

## **MINUTES**

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

#### **COMMITTEE ON TAXATION**

**Call to Order:** By Chairman Mike Halligan, on March 26, 1993, at 5:00 p.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. Bill Yellowtail (D)

**Members Excused:** Sen. Fred Van Valkenburg (D)

**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: SB 436, SB 437  
Executive Action: SB 182, SB 191, SB 302, SB 435, SB 436,  
SB 437, SJR 13

#### **HEARING ON SB 436**

##### **Opening Statement by Sponsor:**

Senator Judy Jacobson, Senate District #36, presented SD 436, which is an act imposing a realty transfer tax on certain transfers of real property at the rate of 1% of the value recorded on the Realty Transfer Certificate. The proceeds of the tax will be deposited into the School Equalization Aid Account. Senator Jacobson pointed out Section 11 in SB 436 allows for a credit against individual income tax for Montana residents. However, she is asking for this section to be amended out of the bill. The first \$50,000 of any sale would be exempt, and the

remaining amount of the sale would be subject to the 1% realty transfer tax. Senator Jacobson said a great deal of the school funding has been shifted from the state to the counties. She presented Exhibit No. 1 to these minutes, which are amendments to this bill. Exhibit No. 2 contains information on the affect of SB 436 on closing costs of several real estate transactions. For instance, a home selling for \$54,500 would have a realty transfer tax of \$45; a home selling for \$175,000 would have a realty transfer tax of \$1,250. Senator Jacobson believes this additional amount in the closing costs would not be enough to deter anyone from purchasing a home. Exhibit No. 2 compares various education bills introduced in this Legislature and shows the mills that taxpayers will pay for their efforts towards schools, should the bills pass. Senator Jacobson said SB 436 is another look at tax reform. The people of the State of Montana should know that they would be paying 1% additional tax when they purchase a home, but on the other hand, their county millage for school funding will be held harmless.

#### Proponents' Testimony:

Senator Greg Jergeson spoke as a proponent of SB 436, saying that in various tax reform discussions, simplicity and progressivity are two elements which have great appeal. SB 436 is a very simple tax, and as the bill has been drafted with the \$50,000 exemption, it is a very progressive tax. Senator Jergeson said \$40 million has been cut from the public education budget as a result of HB 667 passed by the House this legislative session. Under HB 667, some property taxes will raise, some will lower. By the action of the legislature pulling the \$40 million out of state support of public education, there are greater property tax increases for some taxpayers around the state, or some property taxpayers are denied decreases that school equalization suggests some property owners ought to be getting. One of the functions of the legislature should be to find a way to relieve the burden on an existing source of taxes, of which property taxes are the major source. Currently, property taxes are the main support of the public school system in the state. The Realty Transfer Tax proposed by SB 436, if properly constructed, will provide the revenue to replace the property tax burden that is inherent by the action of the House.

Senator Jergeson said that SB 436 will broaden the tax base by providing an additional source of revenue.

Greg Groepper, representing the Office of Public Instruction (OPI), spoke in support of SB 436. Mr. Groepper said the OPI has taken a stand throughout this legislative session that it would not like to see any cuts to school equalization funding. However, it became apparent with passage of HB 667 that there would be a tremendous cut in the school equalization program and some additional revenue would be needed. SB 436 will provide that revenue so there will be no need for school equalization cuts. Mr. Groepper said that when money is taken from the school

foundation program, not only will this funding have to be made up with property taxes to deal with the cut, but there will have to be a larger voted levy to meet inflation. SB 436 will avoid tax shifts and solve the school equalization program problems without having to make cuts in school programs. The OPI strongly urges support of SB 436.

Eric Feaver, Montana Education Association (MEA), spoke in support of SB 436 as amended with Section 11 omitted. Mr. Feaver said HB 667 passed out of the House and appears to be the vehicle that will restructure how public schooling is funded in this state. It is not a bad concept, has many good ideas, but the worst thing about HB 667 is the \$40 million hole it leaves in education funding. Mr. Feaver said because that financial hole exists, it will be transferred to the taxpayers locally to pay for in their property taxes. The MEA thinks the realty transfer tax may be a way to obviate the possibility that some taxpayers are waiting for an opportunity to resurrect the forces that brought CI-27 and Initiative 105. The MEA believes that the one-time Realty Transfer Tax may be more appropriate than enhanced property taxes around the state to meet school equalization requirements.

Pat Melby, representing the Underfunded School Coalition (USC), spoke in support of SB 436. Mr. Melby said the Supreme Court, in its recent opinion in the school equalization lawsuit, stated that the disparity in school spending was a result of the over-reliance on the local property taxes in order to fund schools. The education community has known from the beginning of this legislative session that there was going to be a huge cut in state support of school funding, and there would be no increases to cover inflation and an increase in students. These cuts will shift the responsibility of funding schools back on to the local property taxpayers. It has always been the USC's position to support any revenue measure that reasonably will raise money for the school equalization account and help provide an increase in the amount of state support for local school districts.

Donna Small, Chairman of the Montana Democratic Party, rose in support of SB 436. Ms. Small said the Democratic Party does not support cutting funding for education, and believes the state should provide a viable alternative to this cut. She said the Democratic Party does support any tax reform to make the tax system simpler, more progressive, and one that broadens the tax base. They believe SB 436 meets this criteria. She said the \$50,000 exemption will help the first-time home buyer, senior citizens, and those people with the greatest need.

John Malee, representing the Montana Federation of Teachers (MFT), spoke in support of SB 436 for all of the aforementioned reasons.

HEARING ON SB 437Opening Statement by Sponsor:

Senator Don Bianchi, Senator District No. 39, presented SB 437 which is another realty transfer tax of much less magnitude, and for other purposes, than SB 436. SB 437 would be a 1/10 of 1% realty transfer tax and will be distributed to the counties and to other incorporated areas for land use planning, zoning, subdivision review, and similar functions of local government, as well as giving a portion of the tax to the Department of Commerce for the promotion of Montana as a place to retire. Senator Bianchi said that Section 10 identifies the distribution of revenue created by SB 437. He distributed Exhibit No. 3 to these minutes, which indicates the 37 states having realty transfer taxes in existence. The Senator believes there will be subdivision reform in Montana which will place an additional burden on counties and sees SB 437 as a tool for obtaining the additional funding needed. Senator Bianchi said SB 437 is an opportunity for economic development in Montana without air and water quality degradation, by promoting the state as a retirement state. Retired people usually have no children requiring school systems, they have little requirements of the social/welfare services, and they usually have significant incomes. He believes it makes good economic sense for a retirement promotion similar to the state's tourism promotion program.

Informational Testimony:

Jerry Tavegia, Department of Commerce, gave background information on the retirement industry. He said Montana, at the present time, has no retiree recruitment program, and the only state which has a program on a state-wide basis is Alabama, which is where he has drawn his model information. There are about 500,000 retirees who retire annually; they tend to be affluent and mobile. The numbers are expected to increase as the baby-boomers come of retirement age. The average asset base is around \$325,000. There presently are pockets of retirees in Montana located in the Flathead area, the Bitterroot Valley, and the Gallatin Valley. Mr. Tavegia suspects some retirees will come to Montana whether it is promoted, engineered, or left to its own devices. In Alabama, their retirement-recruitment program is a combination of a tourism promotion and a business-recruitment program. That state feels their program is very successful with an average of 10,000 recruits a year, and the last two years they can substantiate locating 2,000 retirees directly from their promotion efforts. Mr. Tavegia said if Montana would be successful in attracting 1% of the retirees who move around each year, and if those retirees brought with them the average amount of wealth (\$325,000), this would increase the wealth in Montana of \$1.6 billion per year. Mr. Tavegia said this is the fastest-growing new program in the economic development field.

Bob Heffner, representing the U. S. Rural Development Administration (USRDA), said SB 437 is unique in that it allows an industry promotion program and provides a means to off-set and mitigate the harmful affects that may come from industry and population growth. Mr. Heffner said no one likes a new tax, especially the industry on which the tax is assessed; however, he pointed out the benefits of the tax imposed eight years ago which caused a boom to Montana's tourism industry. Mr. Heffner said we are looking at the potential for the same kind of growth in an altogether new and vastly larger industry known as retirement. Mr. Heffner said the kind of income associated with retirees and mature persons, called aggregate honorary income, includes dividends, interest, rents, and transfer payments, and is the single, largest and fastest-growing component of personal income in Montana. That component, by itself, was 23% of all income earned in Montana in 1960; it is now 40% of all income earned in the state. In comparison, the \$4.6 billion in annual income is 6 times larger than the tourism income, and it is 2.7 times larger than all earnings from mining, lumber, and other manufacturing, construction, and farming and ranching put together. This is the biggest industry Montana has, and yet it is not recognized as an industry, according to Mr. Heffner. He believes if it is promoted and would achieve a 20% additional growth over the next 8 years, this would increase incomes in Montana by \$1.6 billion per year. Mr. Heffner said this industry will have more benefit to smaller, rural communities in the state and these people won't have to be attracted back every year.

#### Proponents' Testimony:

Gordon Morris, Director of Montana Association of Counties (MACO), said SB 437 was introduced on behalf of the Montana Association of Counties. Mr. Morris said similar tax bills have consistently been introduced in legislatures since 1985, he feels it is a sound tax to be assessed and considered, and he believes SB 436 and SB 437 can work in conjunction with one another. Mr. Morris said 36 states and the District of Columbia presently impose this tax. MACO encourages the Committee's consideration of the local government portion of that revenue to fund the planning functions at the local level.

Linda Stoll-Anderson, Lewis & Clark County Commissioner, spoke in favor of SB 437. In the ten years she has been a County Commissioner, she has had an opportunity to see the impact of growth in this county and throughout the state. She believes a realty transfer tax is an elegantly logical way to deal with the cost of planning. All areas in the state are desperately in need of money to help with planning and zoning issues they are facing now and are sure to face when the subdivision reform bills pass. She thinks SB 437 is a good way to provide the needed funding.

Jim Richard, representing the Montana Association of Planners (MAP), spoke in favor of SB 437. Mr. Richards said MAP feels there is a logical connection between realty transfers and

the development taking place in many areas in Montana, and that natural connection makes this a legitimate and appropriate means of paying for some of the costs of dealing with that growth.

**Opponents' Testimony:**

Chairman Halligan opened the Opponents' Testimony time to opponents of either bill, SB 436 or SB 437.

Exhibit No. 4 to these minutes is a written protest from JoAnn Johnson, Choteau County Clerk and Recorder.

Tom Hopgood, Montana Association of Realtors, spoke in opposition to these bills. Mr. Hopgood called the bills "tax and spend" bills, and an "estate tax" that will be paid upon the death of somebody in order to transfer their property. He said the time allowed for reviewing these bills is very short and the bills will not be able to be given the serious consideration that they deserve. Mr. Hopgood said these taxes are easy to hide and the people don't know they are being taxed. He asks the Committee give these bills a "do not pass" recommendation.

Dennis Burr, Montana Taxpayers Association, said the Realty Transfer Act that is being amended by both of these bills, was passed in 1975, after three previous unsuccessful attempts, and provides the information for the Department of Revenue that the Department needs to administer property tax. Prior to that time, the Department was required to value property at market value as it is now, but there was no established method of determining what the market value was. Mr. Burr said the reason for the opposition to the previous bills was that once this Act went on the books, someone would turn it into a tax. The fear of it becoming a tax is that within a year or two, it could be repealed and the Department would be without the information it needs to administer the property tax. If such a bill is passed, Mr. Burr would urge the money be put into the General Fund and then determine the priorities as all functions of government are studied, rather than just the functions which have been highlighted as earmarked revenue in these bills. Mr. Burr said the legislature could never decide who should file the Realty Transfer Certificate, so it is not specified. Now, that Act is being amended to a tax and there is no specification as to who owes that tax, whether it is the buyer or the seller. He suggested if the Committee wants to raise money, it be done with a broader-based tax than the taxes in either of these bills.

