

**MINUTES**

**MONTANA SENATE  
53rd LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON TAXATION**

**Call to Order:** By Chairman Mike Halligan, on February 1, 1993,  
at 8:00 a.m.

**ROLL CALL**

**Members Present:**

Sen. Mike Halligan, Chair (D)  
Sen. Dorothy Eck, Vice Chair (D)  
Sen. Bob Brown (R)  
Sen. Steve Doherty (D)  
Sen. Delwyn Gage (R)  
Sen. Lorents Grosfield (R)  
Sen. John Harp (R)  
Sen. Spook Stang (D)  
Sen. Tom Towe (D)  
Sen. Fred Van Valkenburg (D)  
Sen. Bill Yellowtail (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Jeff Martin, Legislative Council  
Bonnie Stark, Committee Secretary

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

**Committee Business Summary:**

Hearing: HB 8, HB 47, HB 88, HB 103  
Executive Action: HB 8, HB 47, HB 88, SB 168  
Discussion: SB 191

**HEARING ON HB 8**

**Opening Statement by Sponsor:**

Representative Bob Gilbert, representing House District 22, presented HB 8, which is an act clarifying the taxation of interstate motor vehicle fleets and exempting interstate motor vehicle fleets from state, county, and local mill levies.

Representative Gilbert said HB 8 is presented at the request of the Revenue Oversight Committee. The Revenue Oversight Committee, during an audit last year, noticed the money collected

in this tax is going into the General Fund, and the Committee suggested the law be changed or comply with the existing law. There was an agreement between the gross vehicle inspectors and the counties to change the law to allow the money to flow into the General Fund.

**Proponents' Testimony:**

Gordon Morris, Director of the Montana Association of Counties (MACO), said MACO supports HB 8 without exception.

Ben Havdahl, representing the Montana Motor Carriers Association, went on record in support of HB 8.

**Opponents' Testimony:**

None.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Gage questioned Representative Gilbert about the change from 3/4 Ton to 1 Ton in HB 8. Rep. Gilbert said that change was made in the last session of the Legislature but was not codified until this time.

**Closing by Sponsor:**

Representative Gilbert had no further remarks on closing.

**HEARING ON HB 47**

**Opening Statement by Sponsor:**

Representative Bob Gilbert, representing House District 22, presented HB 47, at the request of the Revenue Oversight Committee. House Bill 47 will transfer Coal Tax Oversight Committee duties to the Revenue Oversight Committee. Originally, when the coal boom was on, the Coal Tax Oversight Committee was a subcommittee of the Revenue Oversight Committee. Currently, if the coal committee wants to meet, they have to make a request to the Revenue Oversight Committee who has to authorize the funds and set up the meeting. The coal committee has met only once in the last two or three years, and it was felt by the people concerned that the Revenue Oversight Committee could handle those functions and the result would be a considerable savings to the taxpayers.

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

None.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Yellowtail asked Rep. Gilbert about the language added into HB 47 in Section 2 (6), and Rep. Gilbert said that language comes directly from the Coal Tax Oversight Committee's statute. Since that statute was repealed, this language was moved into HB 47.

**Closing by Sponsor:**

Representative Gilbert had no further remarks in closing.

**EXECUTIVE ACTION ON HB 8**

**MOTION/VOTE:**

Senator Doherty moved HB 8 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Towe will carry this bill on the Senate floor.

**EXECUTIVE ACTION ON HB 47**

**MOTION/VOTE:**

Senator Brown moved HB 47 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Van Valkenburg will carry this bill on the Senate floor.

**HEARING ON HB 88**

**Opening Statement by Sponsor:**

Representative Ed McCaffree, representing House District 27, presented HB 88, which is an act to remove the minimum bid requirement at a Sheriff's Sale of Personal Property, provides for the distribution of money collected from the sale, and allows the County Commission to cancel any Personal Property Taxes, including interest, penalty, costs, and charges that remain unsatisfied after the sale of the personal property.

Representative McCaffree said existing law requires that the county get full compensation from a Sheriff's Sale, and in most cases, that is impossible to do. HB 88 gives the County Commission the flexibility to get rid of a piece of property that is a liability to the county and which may not be worth the taxes owed on it, and possibly get the property back on the tax roles.

**Proponents' Testimony:**

Gordon Morris, Director of the Montana Association of Counties (MACO), said MACO supports HB 88. This bill will allow the county to accept a bid below the aggregate amount of delinquent taxes, penalty and interest, sell the property, and distribute the revenue accordingly. No taxpayer would lose if a bid offer was received in excess of the delinquent charges because anything left over after the sale would go back to the owner of the personal property. Mr. Morris said it is more likely, however, that the value of the property would be below what is already owing against it. Mr. Morris asked the Committee to concur in HB 88.

**Opponents' Testimony:**

None.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Gage questioned Representative McCaffree if any consideration was given to a provision stating that any excess above the taxes, penalty and interest would be applied to other personal property delinquencies by the same property owner. Rep. McCaffree said that was not considered. Mr. Morris responded that it is unlikely there would be any excess, and that the goal of HB 88 is to move the immediate property and try to get it back on the tax rolls.

**Closing by Sponsor:**

Representative McCaffree said the main purpose of HB 88 is to allow the County to get rid of any delinquent property instead of carrying it as a liability.

**EXECUTIVE ACTION ON HB 88**

**Discussion:**

Senator Gage again suggested that any excess over the liability in a sale be applied toward other delinquencies by the same property owner. Senator Eck questioned whether a portion of

a delinquent tax could be paid or if it would need to be a whole payment on a delinquent tax. Gordon Morris pointed out that the property involved in HB 88 is personal property, not real property where the rule prohibits paying a portion of delinquent tax.

**MOTION/VOTE:**

Senator Harp moved HB 88 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. Senator Halligan will carry the bill on the Senate floor.

**DISCUSSION ON SB 191**

Senator Halligan said Senator Aklestad had indicated, during the hearing, that he would bring amendments to the Committee, but they haven't been received yet.

Senator Eck said she would like to have no action taken on SB 191 for awhile because there might be a possibility of turning it into a similar proposal as presented by John Vincent in a previous session, of having a lien with deferral, and suggested the Committee should wait to see what happens with the Governor's proposed sales tax bill.

Senator Towe said there is a concept that after 50 or 60 years, a senior citizen is supposed to have paid his burden to society for the education of his children and at some point there ought to be a lessening of school costs. At the same time, unless coupled with a concept like John Vincent's proposal which offered a deferral of taxes and not of release or relief from taxes, this bill has some problems. During the hearing on SB 191, Senator Aklestad had indicated he would not accept a deferral concept nor an exemption on schools. Senator Towe further said that in Class 4, there is already a tax break for lower income people, and if an older residential area goes commercial, an owner has a right to come in and request their taxes be locked in at the old residential value.

**DISCUSSION ON SB 168**

Amendments to SB 168 are attached to these minutes. They are amendments requested by Senators Beck and Gage dated January 29, 1993, and amendments requested by Senator Doherty dated January 30, 1993, and January 31, 1993.

Senator Gage explained his amendments dated January 29, 1993. After discussions with Senator Beck, Senator Jergeson, the Department of Revenue and some of the irrigation people, it was determined that, in lieu of the irrigators' alternate proposal of increasing irrigated values by 25% and freezing everything else in the agricultural land classification, go ahead with the

proposals made by the study committee, adopting irrigating costs on the basis of labor plus energy costs. The amendments would also phase-in 25% for tax year 1994 and put the other 75% into effect in 1995. The irrigators wanted the bill to sunset in 1995 so the Legislature would review it then. The Department of Revenue is concerned about the sunset clause.

Senator Gage said these amendments call for the Governor to appoint an advisory committee to review water costs and crop share arrangements, and that in no case would irrigated land have a value less than comparable land that is not irrigated.

Senator Harp questioned Judy Rippingale, Deputy Director of the Department of Revenue, about the fiscal impact of SB 168 with the new amendments presented. Ms. Rippingale presented Table P-1, attached to these minutes, and said that with these amendments, SB 168 would still come out to be revenue neutral state-wide.

Senator Doherty asked if the irrigators would pay 25% more than anyone else in agriculture with the amendments to SB 168. Ms. Rippingale said all agricultural lands would get some movement and the majority of the irrigated land classes would end up with approximately a 25% increase.

Judy Rippingale, in answering Senator Towe's questions, said every type of agricultural land would be involved in the phase-in, and agricultural land values will go into the next cycle on January 1, 1994.

Senator Towe and Senator Eck questioned whether a phase-in would, in effect, acknowledge that the values are not correct, or that the impact is going to be too great on the irrigators. Senator Beck replied that the full value of agricultural land is being set. What is being phased-in is the 25% increase to irrigated lands, and the 25% decrease to non-irrigated lands, all within the agriculture classification. Senator Beck further said that when the study was done, the study commission looked at the water costs strictly as energy and labor. The rational reason is that when getting close to the legislative process, people were coming in and discussing delivery systems and maintenance on these systems. Rather than trying to move forward at 100%, the study commission decided to phase it in at 25% and, in the meantime, get the irrigating cost study completed.

Senator Doherty said he is concerned about equal protection and asked if there is a rational reason behind allowing a phase-in on agricultural land while not allowing a phase-in on an urban house and land re-appraisal. Ms. Rippingale said the phase-in on agricultural re-appraisal is a decision of policy by the Legislature because of the uncertainty of the fairness in terms of handling water costs. Dave Woodgerd, legal counsel for the Department of Revenue, said the key words are "a rational reason" and this committee and the Legislature needs to decide if there

is a rational reason for the phase-in. If the Legislature decides there is, then the courts would probably agree that it is constitutional.

Senator Towe questioned Dave Woodgerd whether it is possible for the Department to take a look at the phase-in issue in view of the Von Baron case and other Supreme Court decisions regarding equality within a class of property. If there appears to be some problems, Senator Towe suggested doing a statement of intent.

Senator Yellowtail said his concern is that this committee must have a true phase-in in order to remain consistent; that 25%-75% may appear to be a flawed system. His proposal is to have either a 25% phase-in over four years, or 50% over two years.

Max Maddux, an irrigator who resides near Helena, said irrigators are concerned that the new Governor's advisory committee would not have the same latitudes as the previous study committee.

#### EXECUTIVE ACTION ON SB 168

##### MOTION:

Senator Harp moved to AMEND SB 168 as proposed by the Amendments by Senators Beck and Gage, dated January 29, 1993.

##### DISCUSSION:

Senator Doherty said he is against the language in the last sentence in (2) on page 3 of the Amendments for the reason that it would give up the Legislature's policy-making authority to an individual group.

Senator Gage said the study committee will only make recommendations to the Legislature; it is up to the Legislature to accept, alter or reject those recommendations.

Senator Beck and Senator Jergeson explained the last sentence in (2) on page 3. They said they were trying to avoid a reduction of the taxable value; it was not considered that this language would have other results which would cause problems. Senator Jergeson said if the advisory committee is only able to look at water costs and crop share arrangements, and the impact on irrigators is modified, there will be a reduction in total taxable value unless they are able to raise some other variable in the formula. What Senator Jergeson saw as a problem was that the study committee would come to the 1995 Legislature and suggest a reduction of taxable value, and reduction in revenue, because that committee couldn't look at any other variables.

**SUBSTITUTE MOTION:**

Senator Towe moved a SUBSTITUTE MOTION to Section 4, page 2, of the Amendments, so that sentence would read, "(1) The governor shall appoint an advisory committee to review water costs and crop share arrangements and other issues regarding the assessment of agricultural land". And further, in (2) on page 3, the last sentence would read, "The committee may recommend the adjustment in the valuation of other agricultural land classes in order to prevent a reduction in the level of statewide taxable value of agricultural land."

**DISCUSSION:**

Senator Yellowtail said he would like to see the Governor's advisory committee bring their findings before the 1995 Legislature, and he feels that Senator Towe's substitute motion would not restrict or preclude the advisory committee from considering the issues.

Senator Grosfield expressed concern that the Governor would appoint a new advisory committee who would start from scratch and not utilize the information that has gone into the current study which resulted in SB 168. Senator Towe responded that the language in SB 168 and the amendments would direct the new advisory committee to study water costs and crop share arrangements, and related issues, but they are not supposed to start afresh with a whole new study of all agricultural lands. Senator Jergeson said the new advisory committee may want to look at some specifics within the present study committee's recommendations that may need additional work, some that Dr. Watts identified, such as the capitalization rate.

**VOTE ON SUBSTITUTE MOTION:**

Substitute Motion to AMEND THE AMENDMENTS ON SB 168, dated January 29, 1993, CARRIED on oral vote.

**SUBSTITUTE MOTION:**

Senator Yellowtail moved to amend the Amendments, dated January 29, 1993, for a 25% phase-in over four years.

**DISCUSSION:**

Senator Gage expressed a concern that because of the 25% phase-in over four years, the 1995 Legislature might not look at the agricultural tax issue. Senator Yellowtail said that, as a hold-over legislator in 1995, he or someone else will come back with a bill that will reflect the findings of the new advisory committee.



Senator Eck asked Senator Yellowtail if it is the intent of his substitute motion that a 25% phase-in over four years looks more rational, but the intent is for the 1995 Legislature to address it again. Senator Yellowtail said that is exactly correct, and if the 1995 Legislature finds there has to be some adjustment in the entire system, then that adjustment can be made at that time.

**VOTE ON SUBSTITUTE MOTION:**

Substitute Motion to AMEND THE AMENDMENTS of January 29, 1993, for a 25% phase-in over four years CARRIED on oral vote with Senator Halligan voting "no".

**VOTE ON ORIGINAL MOTION:**

Motion for APPROVAL OF THE AMENDMENTS to SB 168 proposed by Senators Beck and Gage, dated January 29, 1993, AS AMENDED, CARRIED on oral vote.

**DISCUSSION:**

Senator Doherty explained his amendments to SB 168. The amendment dated January 30, 1993, proposes a 25% increase across the board for all agricultural land classes.

His amendments to SB 168, dated January 31, 1993, will revise the definition of agricultural land for real property taxation purposes, and assess it at 3.86%. The committee ended discussion on SB 168 because Representative Swenson arrived to present HB 103. The Committee will take SB 168 up at a later time.

**HEARING ON HB 103**

**Opening Statement by Sponsor:**

Representative Emily Swanson, representing House District 79, presented HB 103 which is a Department of Revenue bill clarifying language on appeals to the Tax Appeal Board. House Bill 103 allows that only a final decision by the Department of Revenue may be appealed to the State Tax Appeal Board.

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

None.

**Informational Testimony:**

Mick Robinson, Director of the Department of Revenue, said that HB 103 is a clarification which would keep the taxpayers and the Department from unnecessary work in the event someone tried to appeal prior to a final decision by the Department. He urged the Committee's support of HB 103.

**Questions From Committee Members and Responses:**

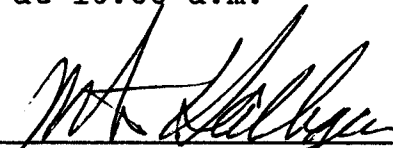
Upon questions by Senator Towe, Dave Woodgerd, legal counsel for the Department of Revenue, said HB 103 does not have a definition of a final decision because this bill dovetailed with the Montana Administrative Procedures Act which has an adequate definition of a final decision. Mr. Woodgerd further said that HB 103 is referring to the final agency decision which could be appealed.


**Closing by Sponsor:**

Representative Swanson offered no further closing remarks.

**ADJOURNMENT**

**Adjournment:** The meeting adjourned at 10:00 a.m.

  
\_\_\_\_\_  
MIKE HALLIGAN, Chair

  
\_\_\_\_\_  
BONNIE STARK, Secretary

MH/bjs

# ROLL CALL

SENATE COMMITTEE TAXATION

DATE 2-1-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg	✓		
Sen. Yellowtail	✓		

FC8

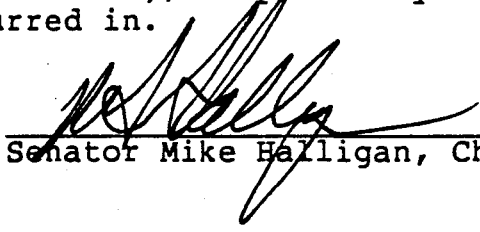
Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 1, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 8 (first reading copy -- blue), respectfully report that House Bill No. 8 be concurred in.

Signed: 

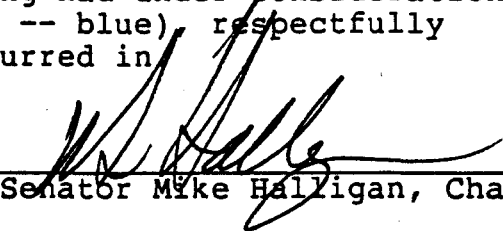
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 1, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 47 (first reading copy -- blue), respectfully report that House Bill No. 47 be concurred in.

Signed: 

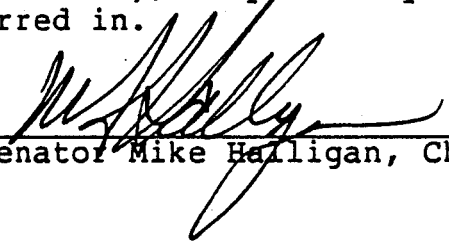
Senator Mike Halligan, Chair

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
February 1, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 88 (first reading copy -- blue), respectfully report that House Bill No. 88 be concurred in.

Signed: 

Senator Mike Halligan, Chair

TABLE P-1

# Change in Taxable Value --- 25% PHASE IN Current vs. Proposal (SB 168-Amended)

County	Impact to Class 3 Taxable Value			Impact to Total Taxable Value		
	Current Taxable Value	Proposed Taxable Value	Percent Change	Current Taxable Value	Proposed Taxable Value	Percent Change
Beaverhead	\$2,330,217	\$2,519,224	8.1%	\$15,922,182	\$16,111,189	1.2%
Big Horn	\$3,441,632	\$3,491,698	1.5%	26,681,354	26,731,420	0.2%
Blaine	\$3,889,266	\$3,973,569	2.2%	13,892,940	13,977,243	0.6%
Broadwater	\$1,027,449	\$1,058,700	3.0%	14,226,141	14,257,392	0.2%
Carbon	\$2,154,795	\$2,196,025	1.9%	17,903,295	17,944,525	0.2%
Carter	\$1,714,560	\$1,798,838	4.9%	7,357,469	7,441,747	1.1%
Cascade	\$4,937,046	\$4,835,486	-2.1%	95,846,935	95,745,375	-0.1%
Chouteau	\$12,785,972	\$12,004,774	-6.1%	25,358,497	24,577,299	-3.1%
Custer	\$2,126,631	\$2,241,216	5.4%	14,584,111	14,698,696	0.8%
Daniels	\$2,373,771	\$2,390,896	0.7%	6,294,803	6,311,928	0.3%
Dawson	\$3,040,230	\$3,122,321	2.7%	18,257,665	18,339,756	0.4%
Deer Lodge	\$231,178	\$255,086	10.3%	8,769,899	8,793,807	0.3%
Fallon	\$1,285,985	\$1,336,533	3.9%	10,278,478	10,329,026	0.5%
Fergus	\$6,002,715	\$5,911,188	-1.5%	21,943,967	21,852,440	-0.4%
Flathead	\$1,517,960	\$1,560,898	2.8%	103,059,904	103,102,842	0.0%
Gallatin	\$2,783,397	\$2,794,736	0.4%	80,995,369	81,006,708	0.0%
Garfield	\$2,800,632	\$2,909,562	3.9%	5,393,469	5,502,399	2.0%
Glacier	\$3,265,126	\$3,135,215	-4.0%	19,630,260	19,500,349	-0.7%
Golden Valley	\$1,122,288	\$1,145,155	2.0%	5,153,869	5,176,736	0.4%
Granite	\$506,173	\$535,684	5.8%	7,655,867	7,685,378	0.4%
Hill	\$6,830,214	\$6,756,282	-1.1%	29,941,411	29,867,479	-0.2%
Jefferson	\$549,496	\$582,187	5.9%	23,342,749	23,375,440	0.1%
Judith Basin	\$3,177,281	\$3,142,124	-1.1%	8,952,652	8,917,495	-0.4%
Lake	\$1,267,532	\$1,396,390	10.2%	31,437,674	31,566,532	0.4%
Lewis And Clark	\$1,568,243	\$1,597,519	1.9%	69,016,382	69,045,658	0.0%
Liberty	\$3,662,622	\$3,599,169	-1.7%	9,568,354	9,504,901	-0.7%
Lincoln	\$112,666	\$121,600	7.9%	27,564,167	27,573,101	0.0%
Madison	\$2,081,935	\$2,141,840	2.9%	20,791,628	20,851,533	0.3%
McCone	\$3,452,851	\$3,480,682	0.8%	7,801,726	7,829,557	0.4%
Meagher	\$1,382,720	\$1,432,193	3.6%	8,154,786	8,204,259	0.6%
Mineral	\$63,507	\$66,511	4.7%	8,080,300	8,083,304	0.0%
Missoula	\$457,022	\$482,188	5.5%	126,303,291	126,328,457	0.0%
Musselshell	\$1,528,630	\$1,552,191	1.5%	6,878,626	6,902,187	0.3%
Park	\$1,469,303	\$1,469,568	0.0%	24,316,869	24,317,134	0.0%
Petroleum	\$834,373	\$866,746	3.9%	1,904,786	1,937,159	1.7%
Phillips	\$3,577,845	\$3,623,990	1.3%	20,295,327	20,341,472	0.2%
Pondera	\$4,946,152	\$4,774,732	-3.5%	14,988,037	14,816,617	-1.1%
Powder River	\$1,793,774	\$1,843,691	2.8%	6,368,160	6,418,077	0.8%
Powell	\$793,096	\$867,132	9.3%	12,458,281	12,532,317	0.6%
Prairie	\$1,119,949	\$1,174,233	4.8%	4,358,142	4,412,426	1.2%
Ravalli	\$1,074,381	\$1,119,655	4.2%	32,043,712	32,088,986	0.1%
Richland	\$3,465,230	\$3,581,139	3.3%	21,745,758	21,861,667	0.5%
Roosevelt	\$3,789,980	\$3,771,235	-0.5%	24,801,194	24,782,449	-0.1%
Rosebud	\$2,834,829	\$2,939,807	3.7%	182,854,693	182,959,671	0.1%
Sanders	\$356,135	\$383,622	7.7%	24,882,163	24,909,650	0.1%
Sheridan	\$3,539,815	\$3,530,775	-0.3%	12,018,054	12,009,014	-0.1%
Silver Bow	\$193,162	\$203,442	5.3%	50,333,573	50,343,853	0.0%
Stillwater	\$2,414,761	\$2,405,806	-0.4%	19,753,669	19,744,714	-0.0%
Sweet Grass	\$1,335,250	\$1,361,560	2.0%	8,288,052	8,314,362	0.3%
Teton	\$5,194,637	\$5,091,961	-2.0%	15,427,359	15,324,683	-0.7%
Toole	\$5,107,754	\$4,958,712	-2.9%	17,683,716	17,534,674	-0.8%
Treasure	\$754,598	\$811,650	7.6%	4,983,890	5,040,942	1.1%
Valley	\$4,797,035	\$4,820,358	0.5%	25,737,184	25,760,507	0.1%
Wheatland	\$1,319,804	\$1,353,460	2.6%	7,780,858	7,814,514	0.4%
Wibaux	\$1,132,251	\$1,140,154	0.7%	4,073,266	4,081,169	0.2%
Yellowstone	\$3,688,984	\$3,747,650	1.6%	198,486,026	198,544,692	0.0%
Statewide	\$141,004,840	\$141,408,755	0.3%	\$1,632,622,989	\$1,633,026,904	0.02%

Amendments to Senate Bill No. 168  
First Reading Copy

Requested by Senators Beck and Gage  
For the Committee on Taxation

Prepared by Jeff Martin  
January 29, 1993

1. Title, line 7.

Following: "PURPOSES;"

Insert: "PROVIDING FOR THE DETERMINATION OF NET INCOME FROM  
AGRICULTURAL LAND;"

2. Title, line 9.

Strike: "OVER TWO REAPPRAISAL CYCLES"

3. Title, lines 12 and 13.

Following: "REVIEW" on line 12

Insert: "ALL RELEVANT COSTS, INCLUDING"

Following: "COSTS" on line 13

Insert: ", "

4. Page 7, line 14.

Strike: "production"

Insert: "water"

5. Page 7, line 15.

Following: "period."

Insert: "(i)"

Strike: "1"

Insert: "and"

6. Page 7, line 16.

Strike: "and production cost data"

7. Page 7.

Following: line 18

Insert: "(ii) Crop share arrangements are based on the rental  
value of the land and average landowner costs.

(iii) Allowable water costs consist only of the per-acre  
labor costs and energy costs of irrigation.

(A) Labor costs are zero for pivot sprinkler irrigation  
systems; \$4.50 an acre for tow lines, side roll, and lateral  
sprinkler irrigation systems; and \$9 an acre for hand-moved and  
flood irrigation systems.

(B) Energy costs must be based on per-acre energy costs  
incurred in 1992. By July 1, 1993, an owner of irrigated land  
shall provide the department, on a form prescribed by the  
department, with energy costs incurred in 1992. In the event that  
no energy costs were incurred in 1992, the owner of irrigated  
land shall provide the department with energy costs from the most  
recent year available. The department shall adjust the most  
recent energy costs to reflect costs in 1992."



8. Page 7, line 20.

Following: "alfalfa"

Insert: "hay, adjusted to 80% of sales price"

9. Page 8, line 1.

Following: the first "data"

Strike: "1"

Insert: "and"

Following: "fees"

Strike: "1, and production cost data"

10. Page 8, lines 4 and 5.

Strike: "and the" on line 4 through "costs" on line 5

11. Page 9, line 3.

Strike: "department"

Insert: "governor"

12. Page 9, line 12.

Following: "1"

Insert: "With respect to irrigated land, the value of irrigated land may not be below the value that the land would have if it were not irrigated."

13. Page 10, line 2 through page 11, line 1.

Strike: Sections 3 and 4 in their entirety

Insert: "NEW SECTION. Section 3. Phase in of agricultural land values. The increase or decrease in taxable value of agricultural land resulting from the change in the method of calculating productive capacity value pursuant to 15-7-201 must be phased in beginning January 1, 1994, as follows:

(1) For the year beginning January 1, 1994, and ending December 31, 1994, the taxable value of agricultural land in each land use and production category must increase or decrease from the December 31, 1993, value by 25% <sup>20%</sup> of the difference between the product of the productive capacity value of agricultural land for 1994 determined under 15-7-201 times the class three tax rate and the taxable value of agricultural land as of December 31, 1993.

(2) Beginning January 1, 1995, the assessed value of agricultural land in each land use and production category must be 100% of the productive capacity value of agricultural land determined under 15-7-201.

NEW SECTION. Section 4. Advisory committee -- review of water costs and crop share arrangements. (1) The governor shall appoint an advisory committee to review water costs and crop share arrangements. The membership of the committee must include:

- (a) one member representing urban interests;
- (b) two members representing water users, one of whom must be an individual water user and one of whom must be a representative of an organized irrigation district;
- (c) one member representing grazing interests;
- (d) one member representing nonirrigated crop land interests;
- (e) one member representing multiple-use farmers and ranchers;

(f) one member representing financial institutions;  
(g) two members of the legislature, not of the same political party, one of whom must be a member of the senate and one of whom must be a member of the house of representatives; and  
(h) one member representing local government.  
(2) The committee shall review water costs and crop share arrangements associated with irrigated lands and recommend to the department of revenue by July 1, 1994, how water costs and crop share arrangements should be considered for the valuation of irrigated land. The committee may recommend the adjustment in the valuation of other agricultural land classes in order to ~~maintain the same~~ level of statewide taxable value of agricultural land."

14. Page 13, line 1.

Strike: "Properties"

Insert: "Beginning January 1, 1994, properties"

15. Page 13, line 2.

Strike: "100% of the productive capacity of the lands"

Insert: "a phasein of productive capacity value"

16. Page 14, line 9.

Strike: "1997"

Insert: "1995"

Amendments to Senate Bill No. 168  
First Reading Copy

Requested by Senator Doherty  
For the Committee on Taxation

Prepared by Jeff Martin  
January 30, 1993

1. Title, lines 7 through 9.

Strike: "HOLDING" on line 7 through "CYCLES;" on line 9

2. Page 6, lines 23 and 24.

Strike: "equal" on line 23 through "6.4%" on line 24

Insert: "determined according to the classification of  
agricultural land as follows:

- (i) 5.6% for irrigated land in classes one, two, or three;
- (ii) 6.9% for nonirrigated land in class four;
- (iii) 4.1% for grazing land in class five;
- (iv) 5.6% for continuously cropped hay land in class six;

and"

(v) 6.9% for nonirrigated continuously cropped land in  
class seven.

3. Page 6, line 24.

Following: "6.4%"

Insert: "(d)"

Strike: "This"

Insert: "The"

Strike: "rate"

Insert: "rates established in subsection (4)(c)"

Amendments to Senate Bill No. 168  
First Reading Copy

Requested by Senator Doherty  
For the Committee on Taxation

Prepared by Jeff Martin  
January 31, 1993

1. Title, line 5.

Following: "ACT"

Insert: "GENERALLY"

Following: "REVISING"

Insert: "THE TAXATION OF AGRICULTURAL LAND; REVISING THE GREENBELT APPRAISAL DEFINITION OF AGRICULTURAL LAND FOR REAL PROPERTY TAXATION PURPOSES; REVISING"

2. Title, line 14.

Following: "LANDS"

Insert: "ELIMINATING CLASS ELEVEN PROPERTY BY COMBINING IT WITH CLASS FOUR PROPERTY;"

Following: "SECTIONS"

Insert: "7-13-2527"

Following: "15-6-133,"

Insert: "15-6-134,"

Following: "15-7-201,"

Insert: "15-7-202"

Following: "15-8-111,"

Insert: "15-10-402, 15-10-412,"

3. Title, line 15.

Following: "MCA;"

Insert: "REPEALING SECTION 15-6-144, MCA;"

4. Page 1.

Following: line 18

Insert: " Section 1. Section 7-13-2527, MCA, is amended to read:

"7-13-2527. List of property owners. (1) A copy of the order creating the district shall must be delivered to the county assessor of each county within the district.

(2) The assessor shall, on or before August 1 of ~~any given~~ each year, prepare and certify a list of all persons owning class four ~~or class eleven~~ property within ~~such~~ the district and deliver a copy of ~~such~~ the list to the board of trustees of ~~said~~ the district."

Renumber: subsequent sections

5. Page 4.

Following: line 5

Insert: " Section 3. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used

as a residence, except those specifically included in another class;

(c) the first \$80,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income or loss and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than \$10,000 for a single person or \$12,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii);

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least 9 holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(1), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a), and (1)(b), and (1)(e) is taxed at 3.86% of its market value.

(b) (i) Property described in subsection (1)(c) is taxed at 3.86% of its market value multiplied by a percentage figure based on income and determined from the following table:

Income	Income	Percentage
Single Person	Married Couple	Multiplier
Head of Household		
\$0 - 1,000	\$0 - 1,200	0%
1,001 - 2,000	1,201 - 2,400	10%
2,001 - 3,000	2,401 - 3,600	20%
3,001 - 4,000	3,601 - 4,800	30%
4,001 - 5,000	4,801 - 6,000	40%
5,001 - 6,000	6,001 - 7,200	50%
6,001 - 7,000	7,201 - 8,400	60%
7,001 - 8,000	8,401 - 9,600	70%
8,001 - 9,000	9,601 - 10,800	80%
9,001 - 10,000	10,801 - 12,000	90%

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate established in subsection (2)(a).

(3) After July 1, 1986, no adjustment may be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.

(4) Within the meaning of comparable property as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property." Renumber: subsequent sections

6. Page 10.

Following: line 1

Insert: "Section 4. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural.

~~(1) Contiguous parcels of land totaling 20 acres or more under one ownership shall be eligible for valuation, assessment, and taxation as agricultural land each year that none of the parcels is devoted to a commercial or industrial use.~~

~~(2)~~ (1) Except as provided in subsection (8), contiguous or noncontiguous parcels of land ~~totaling less than 20 acres~~ under one ownership that are actively devoted to agricultural use ~~shall be~~ are eligible for valuation, assessment, and taxation as herein provided in this section each year the parcels meet any of the following qualifications:

(a) the parcels produce and the owner or the owner's agent, employee, or lessee markets not less than ~~\$1,500~~ \$3,000 in annual gross income from the raising of agricultural products as defined in 15-1-101; or

(b) the parcels would have met the qualification set out in subsection ~~(2)(a)~~ (1)(a) were it not for independent intervening causes of production failure beyond the control of the producer or marketing delay for economic advantage, in which case proof of qualification in a prior year will suffice.

(2) Parcels of land that are included in a conservation easement or parcels of land that have restrictive covenants prohibiting development of the land for residential, commercial, or industrial use are eligible for valuation, assessment, and taxation as agricultural land.

(3) ~~Parcels that do not meet the qualifications set out in subsections subsection (1) and (2) shall~~ may not be classified or valued as agricultural if they are part of a platted subdivision that is filed with the county clerk and recorder in compliance with the Montana Subdivision and Platting Act.

(4) Land may not be classified or valued as agricultural if it is subdivided land with stated restrictions effectively prohibiting its use for agricultural purposes. For the purposes of this subsection only, "subdivided land" includes parcels of land larger than 20 acres that have been subdivided for commercial or residential purposes.

(5) Land may not be classified or valued as agricultural if it is devoted to residential, commercial, or industrial use.

~~(5)(6)~~ The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise ~~shall~~ may not be considered a bona fide agricultural operation.

~~(6)(7)~~ If land has been valued, assessed, and taxed as

agricultural land in any year, it ~~shall~~ must continue to be so valued, assessed, and taxed as agricultural until the department reclassifies the property. A reclassification does not mean revaluation pursuant to 15-7-111.

(7)(8) For the purposes of this part, growing timber is not an agricultural use.

(8)(9) Subject to the provisions of subsections ~~(2)(a)~~ (1)(a) and ~~(2)(b)~~ (1)(b), property upon which sod, ornamental, nursery, or horticultural crops are raised, grown, or produced must consist of at least 10 acres before the property is eligible to be classified as agricultural land. ~~Improvements devoted to crop production described in this subsection may not be included in class eleven property."~~

Renumber: subsequent sections

7. Page 13.

Following: line 21

Insert: " Section 8. Section 15-10-402, MCA, is amended to read:

"15-10-402. Property tax limited to 1986 levels. (1) Except as provided in subsections (2) and (3), the amount of taxes levied on property described in 15-6-133, 15-6-134, and 15-6-136, ~~and 15-6-144~~ may not, for any taxing jurisdiction, exceed the amount levied for taxable year 1986.

(2) The limitation contained in subsection (1) does not apply to levies for rural improvement districts, Title 7, chapter 12, part 21; special improvement districts, Title 7, chapter 12, part 41; elementary and high school districts, Title 20; juvenile detention programs authorized under 7-6-502; or bonded indebtedness.

(3) New construction or improvements to or deletions from property described in subsection (1) are subject to taxation at 1986 levels.

(4) As used in this section, the "amount of taxes levied" and the "amount levied" mean the actual dollar amount of taxes imposed on an individual piece of property, notwithstanding an increase or decrease in value due to inflation, reappraisal, adjustments in the percentage multiplier used to convert appraised value to taxable value, changes in the number of mills levied, or increase or decrease in the value of a mill."

Section 9. Section 15-10-412, MCA, is amended to read:

15-10-412. Property tax limited to 1986 levels -- clarification -- extension to all property classes. Section 15-10-402 is interpreted and clarified as follows:

(1) The limitation to 1986 levels is extended to apply to all classes of property described in Title 15, chapter 6, part 1.

(2) The limitation on the amount of taxes levied is interpreted to mean that, except as otherwise provided in this section, the actual tax liability for an individual property is capped at the dollar amount due in each taxing unit for the 1986 tax year. In tax years thereafter, the property must be taxed in each taxing unit at the 1986 cap or the product of the taxable value and mills levied, whichever is less for each taxing unit, except in a taxing unit that levied a tax in tax years 1983 through 1985 but did not levy a tax in 1986, in which case the actual tax liability for an individual property is capped at the dollar amount

due in that taxing unit for the 1985 tax year.

(3) The limitation on the amount of taxes levied does not ~~mean that no~~ prohibit a further increase ~~may be made~~ in the total taxable valuation of a taxing unit as a result of:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property;

(e) reclassification of property;

(f) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(g) transfer of property from tax-exempt to taxable status;  
or

(h) revaluations caused by:

(i) cyclical reappraisal; or

(ii) expansion, addition, replacement, or remodeling of improvements.

(4) The limitation on the amount of taxes levied does not ~~mean that no~~ prohibit a further increase ~~may be made~~ in the taxable valuation or in the actual tax liability on individual property in each class as a result of:

(a) a revaluation caused by:

(i) construction, expansion, replacement, or remodeling of improvements that adds value to the property; or

(ii) cyclical reappraisal;

(b) transfer of property into a taxing unit;

(c) reclassification of property;

(d) increases in the amount of production or the value of production for property described in 15-6-131 or 15-6-132;

(e) annexation of the individual property into a new taxing unit; or

(f) conversion of the individual property from tax-exempt to taxable status.

(5) Property in ~~classes~~ class four and ~~eleven~~ is valued according to the procedures used in 1986, including the designation of 1982 as the base year, until the reappraisal cycle beginning January 1, 1986, is completed and new valuations are placed on the tax rolls and a new base year designated, if the property is:

(a) new construction;

(b) expanded, deleted, replaced, or remodeled improvements;

(c) annexed property; or

(d) property converted from tax-exempt to taxable status.

(6) Property described in subsections (5)(a) through (5)(d) that is not class four ~~ex-class eleven~~ property is valued according to the procedures used in 1986 but is also subject to the dollar cap in each taxing unit based on 1986 mills levied.

(7) The limitation on the amount of taxes, as clarified in this section, is intended to leave the property appraisal and valuation methodology of the department of revenue intact. Determinations of county classifications, salaries of local government officers, and all other matters in which total taxable valuation is an integral component are not affected by 15-10-401 and 15-10-402 except for the use of taxable valuation in fixing tax levies. In fixing tax levies, the taxing units of local government



may anticipate the deficiency in revenues resulting from the tax limitations in 15-10-401 and 15-10-402, while understanding that regardless of the amount of mills levied, a taxpayer's liability may not exceed the dollar amount due in each taxing unit for the 1986 tax year unless:

(a) the taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year. If a taxing unit's taxable valuation decreases by 5% or more from the 1986 tax year, it may levy additional mills to compensate for the decreased taxable valuation, but ~~in no case may~~ the mills levied may not exceed a number calculated to equal the revenue from property taxes for the 1986 tax year in that taxing unit.

(b) a levy authorized under Title 20 raised less revenue in 1986 than was raised in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, raise each year thereafter an additional number of mills but may not levy more revenue than the 3-year average of revenue raised for that purpose during 1984, 1985, and 1986;

(c) a levy authorized in 50-2-111 that was made in 1986 was for less than the number of mills levied in either 1984 or 1985, in which case the taxing unit may, after approval by the voters in the taxing unit, levy each year thereafter an additional number of mills but may not levy more than the 3-year average number of mills levied for that purpose during 1984, 1985, and 1986.

(8) The limitation on the amount of taxes levied does not apply to the following levy or special assessment categories, whether or not they are based on commitments made before or after approval of 15-10-401 and 15-10-402:

- (a) rural improvement districts;
- (b) special improvement districts;
- (c) levies pledged for the repayment of bonded indebtedness, including tax increment bonds;
- (d) city street maintenance districts;
- (e) tax increment financing districts;
- (f) satisfaction of judgments against a taxing unit;
- (g) street lighting assessments;
- (h) revolving funds to support any categories specified in this subsection (8);
- (i) levies for economic development authorized pursuant to 90-5-112(4);
- (j) levies authorized under 7-6-502 for juvenile detention programs; and
- (k) elementary and high school districts.

(9) The limitation on the amount of taxes levied does not apply in a taxing unit if the voters in the taxing unit approve an increase in tax liability following a resolution of the governing body of the taxing unit containing:

- (a) a finding that there are insufficient funds to adequately operate the taxing unit as a result of 15-10-401 and 15-10-402;
- (b) an explanation of the nature of the financial emergency;
- (c) an estimate of the amount of funding shortfall expected by the taxing unit;
- (d) a statement that applicable fund balances are or by the end of the fiscal year will be depleted;
- (e) a finding that there are no alternative sources of

revenue;

(f) a summary of the alternatives that the governing body of the taxing unit has considered; and

(g) a statement of the need for the increased revenue and how it will be used.

(10) (a) The limitation on the amount of taxes levied does not apply to levies required to address the funding of relief of suffering of inhabitants caused by famine, conflagration, or other public calamity.

(b) The limitation set forth in this chapter on the amount of taxes levied does not apply to levies to support:

(i) a city-county board of health as provided in Title 50, chapter 2, if the governing bodies of the taxing units served by the board of health determine, after a public hearing, that public health programs require funds to ensure the public health. A levy for the support of a local board of health may not exceed the 5-mill limit established in 50-2-111.

(ii) county, city, or town ambulance services authorized by a vote of the electorate under 7-34-102(2).

(11) The limitation on the amount of taxes levied by a taxing jurisdiction subject to a statutory maximum mill levy does not prevent a taxing jurisdiction from increasing its number of mills beyond the statutory maximum mill levy to produce revenue equal to its 1986 revenue.

(12) The limitation on the amount of taxes levied does not apply to a levy increase to repay taxes paid under protest in accordance with 15-1-402."

NEW SECTION. Section 10. Repealer. Section 15-6-144, MCA, is repealed."

Renumber: subsequent sections

8. Page 13, line 23.

Strike: "3"

Insert: "5"

Strike: "4"

Insert: "6"

DATE 2-1-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 8, 47, 88, 103

Name	Representing	Bill No.	Check One	
			Support	Oppose
Ben Harvahl	MT Motor Carriers Assn	HB 8	X	
Gordon Morris	MA Co	HB 8 HB 88	X	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY