist related traffic. He felt there could be \$3.2 million in additional collections possible under this bill. The people in the impacted areas should have the opportunity to decide how they want to proceed.

Larry Gallagher, speaking for Bruce Williams, Kalispell City Manager, presented a letter from Mr. Williams in support of the bill (Exhibit #5).

Gordon Morris, MACo, expressed support for the bill.

#### Opponents' Testimony:

Bonnie Tippy, Montana Innkeepers Association, questioned "substantial" on page 2, line 15. She felt the bill is ambiguous and broad enough to be enacted in Glendive or Townsend. She also expressed concern about a checker board pattern of taxation across the state if this bill is passed.

A letter in opposition to the bill was presented to the Committee from the Kalispell Chamber of Commerce (Exhibit #6).

#### Questions From Committee Members:

Senator Towe asked Senator Kennedy if the word "substantial" would allow many more cities to qualify as resort areas than is really intended.

Senator Kennedy said that is a possibility.

Senator Eck expressed concern that the specific purpose of the tax be presented to the voters.

Senator Kennedy replied it would be as specific as it needed to be to let the people know what they are voting for. The Commissioners will have to be responsible for notification.

Senator Halligan asked why there are the major changes in population designations.

Senator Kennedy replied that the Flathead area has many small towns very close together, i.e., Bigfork, Kalispell, Whitefish, Columbia Falls, and this bill would allow for an area wide designation and eliminate potential competition between communities.

Mr. Hansen said the "area" definition could be interpreted to include the whole county and he felt it should be further clarified.

Senator Thayer expressed concern about the "substantial" provision, also. He asked Senator Kennedy if it could be stricken.

Senator Kennedy said he questioned "major" but felt "substantial" was a little less than "major".

Senator Thayer said he has been getting mail and calls from innkeepers and taverns asking for exemption because there is already a 4% bed tax being collected. He asked Senator Kennedy how he felt about such an exemption.

Senator Kennedy said he felt they should not be exempt.

#### Closing by Sponsor:

Senator Kennedy closed by saying although this is a tax on tourism, he firmly believes the only good tax is a tax someone else pays. He said it was time to let other people help the local communities pay for providing services. The bill allows local governments to take care of themselves and is a democratic and fair bill.

#### EXECUTIVE ACTION ON SENATE BILL 213

#### Discussion:

Senator Towe noted the motion to reconsider action on SB 213 had passed at a previous meeting.

#### Amendments, Discussion, and Votes:

Senator Towe moved to amend the bill on page 4 by striking the Rule 4 language and insert "post on the property where there is a structure or personal contact". He said people are afraid of the Montana Rules of Civil Procedure. Senator Towe said if certified mail doesn't work, regular mail should be tried. Every effort should be made to contact the owner and if they are not at the residence, notice should be left on the premises. He felt the current language on page 4, lines 1-4, would not pass constitutional muster.

Senator Thayer expressed concern about the notice being posted on the premises and then being destroyed by weather.

Senator Towe said, at this point, the State can take people's property without any real good notice. This bill would tighten the notice procedure. He said the notice of tax title is the most significant notice in the whole tax process and it is imperative that it be as well defined and workable as possible.

Senator Towe moved to amend the bill as per the amendments reflected on the attached standing committee report (Exhibit #7).

The motion CARRIED with Senators Thayer, Halligan, and Van Valkenburg voting no.

#### Recommendation and Vote:

Senator Towe moved SB 213 Do Pass As Amended.

The motion CARRIED on a roll call vote (attached Exhibit #8).

#### **ADJOURNMENT**

Adjournment At: 10:00 a.m.

SENATOR MIKE HALLIGAN, Chairman

JILL D. ROHYANS, Secretary

MH/jdr

COMMITTEE ON LA YATAN

	VISITORS' REGISTER			
NAME	REPRESENTING	BILL #	Check	
		197	Support	Oppose
Bonnie CTippy For Lavry Gallaffe, Price William Horis	City Kalizpell	157	X	
Gordon Morris	mACo	262	X	
mercel & Kund	Well B Childelle	262	X	
Vernon Peturian	Ferges Co. Comm.	262	$\times$	
J. Buck Esles	INT CHAMBER	197		
Join Jalakahak	Pichland (o Commen	262	X	
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# ROLL CALL

### SENATE TAXATION

COMMITTEE

DATE 2/12

52 LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		-
SEN. ECK	y .		
SEN. BROWN	1		
SEN. DOHERTY	· ×		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE			
SEN. THAYER	· · · · · · · · · · · · · · · · · · ·		
SEN. TOWE	X		
SEN. VAN VALKENBURG	Y		
SEN. YELLOWTAIL	×		
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Each day attach to minutes.

SENATE TAXATION	م. د
XHIBIT NO	
DATE 2/12/9/	
ALL NO 513 263	

#### RESOLUTIONS 90-22

#### TAX DEED COSTS

WHEREAS, counties are charged with collecting taxes for all entities, and

WHEREAS, this duty sometimes requires Tax Deed Process, and

WHEREAS, the tax deed process is an added expense to the counties, and

WHEREAS, these costs are not always recovered (if the tax deed sale doesn't gross enough money) under current statutes.

NOW THEREFORE BE IT RESOLVED that MACo ask the 1991 legislature to delete the words shown from §7-8-2306(1)(a), as follows:

- 1(a) Upon a sale of such property, the proceeds of each sale shall be credited to the county general fund to reimburse such for expenditures made therefrom in connection with the procurement of the tax deed and holding of the sale.
- (b) Upon a sale of the property, if there be any amount remaining of such proceeds after the payment of the amount specified in subsection (1)(a) and such remainder is:

SUBMITTED BY: Districts 6 - 7

Fergus County

APPROVED ANNUAL CONVENTION

JUNE 13, 1990

PRIORITY: HIGH

EXHIBIT NO. 2

DATE 2/13/9/
BILL NO. SB 2/2

Page 1 of 2

RE: SB#263

on Tax Deed- county's costs Testamony- Vern Petersen Fergus County Commissioner

EXAMPLE of Property Sold by Fergus County in 1989:

Del. Tax Penalty/Interest County Costs	\$ 38,629.00 16,051.00 2,481.00	(Penalty \$721/ Interest \$15,329)
TOTAL	\$ 57,161.00	
SALES PRICE	\$ 41,000.00	

Under current statute the county is reimbursed \$10.00; and the remaining \$40,990 is distributed to school districts, city, etc.

Proposed law would reimburse the county's tax deed account for \$2,481; and the remaining \$38,519 would be distributed.

Tax Deed Costs included for this example:

Tax Deed Search	\$ 156.60
Certified Mail	8.00
Publications	14.50
Attorney fee (outside)	599.60
Attorney fee (outside)	101.71
<del>-</del>	\$ 879.91
After court case	
Search update	35.00
Certified Mail	6.00
Publications	46.50
	\$ 967.47
Insurance costs*	612.00
Deliquent water, sewer,	
& power costs	902.13
TOTAL	\$2,481.54

<sup>\*</sup> Insurance costs were to insure property from the time Fergus County took tax deed until sold at tax deed sale.

NOITAKAT BITTE

DATE 7/17/9/ BILL NO. SB 362

#### RESOLUTION 90-25

#### TAX DEED CONTRACTS

WHEREAS, the counties are allowed by statute to offer contracts for deed property sold, and

WHEREAS, the interest rate for these contracts are statutorily set, and

WHEREAS, these interest rates are set so low as to encourage contracts, and

WHEREAS, these contracts are creating more costs to the counties to administer, and

WHEREAS, a more competitive interest rate would discourage the use of the county as a bank and push that business to private enterprise banks where it belongs.

NOW, THEREFORE BE IT RESOLVED that MACO support a change in the interest rate in Section 7-8-2304-(2)(a) as follows...all deferred payments bear interest at a rate established by the County Commissioners but not to exceed prime plus 4% per annum.

SUBMITTED BY: Districts 6 - 7

Fergus County

APPROVED: <u>ANNUAL CONVENTION</u>

<u>JUNE 13, 1990</u>

PRIORITY: HIGH

SELLATE E REFINA EXHIBIT NO \_ DATE 3/12/9/ BILL NO.

Amendments to Senate Bill No. 197 First Reading Copy

Requested by Sen. Kennedy For the Committee on Taxation

Prepared by Connie Erickson February 11, 1991

1. Page 4, line 21.
Following: "commissioners"
Strike: ", following receipt of"
Insert: "or by"

DATE 7//3/9/

#### FLATHEAD COUNTY TOURISM

Source: Steve McCool
Director of Institutions for Tourism and Recreation Research
Missoula, Montana

\$768,993.00 - 4% Flathead County Lodging Tax Revenue October 1, 1989 - September 30, 1990 (see attached).

\$19,224.825.00 - Gross Lodging (\$768,993.00 divided by .04).

Lodging is 18% of non-resident expenditures.

\$106,804,583.30 - Total non-resident expenditures (\$19,224.825.00 divided by .18).

\$3,204,137.50 - Potential of 3% Resort tax revenue.

# Gross Lodging Tax Revenue Glacier Country

January 1, 1989 - September, 1990

	1/1-3/31, 189	4/1-6/30, 189	7/1-9/30, '89	10/1-12/31, '89	1/1-3/31, 190	4/1-6/30, 190	7/1–9/30, 190
Missoula	\$ 83,438	\$152,869	\$207,966	\$104,971	(+1) 615'68 \$	\$164,090 (+7)	\$242,501 (+17)
Flathead	\$160,929	\$130,403	\$305,801	\$ 94,478	\$169,216 (+5)	\$155,293 (+19)	\$350,006 (+14)
Lake	\$ 3,197	\$ 12,540	\$ 35,557	\$ 5,710	\$ 5,643 (+76)	\$ 15,663 (+25)	\$ 39,456 (+11)
Sanders	\$ 2,054	\$ 3,612	\$ 5,261	\$ 3,581	\$ 2,168 (+6)	\$ 3,336 (-8)	\$ 4,689 (-11)
Glacier	\$ 4,873	\$ 38,818	\$150,743	\$ 4,388	\$ 4,137 (-15)	\$ 38,299 (-1)	\$169,625 (+13)
Mineral	\$ 2,590	\$ 7,040	\$ 12,977	\$ 5,782	\$ 3,145 (+21)	\$ 8,803 (+25)	\$ 14,034 (+8)
Lincoln	\$ 6,901	\$ 16,832	\$ 25,244	\$ 10,856	\$ 8,025 (+16)	\$ 13,821 (-18)	\$ 22,087 (-13)
Ravalli	\$ 4,238	\$ 9,637	\$ 20,311	\$ 8,190	(05+) 998'9 \$	\$ 12,146 (+26)	\$ 21,171 (+4)
Kalispell	\$ 42,366	\$ 69,296	\$131,719	\$ 47,383	\$ 46,943 (+11)	\$ 77,126 (+11)	\$147,613 (+12)

# HHPLEASE NOTE

Some of these factors are delinquent payments, advance Kalispell revenue listed by city is also included in the Flathead County revenue. Several factors may cause extreme increases or decreases. 7)

payments and new facilities.

SEMITE TAXATION	6
EXHIBIT NO. 5	· · · · · · · · · · · · · · · · · · ·
DATE 7/12/91	া কৰ
BILL NO. 5/3 /97	e e capación de la compansión de la comp

## WITNESS STATEMENT

their testimony entered into the record.	_	wants
Dated this 19th day of Fulls.	, 1991.	1, 1 - 00
Name: Lawrence Gullagher sporter for Por	we Williams	- City Planae
Name: Lawrence Gullagher speaker for Port  Address: City Hall - Kulty of Par	59901	
<u> </u>		
Telephone Number: 757 6607		
Representing whom?		
City & Kalizpoll		
Appearing on which proposal?  SB 197		
Do you: Support?X Amend?	Oppose?	
Comments: Allocher D.		

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

SENATE TAXATION

EXHIBIT NO. 5

DATE 3/17/9/

BHL NO. 5/3/97

February 11, 1991

Senate Taxation Committee State Senate Capitol Station Helena, Montana 59601

Dear Senator Halligan and Members of the Senate Taxation Committee:

We have followed with interest the attention that the State Senate has given to SB 128, the resort tax bill, which applies only to unincorporated areas of less than 2,500 people.

The logic used by the proponents of this bill indicate that the public service demands of tourists are so great that the local citizens can no longer afford to pay the public service expenses, thus the need for special legislative authority for a sales tax of up to 3% on non-essential goods and services.

You now have before you SB 197 which would amend the present law to allow tourist impacted cities such as Kalispell to also benefit from the resort tax should the voters approve. There is very little difference between what you are already allowing under present law and what is taking place in the Flathead Valley and specifically Kalispell.

Our public services are presently being funded by local property taxes and user fees neither of which were ever designed or intended to support tourist impacts on local governments capacity to serve. It makes a great deal of sense in situations such as we have in the Kalispell area to let the local citizens decide by a vote if they want to spread the cost of providing service to those frequent visitors to our area who pay absolutely nothing for the service they consume.

We in Kalispell local government support the concepts of SB 197 and encourage the committee to support the legislation allowing local governments under 15,000 population the local option of a resort tax.

Respectfully Submitted,

Sum Williams

Bruce Williams

City Manager

City of Kalispell, Mt 59901



Post-It brand fax transmittal memo 7671 | # of pages >

Area Chamber of Commerce

SENATE TAXATION

EXHIBIT NO.

BILL NO.

<u>II E II O R A N D U M</u>

TU:

Senate Taxation Committee

Senator Mike Halligan, Chairman

FRUM:

Nick Haren, Executive Vice President

RE:

Unposition to SB 197

DATE:

February 11, 1991

The Kalispell Area Chamber of Commerce has opposed the establishment of local option taxes in any form during the past two legislative sessions as mere "bandaid" approaches to solving state and local government revenue problems.

SB 197 (AN ACT REVISING THE DEFINITION OF A RESORT COMMUNITY FOR PURPOSES OF A RESORT TAX: DEFINING "RESORT AREA"; PROVIDING FOR A RESORT TAX IN UNINCORPORATED AREA, AND; EXTENDING THE TAX TO SKI RESORTS AND OTHER RECREATIONAL FACILITIES) is just another form of "bandaid" remedies that expands existing resort tax legislation in hopes of solving revenue problems of smaller incorporated communities without addressing the greater state-wide issue.

We urge you to appose SB 197.

The legislature's concentrated efforts to accomplish comprehensive state tax reform in this session will do far more to solve state and local government revenue problems than will any local option tax.

Ser e takation

EIII SII	NO. 7	
	2/12/11	• .
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#### SENATE STANDING COMMITTEE REPORT

Page 1 of 1 February 13, 1991

#### MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 213 (first reading copy -- white), respectfully report that Senate Bill No. 213 be amended and as so amended do pass:

1. Title, line 5 Strike: "SALES" Insert: "DEEDS"

2. Title, lines 7 and 8.

Strike: "PURSUANT" on line 7 through "PROCEDURE" on line 8 Insert: "BY ORDINARY HAIL AND BY ONE EFFORT TO PERSONALLY SERVE THE NOTICE"

3. Title, line 8. Following: "AND" Insert: "SHALL"

4. Title, line 9.

Following: "FREMISES"

Insert, "WHEN THERE IS AN ACTUAL STRUCTURE"

5. Page 4, lines 2 and 3.

Strike: "pursuant" on line 2 through "Procedure" on line 3

Insert: "by ordinary mail"

6. Page 4, line 4.

Following: "by"

Insert: "at least one effort to personally serve the notice and by"

Following: "premises"

Insert: "when there is an actual structure"

Mike Halligan, Chairman

17-11 Sec. of Senate

# ROLL CALL VOTE

SENATE PARTIES

Enyyird

Date 3/17/9/	Sinate Bil		
AME		YES	NO NO
SEN. HALLIGAN			X
SEN. BROWN		<u> </u>	
SEN. ECK		7	
SEN. GAGE	To the state of th		<u>y</u>
SEN. VAN VALKENBURG			X
SEN. HARP			X
SEN. YELLOWTAIL		<u> </u>	
SEN. THAYER			<u>                                     </u>
SEN. TOWE		<u>у</u>	
SEN. KOEHNKE		<i>\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\</i>	
SEN. DOHERTY			
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#### SENATE STANDING COMMITTEE REPORT

7/200 000

Page 1 of 1 February 13, 1991

# MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill  $N\sigma$ . 262 (first reading copy -- white), respectfully report that Senate Bill No. 262 do pass.

Signed: Mike Halligan, Chairman

131 2-13-91 And. Coord. Sec. of Sanata

#### SENATE STANDING COMMITTEE REPORT

Page 1 of 1 February 13, 1991

#### MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 263 (first reading copy -- white), respectfully report that Senate Bill No. 263 do pass.

Signed: Mike Halligan, Chairman

And. Coord.

Sec. of Senate