Ron Klaphake, President of the Missoula Economic Development Corporation, spoke in opposition to both bills. He said SB 436 sounds like we are trying to save our schools, and we are trying to save our property taxes, but what it amounts to is that we are shifting that entire burden onto a very small number of people. He called SB 436 a selective sales tax that lacks fairness and progressivity. Mr. Klaphake said Montana should not expect to build its economy on attracting retirees only; we need to

attract jobs for people. He said National statistics state people who live in residential property do not pay enough on property taxes to fund the schools, the counties, or the cities, and for every dollar spent for public services to a residential property, only 27 to 30 cents on the dollar is paid by the property owner for those services. For every dollar of services to business or industrial property, \$1.40 to \$1.50 is collected at the property tax level.

Steve Mandeville, Legislative Chairman for the Montana Association of Realtors (MAR), said MAR strongly opposes the imposition of a Realty Transfer Tax. This tax puts a major burden on the buyers and sellers at the time of settlement, and places an unreasonable burden on the real property ownership and economic development. Mr. Mandeville said first-time property owners are especially impacted since the tax would increase the amount of cash needed at closing, and MAR sees it is a transfer tax which would adversely affect housing affordability for all Montanans. He said real property already bears a disproportionately-higher share of the tax burden and should not be asked to shoulder even more.

Don Allen, representing the Montana Wood Products Association, spoke in opposition to these bills for the same reasons stated earlier. He talked about a productivity tax which was passed by the last session, which will go into effect next year on the growing timber. He said one of the purposes of that tax was to get away from the idea of taxing timber as a property tax, as is presently done, and it would not encourage people to harvest timber. The price of timber has gone up, and to build the average home in America today has doubled from what it was six months ago. Mr. Allen feels the impact of SB 436 and SB 437 would not only tax the productivity capability of the land, but would turn around and tax the growing timber. It would impact the industry and the people who work in the industry. He feels there are some negative parts of these bills and has some real concerns about being able to maintain the present jobs in the timber industry.

Kendrick Kowaguchi, speaking on behalf of Pacific Power and Light Company (PPLC), said PPLC is not strongly opposed to either of these two bills. However, PPLC is committed to participate in income tax reform and the development of a balanced, progressive tax reform package in the state. It is PPLC's position that Realty Transfer Taxes in general can be regressive and inhibit economic development. Accordingly, they believe a fair and equitable tax system, including an income tax, property tax, and sales tax, or a combination of these taxes, is the best way to accomplish comprehensive tax reform, and they urge a "do not pass" recommendation on these bills.

David Owen, representing the Montana Chamber of Commerce, registered the Chamber's opposition to these two bills.

Dave Cogley, appearing on behalf of the Montana Building Industry Association, gave his written testimony, Exhibit No. 5 to these minutes.

Joe Tropila, representing the Montana Association of Clerks and Recorders, is a Clerk and Recorder for Cascade County. He appeared in opposition to these bills, saying the average house in Cascade County sells for over \$60,000. His office handles over 40,000 documents a year, of which 10,000 to 12,000 are deeds, and the income revenue that will come from SB 436, which would give his office more work, is ludicrous. He said County Clerks and Recorders object to being used as instruments to collect taxes.

**Questions From Committee Members and Responses:**

Senator Brown asked Senator Bianchi to explain the allocation of revenue in SB 437. Senator Bianchi said if Montana wants economic development, there will obviously be more people, whether they are in the state for jobs or as retirees. As more and more people come into the state, we need better land use planning. Senator Bianchi said it makes good economic sense to be in a program of promoting Montana as a home for retirees.

Senator Brown said many realtors in his area contacted him in opposition to the provision in the Sales Tax bill that imposed the 4% sales tax on real estate commissions, and now some of the same arguments are registered against this bill. Tom Hopgood said the position of the Montana Association of Realtors is basically in support of a broad-based sales tax on consumption of goods and not the production of income. These bills presented here call for a highly selective sales tax imposed upon a very small percentage of the people of Montana.

Looking at the cost and prices involved in the sale of a home as stated in Exhibit No. 2, Senator Doherty asked David Owen what the position of the Chamber of Commerce is in order to foster the sale of more homes, since the 6% sales commission is like a contingency sales commission. If this 6% was limited to 4%, and then the 1% realty transfer tax was added in, the total would be dropped a whole percentage point. The Senator asked Mr. Owen if that would be acceptable to the Chamber? David Owen said he would check with the Chamber to see if they wanted to consider a response to this question.

Senator Gage asked how much of the \$30 million in anticipated revenue would come from wealthy out-of-state people purchasing property in Montana. No one could answer this question. The Senator asked about having a 5% or 10% realty transfer tax and the Montana residents would receive a refundable tax credit on their Income Tax Return when it is filed. Senator Jergeson this issue is in Section 11 of SB 436, to a degree, as it was drafted. There would be a 50% credit to be claimed on income tax, so the out-of-state residents who purchase property



in Montana, live here for short periods of the year and do not pay Montana income taxes, would not get the credit. However, that eliminated too much revenue, so Section 11 is being withdrawn from SB 436. Senator Jergeson suggested getting the tax in place first and then consider making that kind of an adjustment in future sessions.

Senator Harp asked Mick Robinson, Director of Department of Revenue, what the administration's position is on these two bills as they relate to the balanced budget passed by the House. Director Robinson said he doesn't see either of these bills as comprehensive tax reform bills, and he would not see the Administration as being supportive of this type of legislation.

Senator Halligan asked Mr. Robinson if the Administration feels there will be an impact on property taxes with the cuts being made at the local level this legislative session. Mr. Robinson said he has not been involved in negotiations on the appropriations, so he cannot speak directly to this question, but he thinks the Administration's position on cuts that took place in HB 2 is that those cuts were not to transfer money to local governments. He thinks they approached the education cuts in terms of the Administration's burden and overhead included in education, with the idea that local school districts should try to pare down in administration and absorb some of the reductions at that level.

Senator Harp asked what the Administration's position would be if there is some additional money to be generated; would there be support for this bill, or would they look at an income tax bill that is broader based, and possibly lower those rates and expand the base so more people would be paying the services that we need, rather than pass this bill today. Director Robinson said the work done on HB 671 was to recognize that the Governor did not support the video gaming bill or that narrow a perspective, and they tried to focus the increase in revenue in terms of an income tax, which is a broader-based collection of revenue. The Administration's proposal had a lower rate than what is presently in HB 671, but would raise similar types of revenue as what is looked at in this particular bill now.

Closing by Sponsor:

Senator Jacobson, in closing, addressed some of the questions asked by Committee members. She said the House has sent the Senate a package that may be balanced as far as the ending-fund balance, but as far as the cash-fund balance is concerned, it is still \$22 million out of balance. She said SB 436 is trying to look at what was set out to accomplish in this legislative session; to pass a sales tax as a part of a comprehensive tax reform package. She said the legislature also set out to give the voters a back-up plan if they don't like a sales tax plan. In order to do that, the tax base must be raised, basically through income tax and property taxes. She

said people are not complaining to her about the closing costs when they buy a home; they are more concerned about the down payment and what their monthly payments are going to be. They are also concerned about their annual tax bills, and don't want to see that figure raised. She said the legislators have to look at what is being done to the taxpayers at the county level and what kind of a burden they are going to partake. The bulk of the burden is going to be on local property taxpayers, and their taxes are going to go up unless something is done to raise revenue, and she thinks SB 436 is the best bet. Senator Jacobson presented Exhibit No. 6 to these minutes, which contains Amendments to SB 436 prepared by the Department of Revenue.

Senator Bianchi, in closing, said 37 states do have Realty Transfer Taxes and he believes SB 437 should be seriously considered for economic growth in Montana. The estimate of bringing in \$126 billion in new revenue through the retiree program, about \$1 billion of which would be taxable, comes to \$60 million per year into the economy of the state in taxes alone. He believes SB 437 would get some money to local entities to do land use planning that is going to compensate for the growth contemplated.

#### EXECUTIVE ACTION ON SB 435

Exhibits 7, 8, 9, 10, and 11 to these minutes were presented.

#### MOTION/VOTE:

Senator Grosfield moved adoption of the Amendments to SB 435, prepared by Jeff Martin (sb043501.ajm), Exhibit No. 8 to these minutes. The motion CARRIED UNANIMOUSLY on oral vote.

#### DISCUSSION:

Senator Brown said in order to control subdivisions and have some modicum of land use planning in the state, what ought to be done is to create a mechanism that doesn't make people feel forced to subdivide into 20 acre parcels. What has happened is the agriculturalists, who now seem to resent the people who own the 20-acre parcels, subdivided into 20 acre or larger parcels in order to avoid the planning process. Now, people who own the 20-acre parcels will be the victims of what the subdividers gave us, the same people who developed their land. What this bill will lead to in his area is more subdivisions than are present now, or alternatively, a situation will be created where people won't be able to afford to own their 20 acre-parcels. He suggested creating a law that would make it necessary for all land transactions to go through some kind of a review process so that people could buy smaller parcels than 20 acres. Senator Brown sees SB 435 only as a means of raising property taxes on people who had no way to anticipate that raise.

Senator Grosfield explained the Exhibits distributed. Example 1 in Exhibit No. 7 is rural residential property in Flathead County currently paying taxes of \$72.90. If SB 435 is passed, and if this parcel of land fails to meet the ag-income requirements, at the end of a 4-year phase-in, the total annual taxes would be \$893.79. Example 2 shows 16.83 acres in Flathead County currently paying \$711.92; they are not classified ag land and SB 435 would not affect taxes on this property. Example 3 shows 20.49 acres of timber land in Flathead County currently paying \$38.47 annual taxes; SB 435 would not affect this property. The Senator reviewed Exhibits 9, 10, and 11, and the changes which would be effected through passage of SB 435, if these properties do not meet the ag test and the 10-times factor is applied.

Senator Grosfield said county governments figure there is around \$6 million a year that counties are losing in tax revenue because of acreages being classified as agricultural when they are no longer ag-producing lands.

Senator Harp said the out-of-state residents who purchase Montana land, who are the target of this bill, are only 1% of the landowners in Montana. Other landowners, the ones who live here and pay these taxes on an annual basis, will be the ones abused with these higher taxes.

Senator Stang said people who live in his rural area do pay less taxes, but they don't get any services for the taxes they are paying.

Senator Doherty said the bulk of the property taxpayers have been subsidizing the people who choose to live in rural areas. He doesn't think he should subsidize the lifestyle of people who want to live 30 miles from town and have 25 acres, or those who have over 20 acres on the outskirts of a town and who only pay agricultural-land-classified taxes.

Senator Gage reminded the Committee that county taxes are lost when livestock and farming activities no longer take place on these acreages; there is no longer a livestock tax, a farm machinery tax, or improvement taxes when the new owners tear down buildings. What SB 435 is trying to do is recoup some of those losses. These owners should expect to pay at least the amount of the same tax per acre that the people who have bona fide livestock or farming, or combination operations, have on their property, because that tax would be there had the land not been taken out of agricultural use.

MOTION/VOTE:

Senator Brown moved to amend SB 435 to change the multiplier from 10 times to 5 times, and the phase-in from 4 years to 10 years. The motion CARRIED on oral vote with Senators Doherty and Yellowtail voting "NO". (sb043501.ajm)

**MOTION/VOTE:**

Senator Grosfield moved SB 435 DO PASS AS AMENDED. The motion CARRIED on oral vote with Senators Harp, Stang, and Brown voting "NO". (691234SC.San)

**EXECUTIVE ACTION ON SB 182****MOTION/VOTE:**

Senator Doherty moved SB 182 BE TABLED. The motion CARRIED UNANIMOUSLY on oral vote.

**EXECUTION ACTION ON SB 191****MOTION/VOTE:**

Senator Yellowtail moved SB 191 BE TABLED. The motion CARRIED UNANIMOUSLY on oral vote.

**EXECUTIVE ACTION ON SB 436****MOTION/VOTE:**

Senator Doherty moved to AMEND SB 436. (sb043601.ajm) The motion CARRIED UNANIMOUSLY on oral vote.

**MOTION/VOTE:**

Senator Doherty moved the Sponsor's Amendments to strike Section 11 from SB 436, and which will take out the criminal penalty. The motion CARRIED on oral vote with Senator Gage voting "NO".

**MOTION/VOTE:**

Senator Grosfield moved to strike Section 13 from SB 436, and on Page 11, Line 24, strike "state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343", and insert, "General Fund". The motion FAILED 7-3 on roll call vote (#1).

**MOTION/VOTE:**

Senator Doherty moved SB 436 DO PASS AS AMENDED. The motion CARRIED 7-4 on roll call vote (#2). (691353SC.Sma)

EXECUTIVE ACTION ON SB 437MOTION/VOTE:

Senator Brown moved SB 437 BE TABLED. The motion CARRIED UNANIMOUSLY on oral vote.

EXECUTIVE ACTION ON SB 302DISCUSSION:

Exhibit No. 12 to these minutes was presented, which are Amendments requested by Senator Towe. Senator Towe said he introduced SB 302 and the bill was re-referred to this Committee. These amendments would make everything into a study, and it is no longer a tax measure or a foundation program matter.

MOTION/VOTE:

Senator Towe moved to AMEND SB 302. (sb030201.ajm) The motion CARRIED UNANIMOUSLY on oral vote.

MOTION/VOTE:

Senator Towe moved SB 302 DO PASS AS AMENDED. The motion CARRIED on oral vote with Senators Stand, Gage, and Yellowtail voting "NO". (691113SC.Sma)

EXECUTION ACTION ON SJR 13DISCUSSION:

Senator Towe presented Exhibit No. 13 to these minutes, which are amendments to SJR 13. This resolution relates to the flexibility in negotiating state tribal gaming compacts. Senator Towe said that at the present time, the Indian Gaming Regulatory Act (IGRA) negotiations with Tribes is bogged down in many states, including Montana. In states where the negotiations have not bogged down, the Tribes are operating and doing very well. It is Senator Towe's understanding that in every Court case that has been rendered, and the legislative history is very clear that the IGRA was designed to allow gaming in any state without any regulation by the state, except to the extent if a state prohibited a type of gambling, they could prohibit that gambling on the reservation also. Montana takes the position that gaming in Montana is all prohibited unless it is specifically authorized by the Legislature and, therefore, Montana is saying that no gambling is allowed on the reservation unless that gambling is regulated in that amount off the reservation.

**MOTION/VOTE:**

Senator Towe moved to AMEND SJR 13. (SJ001301.ajm) The motion FAILED on oral vote with Senator Towe voting "AYE" and all other Committee members voting "NO".


**MOTION/VOTE:**

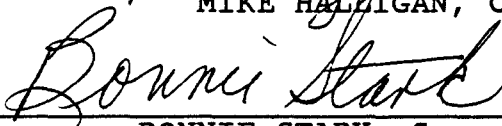
Senator Towe moved SJR 13 DO PASS. The motion FAILED on a tied oral vote with Senators Eck, Halligan, Harp, and Brown voting "NO". The bill will remain in this Committee.

There was no Committee action taken on the following bills, and they will remain in this Committee: SB 283, SB 308, SB 434.

**ADJOURNMENT**

**Adjournment:** The meeting adjourned at 7:15 p.m.

  
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MIKE HALLIGAN, Chair

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

MH/bjs

ROLL CALL #2 5:00 P.M.

SENATE COMMITTEE      TAXATION

DATE 3-26-93

[illegible]

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 3  
March 27, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 435 (first reading copy -- white), respectfully report that Senate Bill No. 435 be amended as follows and as so amended do pass.

Signed:   
Senator Mike Harrigan, Chair

That such amendments read:

1. Title, line 11.  
Strike: "1997"  
Insert: "2003"


2. Title, line 13.  
Strike: "10"  
Insert: "FIVE"

3. Page 1, line 19.  
Insert: "

STATEMENT OF INTENT

A statement of intent is required for this bill because [section 4], which amends 15-7-202, provides that the department of revenue adopt rules regarding the annual certification by owners of agricultural land that the land qualifies as agricultural land for property tax purposes. Because [this act] imposes an annual gross income requirement on parcels of land that total 20 acres or more, it is the intent of the legislature that the department of revenue establish procedures for determining whether parcels of land that total 20 acres or more initially qualify under the annual gross income requirement as provided in [this act]. It is further the intent of the legislature that the process for subsequent annual certification ensure ease of administration and compliance. To that end, the department should use existing forms on which a landowner may report annual gross income.

[Section 5], which amends 15-44-102, also provides that the department of revenue adopt rules regarding the annual certification by owners of forest land that the land qualifies as forest land for property tax purposes. It is the intent of the legislature that the department establish procedures for determining whether the land is actively managed for the production of forest products. It is further the intent of the legislature that the process for subsequent annual certification ensure ease of administration and compliance."

 Amd. Coord.  
110 Sec. of Senate

691234SC.San



4. Page 14, line 16.

Strike: "10"

Insert: "five"

5. Page 17, lines 8 and 9.

Strike: "0.965%" on line 8 through "value" on line 9

Insert: "10% of the taxable percentage rate established in  
subsection (2)(a)"

6. Page 17, lines 11 and 12.

Strike: "1.93%" on line 11 through "value" on line 12

Insert: "20% of the taxable percentage rate established in  
subsection (2)(a)"

7. Page 17, lines 14 and 15.

Strike: "2.895%" on line 11 through "value" on line 12

Insert: "30% of the taxable percentage rate established in  
subsection (2)(a)"

8. Page 17, line 16.

Following: line 15

Insert: "(iv) For the tax year beginning January 1, 1997, and  
ending December 31, 1997, the property is taxed at 40% of  
the taxable percentage rate established in subsection  
(2)(a).

(v) For the tax year beginning January 1, 1998, and ending  
December 31, 1998, the property is taxed at 50% of the taxable  
percentage rate established in subsection (2)(a).

(vi) For the tax year beginning January 1, 1999, and ending  
December 31, 1999, the property is taxed at 60% of the taxable  
percentage rate established in subsection (2)(a).

(vii) For the tax year beginning January 1, 2000, and ending  
December 31, 2000, the property is taxed at 70% of the taxable  
percentage rate established in subsection (2)(a).

(viii) For the tax year beginning January 1, 2001, and  
ending December 31, 2001, the property is taxed at 80% of the  
taxable percentage rate established in subsection (2)(a).

(ix) For the tax year beginning January 1, 2002, and ending  
December 31, 2002, the property is taxed at 90% of the taxable  
percentage rate established in subsection (2)(a)."

Renumber: subsequent subsection

9. Page 17, line 16.

Strike: "1996"

Insert: "2002"

10. Page 17, line 17.

Strike: "3.86% of its market value"

Insert: "100% of the taxable percentage rate established in  
subsection (2)(a)"

11. Page 18, line 6.

Strike: "(1)(b)"

Insert: "(1)(c)"

12. Page 19, line 4.

Following: line 3

Insert: "(b) The annual gross income requirements in subsection  
(1)(a) may include land rental payments made under the  
federal conservation reserve program or a successor to that  
program."

Renumber: subsequent subsection

13. Page 21, line 3.

Strike: "in a manner specified"

Insert: "under rules adopted"

14. Page 22, line 15.

Strike: "in a manner specified"

Insert: "under rules adopted"

-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 4  
March 27, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 436 (first reading copy -- white), respectfully report that Senate Bill No. 436 be amended as follows and as so amended do pass.

Signed:   
Senator Mike Halpigan, Chair

That such amendments read:

1. Title, lines 8 through 10.

Following: "ACCOUNT;" on line 8

Strike: the remainder of line 8 through "TAX;" on line 10

2. Title, line 12.

Following: "15-7-307,"

Insert: "15-7-308,"

3. Page 2, line 22.

Strike: "gift or a"

Insert: "nonarm's-length"

4. Page 2, lines 22 and 23.

Strike: "with" on line 22 through the first "consideration" on line 23

5. Page 2, line 23.

Following: "or"

Insert: "a transfer"

6. Page 3, lines 2 and 3.

Strike: "gift or" on line 2

Insert: "nonarm's-length transfer or"

Strike: "with" on line 2 through "or" on line 3

7. Page 3, lines 3 through 8.

Strike: "estimated" on line 3 through "conditions" on line 8

Insert: "market value as described in 15-8-111(2)(a)"

8. Page 3, line 18.

Strike: "8"

Insert: "9"

9. Page 4, lines 4 and 5.

Strike: "and" on line 4 through "assessor" on line 5

10. Page 4, line 11.

Strike: "8"

Insert: "9"

11. Page 5, line 20.

Following: line 19

Insert: "Section 7. Section 15-7-308, MCA, is amended to read:

"15-7-308. Disclosure of information restricted. The certificate required by this part and the information ~~therein~~ shall contained in the certificate and the tax due under this part are not be a public record records and ~~shall~~ must be held confidential by the county clerk and recorder, county assessor, county treasurer, and department of revenue. This is because the legislature finds that the demands of individual privacy outweigh the merits of public disclosure. The foregoing provisions shall not apply to compilations from such certificates or to summaries, analyses, and evaluations based upon such compilations.""

Renumber: subsequent sections

12. Page 5, lines 21 and 22.

Strike: "Except" on line 21 through "a" on line 22

Insert: "A"

13. Page 6, line 1.

Strike: "convicted of"

14. Page 6, line 3.

Strike: "be fined an amount not to exceed"

Insert: "pay a civil penalty of"

15. Page 6, lines 3 through 5.

Strike: "or" on line 3 through "both," on line 5

Following: "offense." on line 5

Insert: "The department of revenue shall enforce the civil penalty under this subsection."

16. Page 6, line 9.

Following: "property."

Insert: "The tax is on the person seeking to record the transfer of title to the property. The person has the burden of claiming and demonstrating the right to any exemption to the tax provided in 15-7-307 prior to recording the transfer."

17. Page 6, line 10.

Following: "tax"

Insert: "-- appeals -- interest and penalty -- statute of limitations -- lien on transferred property"

Following: "."

Insert: "(1)"

18. Page 6, line 12.

Strike: "8"

Insert: "9"

19. Page 6, line 16.

Following: line 15

Insert: "(2) If the taxpayer contests the tax assessment or the denial of an exemption from the tax by the treasurer, the taxpayer may appeal the tax assessment or the denial of the exemption to the department of revenue. The appeal is governed by the provisions of 15-1-211.

(3) If the treasurer determines that the amount of tax due is greater than the amount collected, the treasurer shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed. A penalty of 10% of the unpaid tax must be assessed. In addition, any deficiency assessment bears interest until paid at the rate of 1% a month or fraction of a month, computed from the date the transfer was recorded.

(4) The taxpayer may seek a review of the determination by the department pursuant to 15-1-211.

(5) The deficiency may not be assessed unless notice of the additional tax proposed to be assessed is mailed within 5 years from the date the transfer was recorded. If the certificate filed is fraudulent, the 5-year period does not begin until discovery of the fraud.

(6) The treasurer may collect any additional tax, penalty, and interest pursuant to 15-16-113.

(7) The additional tax, penalty, and interest are a lien against the real property that was transferred and may be collected and enforced in the manner as other tax liens on real property are enforced. The use of one method of collection does not preclude the use of an alternative method of collection."

20. Page 6, line 19.

Strike: "9"

Insert: "10"

21. Page 6, line 24 through page 7, line 13.

Strike: section 11 in its entirety

Renumber: subsequent sections

22. Page 11, line 23.

Strike: "9"

Insert: "10"

23. Page 16, line 2.

Strike: "10"

Insert: "11"

24. Page 16, line 11.  
Strike: "(1)"

25. Page 16, lines 12 and 15.  
Strike: "8"  
Insert: "9"  
Strike: "10"  
Insert: "11"


26. Page 16, lines 16 through 19.  
Strike: subsection (2) in its entirety  
-END-

SENATE STANDING COMMITTEE REPORT

Page 1 of 2  
March 27, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration Senate Bill No. 302 (first reading copy -- white), respectfully report that Senate Bill No. 302 be amended as follows and as so amended do pass.

Signed: 

Senator Mike Halligan, Chair

That such amendments read:

1. Title, line 7.

Following: "DISTRICTS"

Insert: ", "

Strike: "AND"

2. Title, line 9.

Following: "SCHOOLS"

Insert: ", TO STUDY THE EFFECTS OF REMOVING EXTRACURRICULAR  
ACTIVITIES OF SCHOOL DISTRICTS FROM THE FOUNDATION PROGRAM,  
AND TO STUDY ISSUES RELATED TO ADMINISTRATIVE COSTS OF  
SCHOOL DISTRICTS"

3. Title, page 1, line 12 through Title, page 2, line 3.

Strike: "PROVIDING" on page 1, line 12 through the second "MCA;"  
on page 2, line 3

4. Page 2, lines 7 through 17.

Strike: The statement of intent in its entirety

5. Page 2, line 23.

Following: "shall"

Insert: ":

(a)"

6. Page 2, line 25.

Strike: "and shall"

Insert: ";

(b)"

7. Page 3, line 3.

Strike: "18"

Insert: "6"

Following: "implemented"

Insert: ";

(c) study the effects of removing from the foundation  
program extracurricular athletic programs and other

extracurricular activities of school districts; and

(d) study issues related to administrative costs of school districts"

8. Page 3, line 19.

Strike: "24"

Insert: "8"

9. Page 4, line 19.

Strike: "and"

10. Page 4, line 20.

Following: line 19

Insert: "(3) review the effects, including legal implications and the ability of school districts to continue extracurricular activities, of removing extracurricular activities from the foundation program;

(4) review the general activities related to school district administration, business services, and other support services and determine how these functions can be provided in a more cost-effective manner; and"

Renumber: subsequent subsection

11. Page 5, line 10 through page 31, line 10.

Strike: sections 6 through 17 in their entirety

Renumber: subsequent sections

12. Page 32, lines 4 through 18.

Strike: sections 19 through 22 in their entirety

Renumber: subsequent sections

-END-



ROLL CALL VOTE #1

SENATE COMMITTEE

## TAXATION

BILL NO.

4/36

DATE \_\_\_\_\_

3-26-93 #2

TIME

5. 04

A.M

P.M

NAME \_\_\_\_\_

YES

NO

[illegible]

SECRETARY

CHAIR

MOTION:

6-2-1955

Aug 7. 3

ROLL CALL VOTE #2

SENATE COMMITTEE

TAXATION

BILL NO.

SB 436

DATE \_\_\_\_\_

3-26-92 #2

# TIME

5:00

A.M.

P.M.

NAME \_\_\_\_\_

YES

NO

[illegible]

Grand Stock

SECRETARY

Miki 'Halleagan

CHAIR

MOTION:

Reverend Mother

2008 7-11

Amendments to Senate Bill No. 436  
First Reading Copy

Requested by Senator Jergeson  
For the Committee on Taxation

Prepared by Dave Bohyer  
March 26, 1993

SENATE TAXATION

EXHIBIT NO. 1

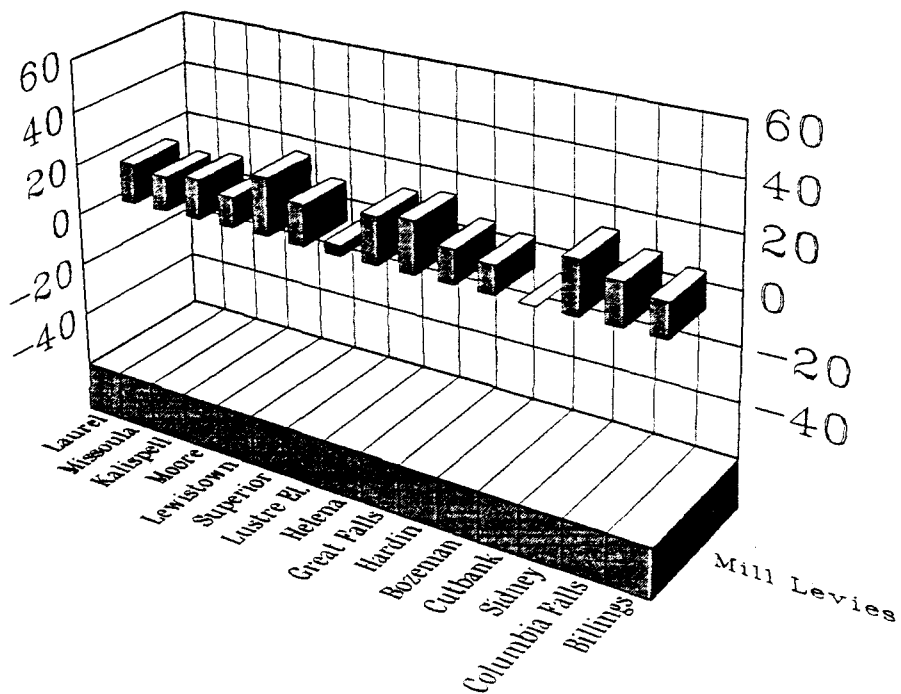
DATE 3-26-93 #2

BILL NO. SB 436

1. Title, lines 8 through 10.  
Following: "ACCOUNT;" on line 8  
Strike: the remainder of line 8 through "TAX;" on line 10
2. Page 6, line 24 through page 7, line 13.  
Strike: section 11 in its entirety  
Renumber: subsequent sections
3. Page 16, line 11.  
Strike: "(1)"
4. Page 16, lines 16 through 19.  
Strike: subsection (2) in its entirety

# *Tax Reform:*

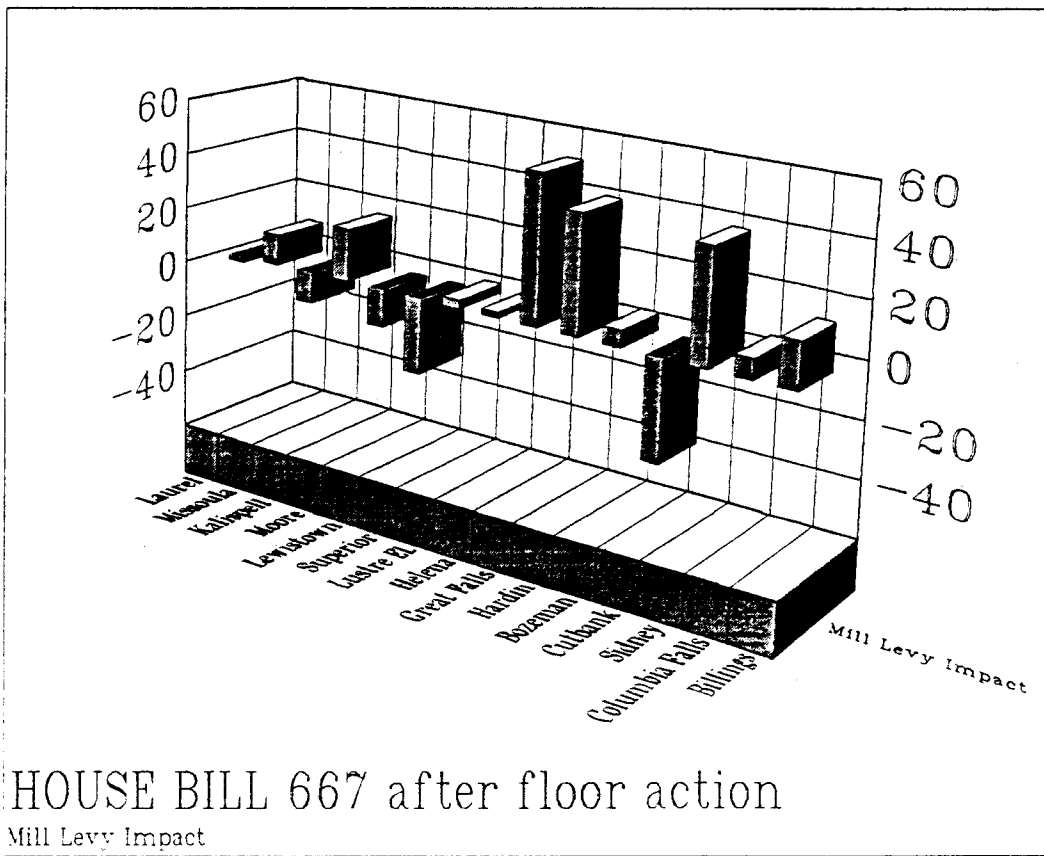
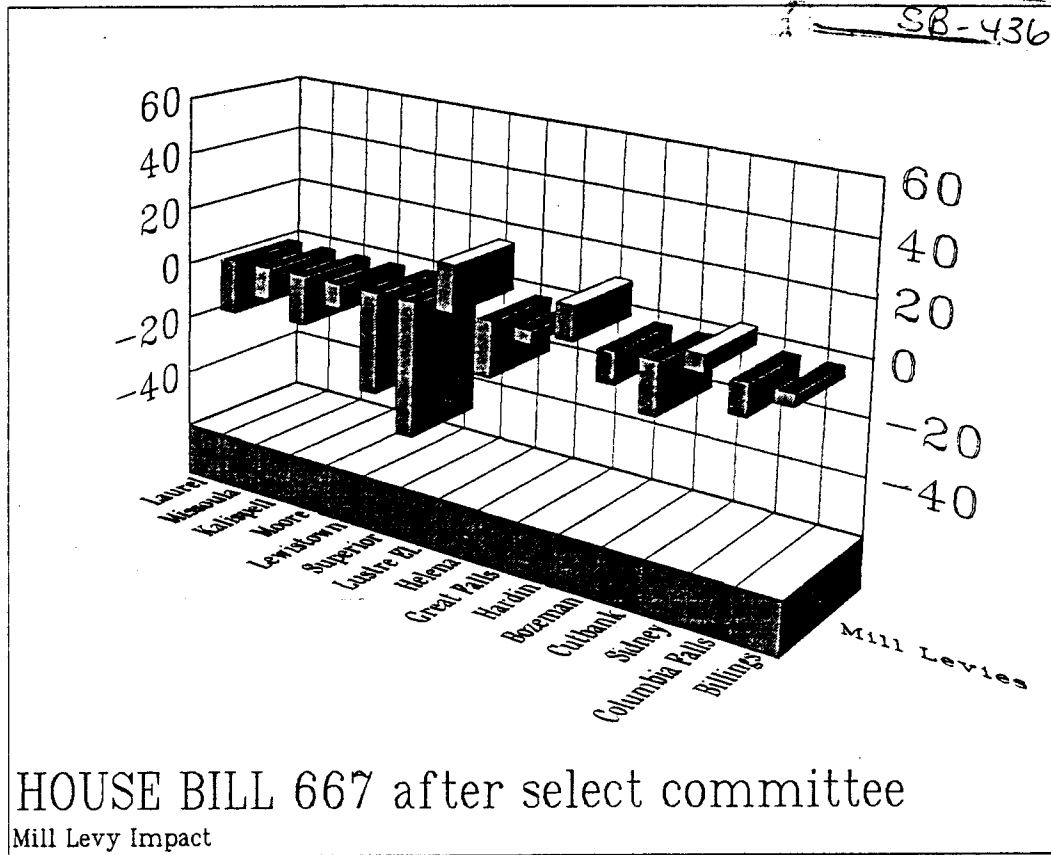
- Simplicity
- Progressivity
- Relieves Burden on an existing revenue source
- Broadens the Tax Base

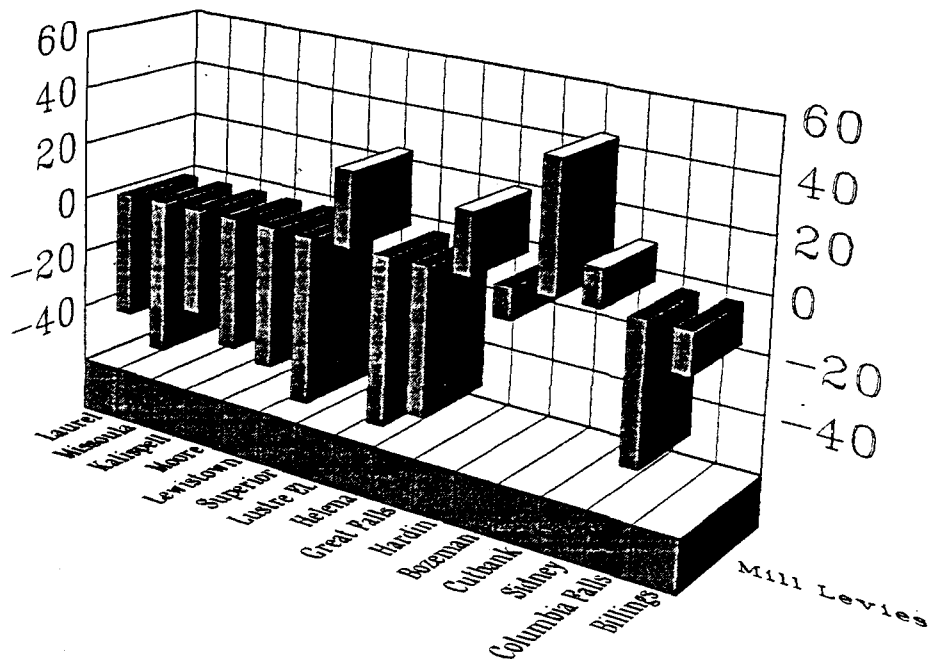


HOUSE BILL 471 as introduced

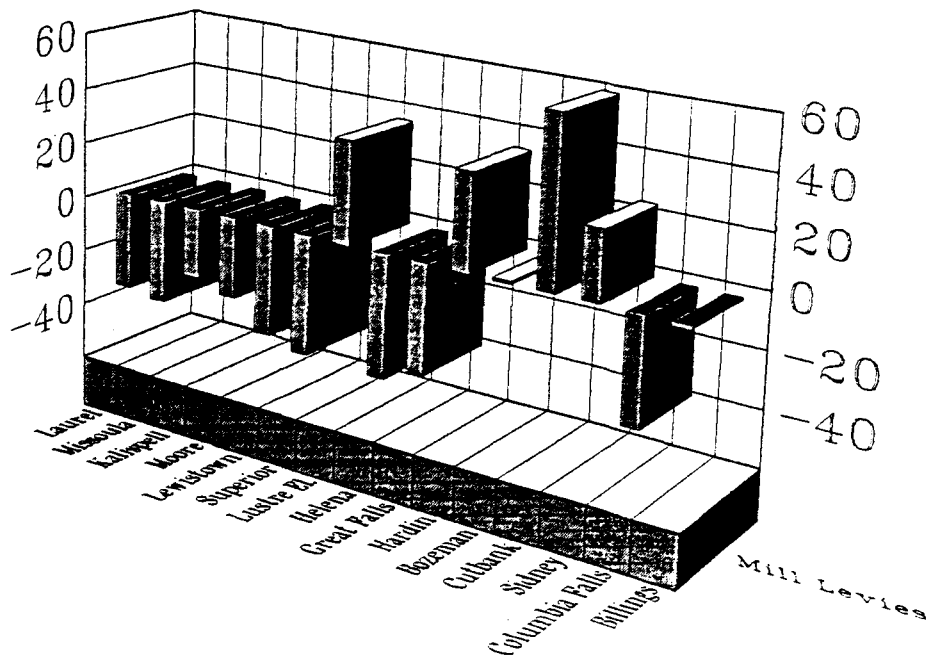
Mill Levy Impact from OLA spreadsheet 3/25/93

EXHIBIT 2  
 DATE 3-26-93  
 SB-436





SENATE BILL 432 as introduced  
Mill Levy Impact



SENATE BILL 432 less \$24M in FY95

# Realty Transfer Tax Revenue

1991 Estimated Sales		Revenue at 1%	
3,065,000,000		30,650,000	
		Assume Tax Exemption on First	
		\$50,000 Value of All Transfers	
New	Parcels		
Homes	3,500	105,000,000	
Commercial	213	95,868,000	
Other	327	147,150,000	
Total		348,018,000	3,480,180
Existing			
Homes	17,400	494,160,000	
Commercial	160	72,000,000	
Real Estate		950,000,000	
Total		1,516,160,000	15,161,600
GR TOTAL		1,864,178,000	18,641,780

EXHIBIT 2  
 DATE 3-26-93 #2  
 SB-436



\*\*\*\*\* REAL ESTATE TRANSACTION IN HILL COUNTY \*\*\*\*\*  
CLOSED IN JUNE 1992

PURCHASE PRICE: \$54,500.00

\*\*\*\*\* CLOSING COST & FEES \*\*\*\*\*

6% SALES COMMISSION:	\$3,815.00	*
TITLE INSURANCE:	\$586.65	*
1% ORIGINATION FEE:	\$520.00	
SURVEY:	\$0.00	
APPRAISAL FEE:	\$300.00	*
CLOSING FEE:	\$0.00	
RECORDING FEE:	\$80.00	
DOWNPAYMENT:	\$2,500.00	
CREDIT REPORT:	\$55.00	
LOAN DISCOUNT FEE:	\$823.50	
RESERVATION FEE:	\$549.50	
RESERVE ACCOUNT:	\$207.30	
1ST YEAR HAZARD INSURANCE:	\$273.00	
LENDERS INSPECTION FEE:	\$45.00	*
TAX SERVICE FEE:	\$50.00	*
ATTORNEY FEE:	\$35.00	*
MORTGAGE INSURANCE PREMIUM:	\$2,010.05	
-----		
COST AT CLOSING:	\$7,801.65	

\*\*\*LOAN AMOUNT AND MONTHLY PAYMENT\*\*\*

MORTGAGE INTEREST RATE:	7.38%
LOAN AMOUNT:	\$54,900.00
TERM OF:	30 YEARS
HOMEBUYERS TOTAL MONTHLY PAYMENT:	\$463.19 (PRINCIPAL, INTEREST, TAXES & INSURANCE)

\* PAID BY SELLER

\*\*\*\*\* REAL ESTATE TRANSACTION IN SILVER BOW COUNTY \*\*\*\*\*  
CLOSED IN JULY 1992

PURCHASE PRICE: \$63,000.00

\*\*\*\*\* CLOSING COST & FEES \*\*\*\*\*

6% SALES COMMISSION:	\$3,780.00 *
TITLE INSURANCE:	\$587.75 *
1% ORIGINATION FEE:	\$607.00
SURVEY:	\$0.00
APPRAISAL FEE:	\$300.00 *
CLOSING FEE:	\$0.00
RECORDING FEE:	\$73.00
DOWNPAYMENT:	\$2,300.00
CREDIT REPORT:	\$40.00
LOAN DISCOUNT FEE:	\$945.00
RESERVATION FEE:	\$630.00
RESERVE ACCOUNT:	\$1,112.78
1ST YEAR HAZARD INSURANCE:	\$217.00
MORTGAGE INSURANCE PREMIUM:	\$2,306.60

-----  
COST AT CLOSING: \$7,647.75

\*\*\*LOAN AMOUNT AND MONTHLY PAYMENT\*\*\*

MORTGAGE INTEREST RATE:	7.38%
LOAN AMOUNT:	\$63,000.00
TERM OF:	30 YEARS
HOMEBUYERS TOTAL MONTHLY PAYMENT:	\$581.00 (PRINCIPAL, INTEREST, TAXES & INSURANCE)

\* PAID BY SELLER

EXHIBIT 2

DATE 3-26-93 #2

SB-434

\*\*\*\*\* ESTIMATED COST OF REAL ESTATE TRANSACTION \*\*\*\*\*

PURCHASE PRICE: \$125,000.00

\*\*\*\*\* ESTIMATED CLOSING COST & FEES \*\*\*\*\*

TAXES AND INSURANCE: \$2,600.00  
6% SALES COMMISSION: \$7,500.00 \*  
TITLE INSURANCE: \$930.00 \*  
1% ORIGATION FEE: \$1,000.00  
SURVEY: \$135.00  
APPRAISAL FEE: \$450.00  
CLOSING FEE: \$105.00  
RECORDING FEE: \$60.00  
TYPICAL 20% DOWNPAYMENT: \$25,000.00

-----  
COST AT CLOSING: \$37,780.00

\*\*\*ESTIMATED LOAN AMOUNT AND MONTHLY PAYMENT\*\*\*

MORTGAGE INTEREST RATE: 8.50%

LOAN AMOUNT: \$100,000.00

TERM OF: 30 YEARS

HOMEBUYERS TOTAL MONTHLY PAYMENT: \$985.58 (PRINCIPAL, INTEREST,  
TAXES & INSURANCE)

\* TYPICALLY PAID BY SELLER

\*\*\*\*\* ESTIMATED COST OF REAL ESTATE TRANSACTION \*\*\*\*\*

PURCHASE PRICE: \$175,000.00

\*\*\*\*\* ESTIMATED CLOSING COST & FEES \*\*\*\*\*

TAXES AND INSURANCE:	\$3,700.00
6% SALES COMMISSION:	\$10,500.00 *
TITLE INSURANCE:	\$1,100.00 *
1% ORIGATION FEE:	\$1,400.00
SURVEY:	\$135.00
APPRAISAL FEE:	\$450.00
CLOSING FEE:	\$130.00
RECORDING FEE:	\$60.00
TYPICAL 20% DOWNPAYMENT:	\$35,000.00

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COST AT CLOSING: \$52,475.00

\*\*\*ESTIMATED LOAN AMOUNT AND MONTHLY PAYMENT\*\*\*

MORTGAGE INTEREST RATE:	8.50%
LOAN AMOUNT:	\$140,000.00
TERM OF:	30 YEARS
HOMEBUYERS TOTAL MONTHLY PAYMENT:	\$1,384.81 (PRINCIPAL, INTEREST, TAXES & INSURANCE)

\* TYPICALLY PAID BY SELLER

Table 47  
States with Transfer and Real Estate Taxes, November 1990

State	Basis of Tax				State	Basis of Tax			
	Total Sales Price	Exclusive of Mortgage or Other Liens	Deed Transfer Tax	Mortgage Tax		Total Sales Price	Exclusive of Mortgage or Other Liens	Deed Transfer Tax	Mortgage Tax
Alabama*	Yes		0.10%	0.15%	Minnesota		Yes	0.33	0.23
Arizona		flat fee	\$2.00		Nebraska	Yes		0.15	
Arkansas	Yes <sup>2</sup>		0.22		Nevada		Yes <sup>2</sup>	0.11	
California* <sup>3</sup>		Yes <sup>2</sup>			New Hampshire*	Yes		0.525	
Colorado	Yes <sup>4</sup>		0.01		New Jersey*	Yes <sup>2</sup>		0.35	
Connecticut*	Yes		0.61		New York**		Yes	0.40	1.00
Delaware**	Yes <sup>2</sup>		2.00		North Carolina*		Yes	0.10	
District of Columbia*	Yes		2.20		Ohio* <sup>3</sup>			0.30	
Florida**	Yes		0.55	0.32	Oklahoma*		Yes	0.15	0.10
Georgia**		Yes <sup>2</sup>	0.10		Pennsylvania**	Yes		1.00	
Hawaii	Yes <sup>2</sup>		0.05		Rhode Island	Yes <sup>2</sup>		0.28	
Illinois**	Yes <sup>2</sup>		0.10		South Carolina**		Yes <sup>2</sup>	0.22	
Iowa	Yes <sup>4</sup>		0.11		South Dakota	Yes		0.10	
Kansas			0.26		Tennessee*		Yes	0.33	0.115
Kentucky	Yes		0.10		Vermont*	Yes		1.25	
Maine	Yes		0.22		Virginia**	Yes	Yes	0.10	0.15
Maryland**	Yes		0.11		Washington**	Yes		1.28	
Massachusetts*		Yes <sup>2</sup>	0.40		West Virginia**	Yes		0.22	
Michigan*	Yes <sup>2</sup>		0.11		Wisconsin	Yes <sup>2</sup>		0.30	

\*Local taxes are additional.

<sup>1</sup> Taxes are listed as a percentage of the tax base even though statutory rates are sometimes listed as cents/\$100 or cents/mills.

<sup>2</sup> Transfers under \$100 are exempt.

<sup>3</sup> Local taxes only.

<sup>4</sup> Transfers under \$500 are exempt.

#### \*State Notes

**General Information:** Deed transfer taxes are generally paid by the seller; however, if the seller fails to pay, the buyer is liable for the tax. Mortgage taxes are paid by the buyer on the amount borrowed. Most states grant a variety of exemptions to these taxes.

**Alabama** Alabama does not have a stock transfer fee; however, there is a recordation tax and a privilege or license tax on the registration of securities. The rate of the tax is \$.25 per \$100 of par value or principal amount for the recording of the securities. This rate also applies to the filing and recording of lists of securities.

**California** Counties have the authorization to impose a .11% documentary transfer tax. Charter cities, such as Berkeley, Oakland, Piedmont, Santa Clara, San Jose, Campbell, and others, impose an additional tax at one-half the county rate per \$500. The Los Angeles County documentary tax is \$1.10 per \$1,000 of the value. The Los Angeles City tax is \$.55 per \$1,000.

**Connecticut** The rate shown is a combination of 0.5% of the consideration paid plus an additional tax at the rate of 0.11% of the consideration paid. Farm and Forest Land Conveyance Tax is an additional tax levied on the sale of land classified for property tax purposes as open space land that is sold within ten years of classification. Also, if land classified as farm or forest land is sold within ten years from

acquisition or classification, whichever is earlier, it, too, is subject to the conveyance tax. The tax rates are applied to the sales price or, if the classification of the land is changed but there is no sale, to the fair market value on a scale from 10% within the first year to 1% within the tenth year. The tax on nonresidential property is 1%. For residential properties over \$800,000, the tax is 0.5% on the first \$800,000 and 1% on the remainder.

**Delaware** There is a realty transfer tax imposed by the City of Wilmington at the rate of 1%. Counties are authorized to impose and collect a tax.

**District of Columbia** The recordation tax on deeds is 1.1% and is paid by the transferee. The transfer tax is 1.1%, and is paid by the transferor.

**Florida** Until October 1, 2011, counties are authorized to levy a surtax on documents at a rate not to exceed \$.45/\$100. The county tax is levied on the same items as the state tax, except any document which involves a single family residence.

**Georgia** \$1 for the first \$1,000 and \$.10 for each additional \$100.

**Illinois** Counties are authorized to impose a real estate transfer tax at the rate of .05% of the full consideration. Chicago imposes a real estate transfer tax at the rate of 0.5% of the value. There are 29 home rule cities that levy a real estate transfer tax.

*Table 47 (cont.)*  
States with Transfer and Real Estate Taxes, November 1990

State Notes (cont.)

<b>Maryland</b>	A realty transfer tax is imposed by the state at 0.5% of actual consideration paid. The first \$30,000 of the sales price of a home is excluded from the tax base. Counties may impose an additional transfer tax not to exceed 0.5%. Counties and municipalities may impose an additional recordation tax. The rate of tax varies between the counties; the range is from \$1.10 to \$3.50 per \$500. There also is an agricultural land transfer tax of 5% of actual consideration paid (less full cash value of any improvements) when the land being transferred is a parcel of 20 acres or more; 4% when the land is a parcel of less than 20 acres and is assessed on the basis of its agricultural use or on the basis of unimproved land; and 3% when land being transferred is a parcel of less than 20 acres and is assessed as improved land or land with site improvements. The rate is reduced further by 25% for each consecutive full tax year in which real property taxes were paid on the basis of a nonagricultural use assessment. Counties also impose additional deed transfer taxes.	other real property is 1.75%. The mortgage recording tax is a state tax that is administered by localities. New York City imposes a realty transfer tax on each deed when the consideration exceeds \$25,000. The tax is imposed at the following rates: 1% for a one-, two-, or three-family house, individual cooperative apartment, individual residential condominium unit, or individual dwelling unit in a four-unit dwelling, or where the consideration for the transfer is less than \$500,000, and 1.425% if the consideration is more than \$500,000. With respect to all other transfers, the rate is 1.425% if the consideration is under \$500,000 and 2.625% where the consideration is more than \$500,000. The real property gains tax is imposed at a rate of 10% on the gain from the transfer of real property if the consideration is \$1 million or more.
<b>Massachusetts</b>	If the sale price is greater than \$100 and less than \$500, the fee is \$2, and for each additional \$500 or fractional part, \$2. In addition, a 14% surtax per \$500 is imposed.	<b>North Carolina</b> Authorizes an excise stamp tax on transfers of real estate at the rate of \$.50 per \$500, or fraction thereof. The levy is administered by county governments in accordance with procedures established by the state.
<b>Michigan</b>	The \$.55 per \$500 rate increases to \$.75 per \$500 for counties with a population of 2 million or more.	<b>Ohio</b> Counties may levy a realty transfer tax on each deed, with a rate not to exceed \$.30 per \$100 of value. There is an additional tax of \$1 or \$.10 per \$100, whichever is greater, imposed by counties; there are 22 exemptions to this second tax.
<b>New Hampshire</b>	The buyer and the seller each pay \$.525 per \$100 of the full consideration, the total tax being \$1.05 per \$100 (minimum tax \$19 from buyer and seller). Rates are in effect from 4/1/90 through 6/30/91.	<b>Oklahoma</b> The real estate mortgage tax rates, for each \$100 and remaining fraction thereof, increase with the time of the mortgage as follows: \$.10—5 years or more, \$.08—4 to 5 years, \$.06—3 to 4 years, \$.04—2 to 3 years, and \$.02—2 years or less. If mortgage is less than \$100, a tax of \$.10 is levied. County treasurers impose a \$5 fee on each mortgage presented for certification.
<b>New Jersey</b>	The rate is .35% on the first \$150,000; the rate on the excess over \$150,000 of the consideration is an additional \$.75/\$500. There is a reduction in the tax rate to \$.50/\$500 when the transfer involves the sale of low- or moderate-income housing. The sale of any one- or two-family residence owned and occupied by a senior citizen, blind or disabled person who is the seller also qualifies for the reduction.	<b>Pennsylvania</b> Municipalities may impose an additional 1% tax on a deed transfer. The responsibility of paying the taxes is customarily shared equally by the buyer and the seller. Philadelphia imposes a realty transfer tax at the rate of 3.92% (rate in effect until 6/30/91).
<b>New York</b>	New York City imposes a mortgage recording tax of 1%, in addition to the state tax, with respect to real property securing a principal debt or obligation of less than \$500,000. The tax on mortgages secured on one-, two-, or three-family houses, individual cooperative apartments, and individual residential condominium units, securing a principal debt or obligation of \$500,000 or more is \$1.125/\$100. The tax on mortgages secured on all	<b>South Carolina</b> Counties may impose an additional \$1.10 per \$1,000 deed transfer tax.
<b>Vermont</b>	The capital gains tax on land is based on the gain and the years held; the rates are as follows:	<b>Tennessee</b> Mortgage Tax—county registrar receives \$.50 recording fee at time of payment. Also entitled to a commission of 5% of tax collected. Not liable for the first \$2,000 of indebtedness. The rate is scheduled to be reduced to 0.1% on 7/1/91. Real Estate Transfer Tax—county registrar receives \$.50 recording fee at time of payment. Also entitled to a commission of 5% of tax collected. Maximum tax \$100,000.

**Gain as a Percentage of Basis**  
(rounded to the next highest percent)

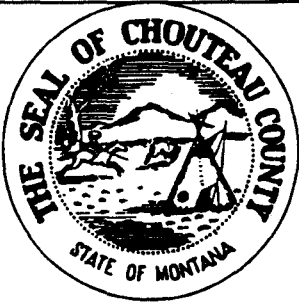
Land Held by Transferor	0-99	100-199	200 & over
less than four months	60	70.0	80
four to eight months	35	52.5	70
one year	30	45.0	60
two years	25	37.5	50
three years	20	30.0	40
four years	15	22.5	30
five years	10	15.0	20
six years	5	7.5	10

*Table 47 (cont.)*  
**States with Transfer and Real Estate Taxes, November 1990**

**State Notes (cont.)**

<b>Virginia</b>	The deed transfer tax is actually a two-part recordation tax: the grantor's tax of \$.50 per \$500 of the consideration less any amount of any lien or debt remaining, and the recordation tax of \$.15 per \$100, or fraction thereof, of consideration or actual value, which is imposed on the recordation of a deed, deed of trust, lease, or other contract. The recordation tax per \$100 value decreases as follows: 1st \$10 million, \$.15; 2nd \$10 million, \$.12; 3rd \$10 million, \$.09; 4th \$10 million, \$.06; and 5th \$10 million, \$.03. In addition to the state realty transfer tax, 27 cities and 65 counties impose a tax equal to 1/3 of the state tax.	ing price, to be paid by the seller; a local county and city tax not to exceed .25% of the selling price excluding the value of any liens and encumbrances, also paid by the seller. In lieu of imposing an additional 0.5% local sales and use tax, a city or county may impose an additional tax on the sale of property not to exceed 0.5% of the selling price. Counties may impose an additional excise tax on each sale of real property in the county at a rate not to exceed 1% of the selling price. Proceeds from the tax are to be used exclusively for the acquisition and maintenance of conservation areas.
<b>Washington</b>	There is an excise tax of 1.28% of the total sell-	<b>West Virginia</b> There is an additional county excise tax on transfers of property at a rate of 0.11%.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter* (Chicago, November 1990).



JoAnn L. Johnson  
Chouteau County  
Clerk and Recorder

DEPUTY CLERKS

Sydney Lopp  
Cheryl Scott  
Ann Kuehn

March 26, 1993

P.O. Box 459  
Fort Benton, MT 59442  
(406) 622-5151

Mr. Chairman and Members of the Committee:

For the record my name is JoAnn Johnson, Chouteau County Clerk and Recorder.

I strongly oppose Senate Bill 436 and Senate Bill 437. I feel this is one more tax imposed on the middle class people and the first time home buyer (usually a young couple trying to get started) who can not afford anymore taxes!

Please "VOTE NO" on these two bills!

Thank you for your consideration.

Sincerely,

SENATE TAXATION

EXHIBIT NO. 4

DATE 3-26-93 #2

BILL NO. SB 436 / 437

*JoAnn Johnson*



## SENATE TAXATION

EXHIBIT NO. 5DATE 3-26-93 #2BILL NO. SB 436

Mr. Chairman and members of the Senate Taxation Committee:

My name is Dave Cogley. I am a Helena building contractor and am speaking for the Montana Building Industry Association in the absence of Nancy Griffin who is at our state convention in Billings this weekend. Our association is adamantly opposed to SB 426. We believe it is unfair to single out one class of taxpayer (the homebuyer) and impose such a heavy tax burden. The association has projected that a 1% realty transfer tax on residential property could amount to nearly \$30 million. Such a tax on housing is particularly onerous when its availability at a price the average Montana family can afford is already threatened, due to skyrocketing materials costs, increasing workers comp rates in the construction industry, the threat of a 4% sales tax, and many other factors. It is widely recognized that housing availability is a problem in many Montana communities, and that an increasing number of families can not get affordable housing. This bill will make it significantly more difficult, and will result in even more families without adequate housing or shelter. We urge you to not support SB 425.

*Dave Cogley*

SENATE TAXATION

EXHIBIT NO. 6

DATE 3-26-93 #2

BILL NO. SB 436

Amendments to Senate Bill No. 436  
First Reading Copy

Prepared by Department of Revenue  
on March 26, 1993

**Reasons for the amendments.** The amendments are made to clarify and simplify the tax and the administration of the tax.

Amendment 1 amends the title to reflect amendment 10.

Amendments 2 through 8 specify that the tax will be assessed on the actual consideration for the property unless the transfer is without stated consideration or a nonarm's-length transfer. In those two cases the tax will be determined based on the market value of the property.

Amendment 9 eliminates one unnecessary copy of the certificate.

Amendment 10 specifies that the information and tax will be kept confidential by the county treasurer because it is easy to calculate the transfer price from the tax.

Amendments 11 through 15 changes the criminal penalty for stating a false value on the certificate to a civil penalty. A civil penalty is easier to enforce. The civil penalty is in addition to the existing criminal penalty.

Amendment 16 states that the taxpayer is the person recording the transfer.

Amendments 17 and 18 detail how a tax assessment may be appealed and how unpaid taxes may be assessed and collected when the amount stated by the recording party is less than the amount actually paid for property.

Amendments 19 and 20 specify that the credit against the individual income tax is nonfundable and limited to \$500 per year.

**Amendments:**

1. Title, line 12.

Following: "15-7-307,"

Insert: "15-7-308,"

2. Page 2, line 22.

Strike: "gift or a"

Insert: "nonarm's-length"

3. Page 2, line 22.

Following: "transfer"

Strike: "with nominal consideration"

4. Page 2, line 23.

Following: "or"

Insert: " a transfer"

5. Page 3, line 2.

Following: "of a"

Strike: "gift or"

6. Page 3, line 2.

Following: "transfer"

Strike: "with nominal consideration or"

7. Page 3, line 3.

Following: "stated consideration"

Insert: "or an nonarm's-length transfer"

8. Page 3, line 3.

Following: "the"

Strike: "estimated price the real property would bring in an open market and under the current prevailing market conditions in a sale between a willing seller and a willing buyer, both of whom are conversant with the property and prevailing current market conditions"

Insert: "market value as defined in 15-8-111(2)(a) "

9. Page 4, line 4.

Following: "department"

Strike: "and one copy to the county assessor"

10. Page 5.

Following: line 19.

Insert: SECTION. 7 Section 15-7-308, MCA, is amended to read:  
"15-7-308. Disclosure of information restricted. The certificate and the tax required by this part and the information therein shall not be a public record and shall be held confidential by the county clerk and recorder, county assessor, county treasurer, and department of revenue. This is because the legislature finds that the demands of individual privacy outweigh the merits of public disclosure. The foregoing provisions shall not apply to compilations from such certificates or to summaries, analyses, and evaluations based upon such complications."

Renumber: subsequent sections.

11. Page 5, line 21.

Following: "A"

Strike: "Except as otherwise provided in subsection (2), a"

Insert: "A"

12. Page 6, line 1.

Following: "person"

Strike: "convicted of"

13. Page 6, line 3.

Following: "shall"

Strike: "be fined an amount not to exceed"

Insert: "pay a civil penalty of"

14. Page 6, line 3.

Following: "\$1,000"

Strike: "or be imprisoned in the county jail for a term not to exceed 1 year, or both,"

15. Page 6, line 5.

Following: "offense."

Insert: "This civil penalty shall be enforced by the department of revenue."

16. Page 6, line 9.

Following: "property."

Insert: "The tax is on the person seeking to record the transfer of title to the property. That person has the burden of  
- claiming and demonstrating the right to any exemption to the tax provided in 15-7-307 prior to the recording of the transfer."

17. Page 6, line 10.

Following: "tax"

Strike: "."

Insert: "- interest and penalty - appeals - statute of limitations  
- lien on transferred property. (1)"

18. Page 6, line 15.

Following: "due."

Insert: "(2) If the taxpayer contests the tax assessment or the denial of an exemption from the tax by the treasurer, the taxpayer may appeal the tax assessment or the denial of the exemption to the department of revenue. The appeal shall be governed by the provisions of 15-1-211.

(3) If the treasurer determines that the amount of tax due is greater than the amount collected, the treasurer shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed. A penalty of 10% of the unpaid tax also shall be assessed. In addition, any deficiency assessment shall bear interest until paid at the rate of 1% a month or fraction thereof, computed from the date the transfer was recorded.

(4) The taxpayer may seek a review of the determination by the department of revenue pursuant to 15-1-211.

(5) No deficiency may be assessed unless notice of the additional tax proposed to be assessed is mailed within 5 years from the date the transfer was recorded. If the certificate filed is fraudulent, the 5-year period does not begin until discovery of the fraud.

(6) The treasurer may collect any additional tax, penalty and interest pursuant to 15-16-113.

(7) The additional tax, penalty and interest also are a lien against the real property that was transferred and may be collected and enforced in the manner as other tax liens on real property are enforced. Use to one method of collection

does not foreclose use to an alternative method of collection."

19. Page 6, line 25.

Following: "a"

Insert: "nonfundable"

20. Page 7, line 4.

Following: "\$500"

Insert: "per year"

## SENATE TAXATION

EXHIBIT NO. 7

DATE 3-26-93 #2

BILL NO. 435

## TAX IMPACT SENATE BILL 435

RURAL RESIDENTIAL PROPERTY (20-160 ACRES)

## EXAMPLE 1

CURRENT VALUE	ACRES	CLASSIFICATION	GRADE	RATE/AC*	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	10.93	AGRICULTURAL	WH3	\$477.13	\$5,215	3.86%	\$201	354.08	\$71.28
	3.60	AGRICULTURAL	G5	13.82	\$50	3.86%	\$2	354.08	\$0.68
	8.02	AGRICULTURAL	G6	8.57	\$69	3.86%	\$3	354.08	\$0.94
	22.55				\$5,334		\$206		\$72.90

\*REFLECTS VALUES FROM SB 168.

PROPOSED SB 435

CURRENT VALUE	ACRES	CLASSIFICATION	GRADE	RATE/AC**	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	22.55	TRACT	N.A.	\$2,900	\$65,395	.965%	\$631	354.08	\$223.45
						1.93%	\$1,262	354.08	\$446.89
						2.895%	\$1,893	354.08	\$670.34
						3.86%	\$2,524	354.08	\$893.79

\*PHASED IN OVER 4 YEARS

\*\*FAILS TO MEET INCOME REQUIREMENTS

## EXAMPLE 2

CURRENT VALUE	ACRES	CLASSIFICATION	GRADE	RATE/AC	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	16.83	TRACT	N.A.	\$3,095	\$52,089	3.86%	\$2,011	354.08	\$711.92

PROPOSED SB 435

NO CHANGE IN APPRAISED VALUE OR TAX LIABILITY

## EXAMPLE 3

CURRENT VALUE*	ACRES	CLASSIFICATION	GRADE	RATE/AC	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	20.49	TIMBER	D9P	\$132.55	\$2,716	4%	\$109	354.08	\$38.47

PROPOSED SB 435

NO CHANGE IN APPRAISED VALUE OR TAX LIABILITY

Amendments to Senate Bill No. 435  
First Reading CopyRequested by Senator Grosfield  
For the Committee on TaxationPrepared by Jeff Martin  
March 25, 1993

## 1. Page 1, line 19.

Insert: " STATEMENT OF INTENT

A statement of intent is required for this bill because [section 4], which amends 15-7-202, provides that the department of revenue adopt rules regarding the annual certification by owners of agricultural land that the land qualifies as agricultural land for property tax purposes. Because [this act] imposes an annual gross income requirement on parcels of land that total 20 acres or more, it is the intent of the legislature that the department of revenue establish procedures for determining whether parcels of land that total 20 acres or more initially qualify under the annual gross income requirement as provided in [this act]. It is further the intent of the legislature that the process for subsequent annual certification ensures ease of administration and compliance. To that end, the department should use existing forms on which a landowner may report annual gross income.

[Section 5], which amends 15-44-102, also provides that the department of revenue adopt rules regarding the annual certification by owners of forest land that the land qualifies as forest land for property tax purposes. It is the intent of the legislature that the department establish procedures for determining whether the land is actively managed for the production of forest products. It is further the intent of the legislature that the process for subsequent annual certification ensures ease of administration and compliance."

## 2. Page 18, line 6.

Strike: "(1)(b)"Insert: "(1)(c)"

## 3. Page 19, line 4.

Following: line 3

Insert: "(b) The annual gross income requirements in subsection (1)(a) may include land rental payments made under the federal conservation reserve program of a successor to that program."

Renummer: subsequent subsection

## 4. Page 21, line 3.

Strike: "in a manner specified"

Insert: "under rules adopted"

## 5. Page 22, line 15.

Strike: "in a manner specified"

Insert: "under rules adopted"

# RURAL NON AGRICULTURAL PROPERTY (> 160 ACRES)

## EXAMPLE 1

CURRENT VALUE*	ACRES	CLASSIFICATION	GRADE	RATE/AC	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	170	TIMBER	D9P	\$132.55	\$22,534	4%	\$901	354.08	\$319.15

## PROPOSED SB 435

NO CHANGE IN APPRAISED VALUE OR TAX LIABILITY

## EXAMPLE 2

CURRENT VALUE	ACRES	CLASSIFICATION	GRADE	RATE/AC*	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	170	AGRICULTURE	CC6	\$372.29	\$63,289	3.86%	\$2,443	354.08	\$865.01
PROPOSED SB 435	ACRES	CLASSIFICATION	GRADE	RATE/AC*	APPRAISED VALUE	TAX RATE**	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES
	170	TRACT	N.A.	\$372.29	\$63,289	38.6%	\$24,430	354.08	\$8,650.06

\*REFLECTS AVERAGE VALUE FROM SB 168 FOR CONTINUOUSLY CROPPED LAND

\*\*FAILS TO MEET INCOME REQUIREMENTS

SENATE TAXATION

EXHIBIT NO. 9

DATE 3-16-93

BILL NO. 435



# TAX IMPACT ON A 5,000 ACRE RANCH/FARM OPERATION

## EXAMPLE 1

ACRES	5,000	CLASSIFICATION	GRADE	RATE	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES	TAXES PER ACRE
LIVESTOCK	150 HEAD	AGRICULTURE	G3 - GRAZING	\$32.96	\$164,800	3.86%	\$6,361	289.953	\$1,844.47	
MACHINERY	N.A.	PERSONAL	N.A.	\$433.00	\$64,950	4%	\$2,598	289.953	\$753.30	
		PERSONAL	N.A.	N.A.	\$100,000	9%	\$9,000	289.953	\$2,609.58	
									\$5,207.35	\$1.04

## PROPOSED SB 435

ACRES	5,000	CLASSIFICATION	GRADE	RATE	APPRAISED VALUE	TAX RATE*	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES	TAXES PER ACRE
LIVESTOCK	0	AGRICULTURE	G3 - GRAZING	\$32.96	\$164,800	38.6%	\$63,613	289.953	\$18,444.72	
MACHINERY	0			0	0	0	0	0	0	
				0	0	0	0	0	0	

\*FAILS TO MEET INCOME REQUIREMENTS OF SB 435 .

\$18,444.72

\$3.69

SENATE TAXATION

EXHIBIT NO. 16

DATE

3-26-93 #2

BILL NO.

SB 435

# EXAMPLE 2

		CLASSIFICATION	GRADE	RATE	APPRAISED VALUE	TAX RATE	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES	TAXES PER ACRE
ACRES	5.000	AGRICULTURE	F2A-FALLOW	\$155.75	\$778,750	3.86%	\$30,060	289.953	\$8,715.91	
LIVESTOCK	0	PERSONAL	N.A.	\$0.00	\$0	4%	\$0	289.953	\$0.00	
MACHINERY	N.A.	PERSONAL	N.A.	N.A.	\$250,000	9%	\$22,500	289.953	\$6,523.94	
										\$3.05
									\$15,239.86	

# PROPOSED SB 435

		CLASSIFICATION	GRADE	RATE	APPRAISED VALUE	TAX RATE*	TAXABLE VALUE	AVG. MILL LEVY	EST. TAXES	TAXES PER ACRE
ACRES	5.000	AGRICULTURE	F2A-FALLOW	\$155.75	\$778,750	38.6%	\$300,598	289.953	\$87,159.15	
LIVESTOCK	0			0	0		0		0	
MACHINERY	0			0	0		0		0	

\*FAILS TO MEET INCOME REQUIREMENTS OF SB 435

\$87,159.15 \$17.43

# SENATE TAXATION

EXHIBIT NO. 11  
DATE 3-26-93 #2  
BILL NO. SB 435

Amendments to Senate Bill No. 302  
First Reading Copy

Requested by Senator Towe  
For the Committee on Taxation

Prepared by Jeff Martin  
March 23, 1993

SENATE TAXATION

EXHIBIT NO. 12

DATE 3-26-93-#2

BILL NO. SB 302

1. Title, line 7.

Following: "DISTRICTS"

Insert: ", "

Strike: "AND"

2. Title, line 9.

Following: "SCHOOLS"

Insert: ", TO STUDY THE EFFECTS OF REMOVING EXTRACURRICULAR  
ACTIVITIES OF SCHOOL DISTRICTS FROM THE FOUNDATION PROGRAM,  
AND TO STUDY ISSUES RELATED TO ADMINISTRATIVE COSTS OF  
SCHOOL DISTRICTS"

3. Title, page 1, line 12 through Title, page 2, line 3.

Strike: "PROVIDING" on page 1, line 12 through the second "MCA;"  
on page 2, line 3

4. Page 2, lines 7 through 17.

Strike: The statement of intent in its entirety

5. Page 2, line 23.

Following: "shall"

Insert: ":

(a)"

6. Page 2, line 25.

Strike: "and shall"

Insert: ";

(b)"

7. Page 3, line 3.

Strike: "18"

Insert: "6"

Following: "implemented"

Insert: ";

(c) study the effects of removing from the foundation  
program extracurricular athletic programs and other  
extracurricular activities of school districts; and

(d) study issues related to administrative costs of school  
districts"

8. Page 3, line 19.

Strike: "24"

Insert: "8"

9. Page 4, line 19.

Strike: "and"

10. Page 4, line 20.

Following: line 19

Insert: "(3) review the effects, including legal implications and the ability of school districts to continue extracurricular activities, of removing extracurricular activities from the foundation program;

(4) review the general activities related to school district administration, business services, and other support services and determine how these functions can be provided in a more cost-effective manner; and"

Renumber: subsequent subsection

11. Page 5, line 10 through page 31, line 10.

Strike: sections 6 through 17 in their entirety

Renumber: subsequent sections

12. Page 32, lines 4 through 18.

Strike: sections 19 through 22 in their entirety

Renumber: subsequent sections

Amendments to Senate Joint Resolution No. 13  
First Reading Copy

Requested by Senator Towe  
For the Committee on Taxation

Prepared by Jeff Martin and Valencia Lane  
March 24, 1993

1. Page 4, line 4.

Following: "Montana"

Insert: "and that the state negotiating team follow the clear  
mandate of the IGRA.

(4) That the IGRA intended to limit the state's role to  
prohibiting types of gambling on the reservations that are not  
generally permitted in Montana and did not intend to regulate  
other types of gambling on the reservations that are generally  
permitted in Montana, and any representation to the contrary does  
not accurately reflect the intent of the Montana legislature"

SENATE TAXATION

EXHIBIT NO.

13

DATE

3-26-93 #2

BILL NO.

SR 13

Amendments to Senate Bill No. 435  
First Reading Copy

Requested by Senator Grosfield  
For the Committee on Taxation

Prepared by Jeff Martin  
March 25, 1993

1. Title, line 11.  
Strike: "1997"  
Insert: "2003"

2. Title, line 13.  
Strike: "10"  
Insert: "FIVE"

3. Page 1, line 19.  
Insert: "

STATEMENT OF INTENT

A statement of intent is required for this bill because [section 4], which amends 15-7-202, provides that the department of revenue adopt rules regarding the annual certification by owners of agricultural land that the land qualifies as agricultural land for property tax purposes. Because [this act] imposes an annual gross income requirement on parcels of land that total 20 acres or more, it is the intent of the legislature that the department of revenue establish procedures for determining whether parcels of land that total 20 acres or more initially qualify under the annual gross income requirement as provided in [this act]. It is further the intent of the legislature that the process for subsequent annual certification ensure ease of administration and compliance. To that end, the department should use existing forms on which a landowner may report annual gross income.

[Section 5], which amends 15-44-102, also provides that the department of revenue adopt rules regarding the annual certification by owners of forest land that the land qualifies as forest land for property tax purposes. It is the intent of the legislature that the department establish procedures for determining whether the land is actively managed for the production of forest products. It is further the intent of the legislature that the process for subsequent annual certification ensure ease of administration and compliance."

4. Page 14, line 16.  
Strike: "10"  
Insert: "five"

5. Page 17, lines 8 and 9.  
Strike: "0.965%" on line 8 through "value" on line 9  
Insert: "10% of the taxable percentage rate established in subsection (2)(a)"

6. Page 17, lines 11 and 12.  
Strike: "1.93%" on line 11 through "value" on line 12

Insert: "20% of the taxable percentage rate established in subsection (2)(a)"

7. Page 17, lines 14 and 15.

Strike: "2.895%" on line 11 through "value" on line 12

Insert: "30% of the taxable percentage rate established in subsection (2)(a)"

8. Page 17, line 16.

Following: line 15

Insert: "(iv) For the tax year beginning January 1, 1997, and ending December 31, 1997, the property is taxed at 40% of the taxable percentage rate established in subsection (2)(a)."

(v) For the tax year beginning January 1, 1998, and ending December 31, 1998, the property is taxed at 50% of the taxable percentage rate established in subsection (2)(a).

(vi) For the tax year beginning January 1, 1999, and ending December 31, 1999, the property is taxed at 60% of the taxable percentage rate established in subsection (2)(a).

(vii) For the tax year beginning January 1, 2000, and ending December 31, 2000, the property is taxed at 70% of the taxable percentage rate established in subsection (2)(a).

(viii) For the tax year beginning January 1, 2001, and ending December 31, 2001, the property is taxed at 80% of the taxable percentage rate established in subsection (2)(a).

(ix) For the tax year beginning January 1, 2002, and ending December 31, 2002, the property is taxed at 90% of the taxable percentage rate established in subsection (2)(a)."

Renumber: subsequent subsection

9. Page 17, line 16.

Strike: "1996"

Insert: "2002"

10. Page 17, line 17.

Strike: "3.86% of its market value"

Insert: "100% of the taxable percentage rate established in subsection (2)(a)"

11. Page 18, line 6.

Strike: "(1)(b)"

Insert: "(1)(c)"

12. Page 19, line 4.

Following: line 3

Insert: "(b) The annual gross income requirements in subsection (1)(a) may include land rental payments made under the federal conservation reserve program or a successor to that program."

Renumber: subsequent subsection

13. Page 21, line 3.

Strike: "in a manner specified"

Insert: "under rules adopted"

14. Page 22, line 15.

Strike: "in a manner specified"

Insert: "under rules adopted"



Amendments to Senate Bill No. 436  
First Reading Copy

For the Committee on Taxation

Prepared by Jeff Martin  
March 27, 1993

1. Title, lines 8 through 10.  
Following: "ACCOUNT;" on line 8  
Strike: the remainder of line 8 through "TAX;" on line 10
2. Title, line 12.  
Following: "15-7-307,"  
Insert: "15-7-308,"
3. Page 2, line 22.  
Strike: "gift or a"  
Insert: "nonarm's-length"
4. Page 2, lines 22 and 23.  
Strike: "with" on line 22 through the first "consideration" on line 23
5. Page 2, line 23.  
Following: "or"  
Insert: "a transfer"
6. Page 3, lines 2 and 3.  
Strike: "gift or" on line 2  
Insert: "nonarm's-length transfer or"  
Strike: "with" on line 2 through "or" on line 3
7. Page 3, lines 3 through 8.  
Strike: "estimated" on line 3 through "conditions" on line 8  
Insert: "market value as described in 15-8-111(2)(a)"
8. Page 3, line 18.  
Strike: "8"  
Insert: "9"
9. Page 4, lines 4 and 5.  
Strike: "and" on line 4 through "assessor" on line 5
10. Page 4, line 11.  
Strike: "8"  
Insert: "9"
11. Page 5, line 20.  
Following: line 19  
Insert: "Section 7. Section 15-7-308, MCA, is amended to read:  
"15-7-308. Disclosure of information restricted. The  
certificate required by this part and the information ~~therein~~  
~~shall~~ contained in the certificate and the tax due under this  
part are not be a public record records and ~~shall~~ must be held

confidential by the county clerk and recorder, county assessor, county treasurer, and department of revenue. This is because the legislature finds that the demands of individual privacy outweigh the merits of public disclosure. The foregoing provisions shall not apply to compilations from such certificates or to summaries, analyses, and evaluations based upon such compilations.""

Renumber: subsequent sections

12. Page 5, lines 21 and 22.

Strike: "Except" on line 21 through "a" on line 22

Insert: "A"

13. Page 6, line 1.

Strike: "convicted of"

14. Page 6, line 3.

Strike: "be fined an amount not to exceed"

Insert: "pay a civil penalty of"

15. Page 6, lines 3 through 5.

Strike: "or" on line 3 through "both," on line 5

Following: "offense," on line 5

Insert: "The department of revenue shall enforce the civil penalty under this subsection."

16. Page 6, line 9.

Following: "property."

Insert: "The tax is on the person seeking to record the transfer of title to the property. The person has the burden of claiming and demonstrating the right to any exemption to the tax provided in 15-7-307 prior to recording the transfer."

17. Page 6, line 10.

Following: "**tax**"

Insert: "-- appeals -- interest and penalty -- statute of limitations -- lien on transferred property"

Following: "."

Insert: "(1)"

18. Page 6, line 12.

Strike: "8"

Insert: "9"

19. Page 6, line 16.

Following: line 15

Insert: "(2) If the taxpayer contests the tax assessment or the denial of an exemption from the tax by the treasurer, the taxpayer may appeal the tax assessment or the denial of the exemption to the department of revenue. The appeal is governed by the provisions of 15-1-211.

(3) If the treasurer determines that the amount of tax due is greater than the amount collected, the treasurer shall mail to the taxpayer a notice, pursuant to 15-1-211, of the additional tax proposed to be assessed. A penalty of 10% of the unpaid tax must be assessed. In addition, any deficiency assessment bears

interest until paid at the rate of 1% a month or fraction of a month, computed from the date the transfer was recorded.

(4) The taxpayer may seek a review of the determination by the department pursuant to 15-1-211.

(5) The deficiency may not be assessed unless notice of the additional tax proposed to be assessed is mailed within 5 years from the date the transfer was recorded. If the certificate filed is fraudulent, the 5-year period does not begin until discovery of the fraud.

(6) The treasurer may collect any additional tax, penalty, and interest pursuant to 15-16-113.

(7) The additional tax, penalty, and interest are a lien against the real property that was transferred and may be collected and enforced in the manner as other tax liens on real property are enforced. The use of one method of collection does not preclude the use of an alternative method of collection."

20. Page 6, line 19.

Strike: "9"

Insert: "10"

21. Page 6, line 24 through page 7, line 13.

Strike: section 11 in its entirety

Renumber: subsequent sections

22. Page 11, line 23.

Strike: "9"

Insert: "10"

23. Page 16, line 2.

Strike: "10"

Insert: "11"

24. Page 16, line 11.

Strike: "(1)"

25. Page 16, lines 12 and 15.

Strike: "8"

Insert: "9"

Strike: "10"

Insert: "11"

26. Page 16, lines 16 through 19.

Strike: subsection (2) in its entirety

DATE 3-26-93 Meeting #2

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 436, 437

Name	Representing	Bill No.	Check One	
			Support	Oppose
LINDA STOLL-ANDERSON	LEWIS & CLARK CO	SB 437	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jim Richman	MT. Assoc. of Planners	SB 437	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Staci Riley	MT Fed Teachers	SB 436	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jakob Morales	MTA	SB 436	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vahana Vahana	Paradise Corp.	SB 436	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pat Melby	Underfunded School Coalition	SB 436	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tom Boyd	MT. ASSOC CLERKS & RECORDERS	SB 436 SB 437	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Angie	CASCADE CO CLERK	SB 437 436	<input type="checkbox"/>	<input checked="" type="checkbox"/>
JoAnn L Johnson	Chouteau Co. Clerk	SB 436 SB 437	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Steve Mandeville	MT Assoc Realtors	SB 436 SB 437	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Ker Klepila	Mont. Sec. of State	SB 436 SB 437	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Bob Morgan	BOARD OF HOUSING	SB 436 SB 437	<input type="checkbox"/>	<input type="checkbox"/>
Bert Heffer	ULB Rural Development Admin	SB 437	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gordon Morris	MACo	SB 437	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Monica Small	MT Democratic Party	SB 436	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dennis Burr	Montana	SB 436	<input type="checkbox"/>	<input checked="" type="checkbox"/>

VISITOR REGISTER

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PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE \_\_\_\_\_

SENATE COMMITTEE ON \_\_\_\_\_

BILLS BEING HEARD TODAY: SB 434, 437

Name	Representing	Bill No.	Check One	
			Support	Oppose
David Owen	MT Chamber	434/437		<input checked="" type="checkbox"/>
Steve Cooley	MT Building Industry Assn	436, 437		<input checked="" type="checkbox"/>
Jon Allen	MT Wood Products Assn	436 437		<input checked="" type="checkbox"/>
Tom Henderson	M. Assoc of Realtors	436 437		<input checked="" type="checkbox"/>
Steve McLean				<input checked="" type="checkbox"/>

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY