

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB GILBERT**, on December 6, 1993, at 8:30 a.m.

ROLL CALL

Members Present:

Rep. Bob Gilbert, Chairman (R)
Rep. Mike Foster, Vice Chairman (R)
Rep. Dan Harrington, Minority Vice Chairman (D)
Rep. Shiell Anderson (R)
Rep. John Bohlinger (R)
Rep. Ed Dolezal (D)
Rep. Jerry Driscoll (D)
Rep. Jim Elliott (D)
Rep. Gary Feland (R)
Rep. Marian Hanson (R)
Rep. Hal Harper (D)
Rep. Chase Hibbard (R)
Rep. Vern Keller (R)
Rep. Ed McCaffree (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Scott Orr (R)
Rep. Bob Raney (D)
Rep. Bob Ream (D)
Rep. Rolph Tunby (R)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jill Rohyans, Committee Secretary

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

Committee Business Summary:

Hearing: HB 36, HB 37, HB 45
Executive Action: HB 29 Do Pass As Amended

HEARING ON HOUSE BILL 36

Opening Statement by Sponsor: REP. MARY LOU PETERSON, HD 1, Eureka, said the bill simply clarifies that in order for a person to make a tax appeal to the State Tax Appeal Board (STAB), he must first have appeared before the county appeal board.

Proponents' Testimony:

Pat McKelvey, Chairman, STAB, said the bill ensures that a taxpayer must first appear and testify under oath before the county tax appeal board before appealing to STAB. He said STAB cannot grant any tax relief if that sequence is not followed.

Dave Woodgerd, Chief Counsel, Department of Revenue (DOR), said DOR supports the bill as it saves quite a bit of money if the issues can be settled at the county level.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses: None.

Closing by Sponsor: REP. PETERSON closed saying the bill is simply a clarification and simplification measure.

HEARING ON HOUSE BILL 37

Opening Statement by Sponsor: REP. BRAD MOLNAR, HD 85, Laurel, said this is an income tax rebate plan similar to Governor Racicot's plan. Any increase over 10% is rebated and recent voted mill levies are excluded. The rebate applies to primary residences only and is a one time refund. He presented proposed amendments which specify the rebates must be larger than \$25 but are capped at \$400 (Exhibit #1).

Proponents' Testimony: There were no proponents.

Opponents' Testimony: Lance Clark, Montana Association of Realtors, said the Realtors Association opposes the bill based on their historical opposition to property tax rebates.

Questions From Committee Members and Responses:

REP. REAM said there are many factors that influence a property tax from year to year. He asked Rep. Molnar if he would object to some other mechanism such as a five year average as a base figure for determining the amount of rebate.

REP. MOLNAR said he did not object to averaging. He said the important thing is to give a one time rebate.

REP. BOHLINGER said the bill excludes rental property. He asked if the sponsor would consider an amendment that would protect tenants from a rent increase.

REP. MOLNAR said he had considered a renters' provision; however, including renters in the rebate scheme would have been too costly and too complicated a program.

REP. FOSTER said he was confused about the provisions in Section 1, page 1, lines 10-16, which says the rebates apply to the property tax increase as assessed in 1992. In the final section on page 3 it says the provisions apply to tax years following 1993. He asked how the big tax bills of 1993 are addressed if the bill is not effective until tax year 1994 and beyond.

REP. MOLNAR said he was attempting to let the taxpayers take their rebate in the form of an income tax credit either in tax year 1994 or 1995. He was trying to assure that Montanans who live and work in Montana are the people who will get the rebate.

Closing by Sponsor: **REP. MOLNAR** closed by saying the bill is not discriminatory. If a resident lives here for 6 months and pays income tax they are qualified to receive the rebate. He noted out-of-state college students and out-of-state applicants for fish and game licenses are treated differently than in-state residents.

HEARING ON HOUSE BILL 45

Opening Statement by Sponsor: **REP. MIKE FOSTER, HD 32, Townsend,** said HB 45 is the funding mechanism for HB 29, the Governor's rebate plan. He said HB 29 has undergone a number of changes HB 45 would have to be amended to conform. He said the rebate program will now cost approximately \$13 - \$14 million over the biennium compared to the original figure of \$37 million. There will be three primary funding sources, \$6.8 million from the arts trust, \$4.3 million from the old HB 20 property tax reimbursement monies, and the remainder coming from the fund balance. He said the amendments would be prepared for executive session.

Informational Testimony:

Dave Lewis, Director, Office of Budget and Program Planning, (OBPP), said that final changes were not made in the bill until late Saturday night and the amendments are still being drafted. He submitted Exhibit #2 which reviews the revised funding sources.

Judy Paynter, Deputy Director, Department of Revenue (DOR), submitted Exhibit #3, the alternative HB 20 reduction approach, which compared the tax base 1992 figures to the tax base 1993

figures. The comparison, excluding new construction, was the determinant used to determine the change in the tax base due to reappraisal. The change in the value multiplied by the 1992 average county mill levy determined the gain to the taxing entities due to reappraisal. If the HB 20 payment is less than the change in the tax revenue, the HB 20 payment is reduced by 50% of the tax increase. She reviewed the total figures at the bottom of Exhibit #3.

Proponents' Testimony:

SPEAKER JOHN MERCER, HD 50, Polson, said HB 45 ensures a \$9 million rebate to the people of Montana to help offset the \$65 million annual property tax increase. The rebates have been funded in a way which does not penalize county and local governments any further. The cultural and aesthetic arts program will have a more stable funding base and be in a better fiscal position than it was previously. The counties that reaped a windfall due to reappraisal will have to absorb some of the cost through the HB 20 funding application. He said the Legislature has to respond to the gigantic tax increase or the whole property tax system will be lost. HB 29 and HB 45 represent a very small step toward helping Montanans pay their property taxes in the second half of this year.

Alec Hanson, Montana League of Cities and Towns, said the League supported HB 29 and also supports HB 45 as a more appropriate way to provide some tax relief. He cautioned the Committee to carefully consider the HB 20 reimbursements to local governments and to ensure that the distribution formula changes are fair. He said it is important to explore other funding sources also.

Opponents' Testimony:

SEN. BLAYLOCK, SD 43, Laurel, objected to the use of cultural trust monies to fund the rebates. He noted the many benefits the cultural trust has offered such as Shakespeare in the Parks, Poetry in the Classroom, and other programs. He said the arts make us better as human beings and it is a poor exchange to use arts funds to fund rebates. He asked the Committee not to use the cultural trust funds for a funding mechanism.

REP. BARDANOUVE, HD 16, Harlem, said the bill is ill conceived and ill financed. He is concerned that it represents the end of culture in Montana. He noted that currently there is no money left for repair and maintenance of state buildings due to other earmarked fund robbery. Robbing the cultural trust will result in the end of music, art, and cultural programs across the state. He said 1995 coal tax receipts will not be large and there will be no way to divert any money from the coal tax into any other arts funding.

REP. ELLIOTT, HD 51, Trout Creek, said people who come to Montana from out-of-state are amazed at the high level of arts in Montana compared to other states and the Canadian provinces. Montana galleries and museums are very well stocked with high quality offerings and displays. There are an exceptional number of high quality artists in Montana. He said Charlie Russell, one of the best known Montanans, was an artist, not a politician. Rep. Elliott was sure Charlie Russell would not approve of the decimation of the arts trust.

Leonard Wortman, Jefferson County Commissioner, said his county would lose \$240,000 and would be forced to levy another 10 mills to make it up if HB 45 passes. He said the cost of administering the rebates alone should be enough to defeat the bill. He said it makes a bad situation even worse and will not help taxpayers at all.

Lance Clark, Montana Association of Realtors, said even though the Association opposes the bill, they commend Rep. Foster for seeking non-general fund dollars to fund the rebates and for reducing the cost of the rebates by two thirds. The Association continues to oppose property tax rebates. They advocate property tax reform. The increased property tax burden is not due only to increased property tax valuations, but also to increased spending and budget shifts. If rebates are adopted they should not impact local governments or increase the local tax burden.

REP. BOHLINGER, HD 94, Billings, said he supports the concept of rebates as a way of equating property tax increases. He felt there are other ways to fund the rebates without attacking the cultural trust. He expressed concern that if there is a shortfall in 1995 in coal tax collections, there may be no choice other than taking 1% from the coal trust that should be the replacement funding for the cultural trust. The cultural trust benefits a great number of small towns in every corner of the state such as Pablo, Terry, and White Sulphur Springs. He urged the Committee to leave the cultural trust in place.

Arlynn Fishbaugh, Montana Cultural Arts Council, provided a listing of programs sponsored by the Arts Council (Exhibit #4). She also submitted a letter in opposition to the bill from Dick King, Chairman of the Council (Exhibit #5). She pointed out there are a large number of cultural arts activities, cultural preservation projects, and museum programs that are funded by the trust. In the last biennium, grants of \$640,000 per year leveraged over \$8 million in local support across the state. If the money turns around 2.5 times in the state, the \$8 million then leverages over \$20 million in local Montana economies. She deplored the loss to the cultural arts community if the bill were to pass.

Paul Stahl, Chairman, Montana Arts Advocacy, said the Arts Council has been fighting decreased funding for years; it is now

operating at 12% less than it was in 1984. He said the Council may get funds for the next two years under the new funding mechanism, but doubts if there will be any further funding after that time. The loss of the cultural arts money would be devastating to the cultural sector of the state.

Dave Anderson, Jefferson County Commissioner, said Jefferson County received less tax revenue this year than in 1991. Counties are being attacked again. All counties should not be penalized for the benefits received by a few. He asked the Committee to defeat the bill.

REP. REAM, HD 54, Missoula, said there is more and more evidence that arts are an important factor in health and healing. The destruction of cultural arts funding in the state would do irreparable damage. He said this is not a good funding mechanism and referred to the problems in counties affected by BPA payments and the impact of the cement plant on the economy of Broadwater County. He said if mill levies increase, valuations should be decreasing proportionately.

Carol Novotne, Director, Art Center, Helena, said all the small art programs are intermeshed. She said there are many artists in the state with talents as good as Charlie Russell's. The programs all operate on shoestrings and are dependent on the funding they receive through the cultural trust. She said the bill will surely kill these programs.

Madelyn Quinlan, Office of Public Instruction, said the Legislature, in special session in the summer of 1992, directed school districts to draw down their reserves from 20% to 10%. That implied that school districts had \$36 million more to use that local districts did not have to levy. The district levies for schools would have been that much lower in 1993 than 1994. She presented that information in regard to using 1993 as a base year for the rebates.

Dolores Colburg, citizen, said she agreed with the previous testimonies and said the bill is premature because no bill on which it is based has passed. She said she was not sure this issue should be addressed in this special session at all. It is not based on fairness and equity and its worst feature is breaking the cultural trust. She said, "a trust is a trust is a trust is a...." and breaking it would be reprehensible. She said it is not realistic to assume costs will go down. We have to pay for what we get one way or another. This is not the way to pay for rebates.

Gail Crane, School Administrator, Pablo and Arlee, said the two communities have no money for art in their curricula. All their art programs are partially funded by the arts trust such as the artists, authors, and poets in the schools programs. She noted the Arlee Historical Society would also be devastated by the loss of funds.

Bernie Nelson, Member of the Billings Preservation Society, said cultural trust monies help with the preservation and continuing programs at the Moss Mansion. Those funds are used as matching funds to generate a great deal of income. The Moss Mansion contributes to the tourist trade as many of the visitors to Billings stay an extra day in order to take in the mansion tours. The Moss Mansion is owned by the City of Billings and the state.

Gloria Hermanson, Montana Arts Advocacy, said she agreed with all the previous testimony and on behalf of the arts community in the state said there is a whole lot more to lose as a result of the adoption of this bill than we will ever gain.

Questions From Committee Members and Responses:

REP. ANDERSON asked if this bill represents an attack on the arts and if the cultural arts funding will be eliminated if it passes.

REP. FOSTER said absolutely not. HB 45 changes the funding of the arts council, but does not eliminate it. He said interest rates have been variable and the funding of the trust through that interest has not been stable. Funding by 1% of the coal trust money will provide a stable and continuing flow of money to the trust and will put the arts funding in a much better position than it now enjoys.

REP. RANEY asked why we should give the arts trust more money than they now receive.

REP. FOSTER said it is a fair trade-off for taking their funds.

REP. RANEY said someone is going to be affected by taking .74 % of the coal trust monies and giving it to the cultural trust. He asked what program would be impacted by that decrease.

Mr. Lewis replied the general fund would receive .74% less.

REP. ELLIOTT said Speaker Mercer cautioned the Committee not to lose sight of the impact of a \$65 million tax increase on the citizenry. He noted 44% of that increase is due to HB 667 which caused school district levies to increase drastically. If local taxing jurisdictions have to increase taxes due to legislative action, he asked if the legislature will have to rebate the money and, if so, from where will it come.

SPEAKER MERCER replied that the citizens are disillusioned by many factors such as federal government spending, tax increases, dishonesty and many other political factors. He said he hopes to help the people with their problems. He is not concerned about who should be blamed. He said he did not believe that every time there is tax or fee increase the Legislature has to respond. However, if there is a gigantic property tax increase of 100% to 300% the Legislature must respond.

REP. DRISCOLL asked Ms. Paynter to provide figures regarding the impacts of all the changes on all properties and the average mills for 1993 and 1994.

Ms. Paynter said she would supply the information to the Committee for executive session.

REP. REAM asked if a five year average for the years preceding tax year 1993 would be a better way to establish a base. He said the five BPA counties experienced a big decrease in taxable value due to the court settlement and Broadwater County has had a one year large decrease.

Mr. Lewis said a five year rolling average used as a base of comparison would probably be quite close to the one year increase.

REP. REAM said the totals may be close but it would be a better comparison for individual counties if a five year average is used.

Mr. Lewis said a small rebate program would not be greatly affected by a change in the \$65 million base figure.

Following a discussion of 1991, 1992, and 1993 figures and comparisons the Chairman asked Ms. Paynter to provide information to the Committee regarding the five year average and how it would apply to the individual counties.

REP. HARRINGTON expressed concern about the commitment made to the counties that they would be reimbursed through HB 20 funds. He sees that commitment being broken by taking away some of that funding.

REP. FOSTER said HB 45 provisions do not indicate reimbursement is at an end. The HB 20 reimbursements are being readjusted to reflect the increased valuations in the counties.

REP. REAM asked Speaker Mercer if he would support an individual means test for the rebates.

SPEAKER MERCER replied he would not.

Closing by Sponsor: **REP. FOSTER** said the cultural trust is provided a better funding source while at the same time helping the property taxpayers of Montana. He replied to the Jefferson County Commissioners concerns noting that Jefferson County will lose approximately \$75,000 from HB 45 while the taxpayers in Jefferson County will gain approximately \$330,000 from HB 29. He said the Realtors Association should be concerned about a \$65 million property increase and invited them to become part of the solution rather than opposing the process every step of the way. He cautioned the Committee about using a five year average, noting it could lower the cost of the rebate program in some

areas but could very well increase the overall cost beyond what is proposed in HB 45. He said Broadwater County did experience a large one year impact as a result of HB 382 of the 1993 session; however, the alternative was the complete closing of the cement plant and the resultant loss of income, jobs, and tax base. He said the taxpayers are facing a \$65 million a year problem. This bill takes a small amount and puts it back in the pockets of those people who are most drastically affected and have to pay the large property tax increase.

Recess and Reconvene: CHAIRMAN GILBERT recessed the meeting at 11:55 a.m. for lunch and floor session. The meeting reconvened at 4:10 p.m. for executive session. REP. McCAFFREE was excused.

EXECUTIVE ACTION ON HOUSE BILL 29

Motion: REP. FOSTER MOVED HB 29 DO PASS.

Motion: REP. FOSTER MOVED TO ADOPT THE AMENDMENTS AS PRESENTED IN EXHIBIT #6. The explanation of the amendments is contained in page 1 of the exhibit. He also distributed the new fiscal information the Chairman had requested from DOR (Exhibit #7).

Discussion:

REP. ELLIOTT asked if the bill, as amended, precludes out-of-staters from receiving rebates.

REP. FOSTER said the first year rebate will be in the form of a check to the taxpayer. The second year the rebate will go to anyone who files an income tax form. This does not preclude an out-of-state property owner from filing an income tax form, but it is the only constitutional way to limit out-of-state refunds.

REP. ELLIOTT asked when the checks would be distributed.

Mr. Robinson said they would be issued the end of February, 1993.

REP. ELLIOTT asked about the rationale for giving everyone a rebate this year, but limiting them next year.

REP. FOSTER said this is the quickest way to get some form of relief to the taxpayer.

REP. NELSON asked how rebates would be issued in the case of a partnership.

Mr. Robinson said whoever is listed as the owner of the property would be recipient of the rebate.

REP. DOLEZAL asked if the number of taxpayers receiving rebates would change by the imposition of a floor and a cap on the amount of the rebates as opposed to a flat 10% provision.

Mr. Robinson replied 99,760 taxpayers would receive the rebates due to the imposition of the floor (the cap would not make a difference) as opposed to 176,000 if the 10% was applied.

REP. HARPER wondered how the eligibility would be determined if the administration of the rebates is at the state level.

Mr. Robinson said DOR would request a list of delinquent taxpayers from the counties. If a taxpayer is not delinquent on his entire tax payment, he would still receive a rebate on the current amount. The first rebate check would be based on the amount paid in the November payment. The rebate on the May, 1994, payment would be in the form of an income tax credit on taxes filed for 1994 in 1995.

The Committee members discussed definitions of "geocode" and "taxable percentage" as well as asking for clarification of voted mill levies versus non-voted millages.

Mr. Woodgerd said technical amendments are not necessary on the subject of voted mill levies because the language on page 1, line 25, and page 2, line 1, address the issue clearly.

REP. MCCARTHY expressed concern that some elderly taxpayers may not be aware of the necessity to file for the rebate.

Mr. Robinson said this is one of the reasons for the rebate check approach. In the property tax area, there is a low income exemption available which is utilized by only 25% of those who are eligible. Lack of publicity and the fact that the taxpayer must apply for the exemption are two reasons why this is not utilized any more than it is. He said a notification could be added to the elderly homeowner/rent credit form.

REP. ELLIOTT asked about segregating new construction from the rebates.

Mr. Robinson said there will be some gray areas re new construction and remodeling. No rebates would be given on new construction; however, there could be instances where a remodeling project is not reported or determined when the rebate is calculated.

REP. ELLIOTT, said Deer Lodge County average mill levy in 1991 was 449 mills, decreased by 73 mills in 1992, and in 1993 it increased 40 mills for a net decrease of 33 mills for the "average" Deer Lodge homeowner. He said those homeowners would still be receiving a tax rebate.

Mr. Robinson replied there are some situations that will not fit into the overall plan for a rebate program that addresses property tax increases statewide and is as simple and inexpensive as possible to administer.

REP. ELLIOTT said this is not well thought out and is unfair. He understands some people want and deserve a refund on their taxes but a system that has some people treated unfairly is not the best way to effect relief.

REP. MCCARTHY asked if the rebate would have to be reported as income when filing federal taxes.

Mr. Robinson said it would have to be reported as income for the year in which it was received; however, the property taxes paid would be claimed as a deduction on federal taxes. State refunds are not included as income under Montana tax law.

REP. ELLIOTT asked if a form 1099 would be issued for each rebate.

Mr. Robinson said the mechanism currently in place requires a 1099 to be issued for every refund over \$10. That mechanism would also apply to the rebates.

REP. ELLIOTT asked about administrative costs.

Mr. Robinson said DOR has been doing continual updating on administrative costs due to the proposed changes in the amendments and the provisions of the bills. He said there will forms and notices to be devised, staff time, and computer time utilized. He did not have accurate figures at this time.

REP. REAM said 1992 was unusual for the BPA counties and Broadwater County. He asked about an amendment on page 1, lines 22-24, that would change the language re tax year 1992 to an average of 1990, 1991, and 1992 as adjusted by CPI as a more accurate reflection of the tax situation for those areas.

Mr. Robinson replied he had not made any calculations based on an average but he thought it might result in an increased cost. The difference would be a lower mill levy used as a base. It could even be a significant increase in rebate costs because the average would be based on lower mill levy years.

REP. REAM suggested an alternative might be to calculate the statewide average mill levy change for 1991 and 1992 and apply that rate.

Mr. Robinson said that might be a workable approach.

REP. RANEY said he cannot support the bill, even though the amendments make it better. He said the bill costs too much and the revenue sources are not appropriate. The rebates are for all taxes that increased rather than for just the reappraisal increases over 10%. His preference is an income tax rebate exclusively, limited to Montanans on their primary residences only.


Vote: Motion to adopt the proposed amendments as per Exhibit #6 carried 14-6 on a roll call vote. Without objection, the Chairman authorized Mr. Heiman to make such technical/clerical amendments as are necessary.

Motion/Vote: REP. REAM MOVED TO AMEND PAGE 2, LINE 1, BY STRIKING "VOTED" AND FOLLOWING THE WORD "IMPOSED" INSERT "PURSUANT TO A VOTE OF THE ELECTORATE". Motion to adopt the amendment carried with REP. DRISCOLL voting no.

Motion/Vote: REP. FOSTER MOVED HB 29 DO PASS AS AMENDED. Motion carried 12-8 on a roll call vote.

ADJOURNMENT

Adjournment: The meeting adjourned at 5:15 p.m.


REP. BOB GILBERT, Chairman


JILL ROMYANS, Secretary

BG/jdr

HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL

DATE

12/6/93

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	✓		
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL	✓		
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER	✓		
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. MCCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. PANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		



HOUSE STANDING COMMITTEE REPORT

December 7, 1993

Page 1 of 4

Mr. Speaker: We, the committee on Taxation report that House Bill 29 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert
Bob Gilbert, Chair

And, that such amendments read:

1. Title, line 6.
Strike: "RESIDENTIAL"

2. Title, line 7.
Following: "REBATE;"
Insert: "PROVIDING FOR PAYMENT OF REBATES THROUGH STATE WARRANTS
AND CREDITS AGAINST INDIVIDUAL INCOME TAXES AND CORPORATION
LICENSE OR INCOME TAXES;"

3. Title, line 8.
Following: "DATE"
Insert: "AND AN APPLICABILITY DATE"

4. Page 1.
Following: line 9
Insert: " Statement of Intent

The department of revenue is required to adopt administrative rules to implement this legislation. The rules will need to address issues concerning ownership of property, calculation of the rebate, application of the rebate to particular properties, department calculation of the rebate amount during the first rebate year, tax retire requirements in order to claim the rebate, and other administrative issues."

5. Page 1, line 15.
Strike: "nonvoted"

Committee Vote:
Yes 12, No 8.

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88.
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6 AM.

Following: "millage"

Insert: "not imposed by a vote of the electorate"

6. Page 1, line 16.

Strike: "residential"

Following: "1992."

Insert: "The rebate for property described in 15-6-134(1)(e) must be calculated as if the taxable percentage for the 1993 tax year were the same as the taxable percentage for this property in the 1994 tax year."

7. Page 1, line 19.

Following: "property"

Insert: "for which a separate geocode exists"

8. Page 1, lines 20, 22, 23, and 25.

Page 2, line 5.

Following: "amount of"

Insert: "tax assessed by"

Following: "mill levies"

Strike: "assessed"

9. Page 2, line 1.

Strike: "voted"

Following: "imposed"

Insert: "pursuant to a vote of the electorate"

10. Page 2, line 6.

Following: "10%"

Insert: "and exceeds \$25 for residential property and \$50 for commercial property"

11. Page 2, line 7.

Strike: "equal to the amount in"

Insert: "of the"

Strike: "of 10%"

Following: "."

Insert: "The amount of the rebate may not exceed \$200 for any property with a separate geocode."

12. Page 2, line 8.

Strike: "residential"

13. Page 2, lines 12 and 13.

Strike: "department" on line 12 through "taxes" on line 13

Insert: "rebate must be by state warrant for the November 1993 property tax payment and by refundable tax credit, as provided in [section 2], for the May 1994 payment, the

November 1994 payment, and the May 1995 payment.

(5) In order to rebate the November 1993 property tax payment in calendar year 1994, the department shall calculate the amount of the entire rebate, as provided in subsection (3), and provide for one rebate payment of one-half of the calculated amount."

Renumber: subsequent sections

14. Page 2, lines 15 through 18.

Following: "rebate" on line 15

Strike: ", " on line 15 through "rebate" on line 18

15. Page 3, line 6.

Following: "shall"

Insert: ": (a) calculate the rebate as provided in subsection (3); (b) "

16. Page 3, line 7.

Following: "taxpayers"

Insert: "in 1994 for the first one-half of the 1993 property tax year payment and grant refundable credits for the second one-half of the 1993 tax year payment; and

(c) grant the 1994 tax year payments for eligible properties as provided in [section 2]"

17. Page 3.

Following: line 7

Insert: "NEW SECTION. Section 2. Credit for property tax rebates.

(1) Taxpayers who are entitled to a rebate of property taxes pursuant to [section 1] that are due in May 1994, November 1994, and May 1995 are entitled to a credit against taxes imposed by this chapter. Property taxes must be paid when due in the license or income tax year for which the credit is claimed. However, if a taxpayer paid all of the 1993 tax year property taxes in calendar year 1993, one-half of the 1993 tax year property taxes may be claimed in the succeeding tax year.

(2) If the amount of the credit is greater than the taxpayer's liability, the amount of unused credit must be refunded by state warrant or the taxpayer may elect to carry the unused credit forward to subsequent tax years.

(3) If the property eligible for the credit in subsection (1) is owned by a partnership, limited liability company as defined in 35-8-102, or a small business corporation as described in 15-31-201, the credit must be refunded by state warrant to the entity paying the tax.

(4) Interest may not be paid on credits or refunds, including any credits that are carried forward.

(5) The rebates provided for in [section 1], whether paid by state warrant or by credit, are not taxable income of the recipient."

Renumber: subsequent sections

18. Page 3, line 8.

Following: "instruction."

Insert: "(1)"

19. Page 3.

Following: line 11

Insert: "(2) [Section 2] is intended to be codified as an integral part of Title 15, chapters 30 and 31, and the provisions of Title 15, chapters 30 and 31, apply to [section 2].

NEW SECTION. Section 4. Applicability. [This act] applies to property tax years 1993 and 1994."

Renumber: subsequent section

-END-



HOUSE STANDING COMMITTEE REPORT

December 7, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 36 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert
Bob Gilbert, Chair

And, that such amendments read:

1. Title, line 6.
Following: line 5
Insert: "TO"
Following: "APPEAR"
Strike: "TO"

-END-

Committee Vote:
Yes __, No __.

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12/7/93
12:50

HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL VOTE

DATE 12/6/93 BILL NO. 29 NUMBER 1

MOTION: by Rep. Foster to adopt
amendments as per Exhibit #6

NAME	AYE	NO
REP. FOSTER	✓	
REP. HARRINGTON		✓
REP. ANDERSON	✓	
REP. BOHLINGER	✓	
REP. DOLEZAL		✓
REP. DRISCOLL	✓	
REP. ELLIOTT	✓	
REP. FELAND	✓	
REP. HANSON	✓	
REP. HARPER		✓
REP. HIBBARD	✓	
REP. KELLER	✓	
REP. McCAFFREE		✓
REP. McCARTHY		✓
REP. NELSON	✓	
REP. ORR	✓	
REP. RANEY	✓	
REP. REAM		✓
REP. TINBY	✓	
REP. GILBERT	✓	

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL VOTE

DATE 12/6 BILL NO. 29 NUMBER 2

MOTION: by Rep. Foster that HB 29
Do Pass As Amended

NAME	AYE	NO
REP. FOSTER	✓	
REP. HARRINGTON		✓
REP. ANDERSON	✓	
REP. BOHLINGER	✓	
REP. DOLEZAL		✓
REP. DRISCOLL	✓	
REP. ELLIOTT		✓
REP. FELAND	✓	
REP. HANSON	✓	
REP. HARPER		✓
REP. HIBBARD	✓	
REP. KELLER	✓	
REP. McCAFFREE		✓
REP. MCCARTHY		✓
REP. NELSON	✓	
REP. ORR	✓	
REP. RANEY		✓
REP. REAM		✓
REP. TUNBY	✓	
REP. GILBERT	✓	

Amendments to House Bill No. 37
First Reading Copy

Requested by Rep. Molnar
For the Committee on Taxation

Prepared by Lee Heiman
December 6, 1993

1. Title, line 4.
Strike: the second "AN"
Insert: "A LIMITED"

2. Title, line 6.
Following: "RESIDENCE;"
Insert: "RECOMMENDING THAT THE GOVERNOR APPOINT A COMMITTEE TO
REVIEW PROPERTY TAXES; RECOMMENDING TO THE GOVERNOR THAT A
SPECIAL LEGISLATIVE SESSION BE CALLED ON PROPERTY TAXES AND
RELATED ITEMS;"

3. Page 2, line 8.
Following: "10%."
Insert: "The credit may not exceed \$400 per year, and the minimum
amount of credit that may be claimed is \$25."

4. Page 2.
Following: line 24
Insert: " NEW SECTION. Section 2. Committee to review property
taxes -- appointment by governor. The governor is requested
to appoint a committee to review property taxation in
Montana. The membership of the committee should reflect
those segments of Montana society concerned with property
taxes, including citizens, association representatives, and
representatives of governmental entities. The department of
revenue shall provide clerical and research assistance to
the committee with help from the legislative council and the
office of the legislative fiscal analyst.
NEW SECTION. Section 3. Request that governor call a
special session on property taxes and related items. The
governor is requested to call a special session devoted
solely to property tax, school funding, and local government
funding. The date of the special session and issues to be
covered should be made after consultation with legislative
leadership and the committee appointed pursuant to [section
2]."

Renumber: subsequent sections

Office of Budget and Program Planning

Funding Sources for Revised Property Tax Rebate Proposal

\$25-\$200 Residential And Commercial Rebate

November 18, 1993

FY 94 Funding	
Source	Amount
Fund Balance Draw	2.5
Arts Trust	6.8
Total	9.3

FY 95 Funding	
Source	Amount
Fund Balance Draw	0.4
Property Tax Reimbursement	4.3
Total	4.7

Property Tax Rebates & Credits 9.3

4.7

Funding Source Explanation

Fund Balance Draw --	The general fund balance would be reduced by \$2.5 million in FY 94 and \$0.4 million in FY 95.
Arts Trust --	The Arts Trust would be eliminated and its assets transferred to the general fund. Program funding and grant authorizations would be "held harmless" through the use of the existing coal severance tax allocation and a new allocation of a portion of the earnings of the permanent coal trust would increase funding by about \$110,000 per year.
Property Tax Reimbursement	The cost of the personal property tax reimbursement program would be reduced by \$4.3 million by reducing the payments to jurisdictions with large property tax increases. The proposed formula would not reduce allocations to the school equalization account.

12-6-93
HB 45

Proposed Funding for the Arts Council Governor's Property Tax Rebate Proposal

	<u>Actual FY 93</u>	<u>Estimated FY 94</u>	<u>Estimated FY 95</u>	<u>Biennium Total</u>
Current Law Revenues:				
Arts Trust Interest Earnings	582,833	585,000	566,000	1,151,000
Proposed Revenues:				
Coal Severance Tax Flow @.633%		256,200	254,300	510,500
Coal Trust Earnings @ 1.00%		<u>441,270</u>	<u>430,120</u>	<u>871,390</u>
Total		697,470	684,420	1,381,890
Change In Revenues		112,470	118,420	230,890

Explanation of Proposed Funding

Coal Severance Tax Flow --	The coal severance tax inflow to the trust would be diverted to the Arts Council's state special revenue fund.
Coal Trust Earnings --	The proposal would change to allocation of the permanent trust earnings to include a .74% allocation to the Arts Council's state special revenue fund.

All Estimated Amounts based on HJR3 Assumptions and are estimates used by LFA.

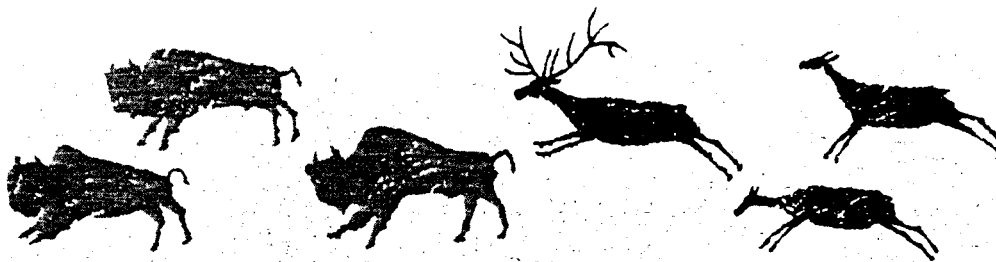
Background Information:			
Coal Trust Earnings:			
GF	37,508,000	43,012,000	80,520,000
SEA	<u>6,619,000</u>	<u>0</u>	<u>6,619,000</u>
Total	44,127,000	43,012,000	87,139,000
Amount Needed to Fully Fund	328,800	311,700	640,500
Coal Trust Allocation Needed	0.75%	0.72%	0.74%

Coal Severance Tax Flow		
Total Coal Severance Taxes	40,467,800	40,175,000
Current Law Flow into Trust	256,161	254,308

Alternative HB20 Reduction Approach
HB20 Reduction Based on 1992 Average Mill
and Change in Taxable Value Due to Reappraisal

EXHIBIT 3
DATE 12/16/93
HB 45

County	Impact of Reappraisal on Taxable Value			Average Mill	Change in Tax	HB20 Payment	HB20 Reduction
	TY1992	Reappraisal Impact	Change				
Beaverhead	5,869,902	6,641,752	771,850	326.31	251,861	118,787	59,393
Big Horn	6,207,626	6,947,518	739,892	212.10	156,931	325,388	78,465
Blaine	2,872,609	2,845,314	(27,295)	280.33	(7,652)	114,988	0
Broadwater	2,735,640	2,405,242	(330,398)	212.27	(70,134)	70,277	0
Carbon	8,435,614	8,743,518	307,904	312.91	96,346	93,443	46,722
Carter	724,547	648,646	(75,901)	280.90	(21,321)	28,613	0
Cascade	64,783,921	70,419,361	5,635,440	433.81	2,444,735	664,891	332,446
Chouteau	4,478,780	3,895,422	(583,358)	305.01	(177,931)	193,066	0
Custer	6,606,102	7,182,397	576,295	449.17	258,855	148,833	74,416
Daniels	1,639,808	1,383,316	(256,492)	372.11	(95,443)	93,049	0
Dawson	6,366,359	5,531,869	(834,490)	388.24	(323,986)	193,576	0
Deer Lodge	5,734,939	5,860,015	125,076	383.21	47,931	58,570	23,965
Fallon	1,915,108	1,949,583	34,475	239.82	8,268	82,270	4,134
Fergus	7,118,844	6,967,236	(151,608)	370.37	(56,151)	202,583	0
Flathead	74,533,483	86,144,052	11,610,569	374.74	4,351,001	796,597	398,299
Gallatin	55,188,172	60,804,283	5,616,111	356.68	2,003,162	575,511	287,755
Garfield	762,730	717,320	(45,410)	289.63	(13,152)	34,576	0
Glacier	5,173,550	5,055,829	(117,721)	264.63	(31,152)	102,456	0
Golden Valley	651,034	596,667	(54,367)	268.78	(14,613)	15,774	0
Granite	2,017,411	2,352,476	335,065	247.86	83,049	51,311	25,655
Hill	12,136,538	12,355,152	218,614	316.22	69,130	228,744	34,565
Jefferson	6,668,004	7,267,270	599,266	248.67	149,019	219,583	74,509
Judith Basin	1,644,755	1,468,610	(176,145)	289.48	(50,991)	53,393	0
Lake	22,462,496	28,126,696	5,664,200	312.36	1,769,246	136,411	68,206
Lewis And Clark	44,855,811	48,104,576	3,248,765	416.87	1,354,303	525,558	262,779
Liberty	2,024,755	1,616,605	(408,150)	266.20	(108,651)	62,775	0
Lincoln	13,935,519	14,311,362	375,843	275.62	103,591	314,597	51,795
Madison	8,553,273	8,837,513	284,240	279.65	79,488	134,152	39,744
McCone	1,667,003	1,471,812	(195,191)	311.42	(60,787)	84,140	0
Meagher	1,424,166	1,506,393	82,227	272.63	22,417	24,706	11,209
Mineral	2,157,608	2,611,356	453,748	322.11	146,157	73,139	36,569
Missoula	83,386,470	88,695,304	5,308,834	438.05	2,325,531	1,524,452	762,226
Musselshell	2,584,266	2,271,359	(312,907)	330.36	(103,371)	52,037	0
Park	13,051,965	13,564,621	512,656	333.87	171,160	125,871	62,936
Petroleum	259,878	270,952	11,074	339.67	3,762	12,038	1,881
Phillips	3,153,919	3,177,332	23,413	235.11	5,505	126,552	2,752
Pondera	4,424,563	3,927,506	(497,057)	326.27	(162,172)	140,789	0
Powder River	1,230,336	1,117,308	(113,028)	379.93	(42,943)	102,570	0
Powell	3,667,906	4,004,878	336,972	293.17	98,789	79,103	39,551
Prairie	755,571	637,503	(118,068)	282.53	(33,358)	34,647	0
Ravalli	23,244,375	25,670,806	2,426,431	316.92	768,976	143,911	71,955
Richland	7,147,771	7,535,259	387,488	294.14	113,975	333,869	56,988
Roosevelt	3,974,391	3,784,646	(189,745)	253.42	(48,084)	168,848	0
Rosebud	5,498,468	5,460,327	(38,141)	138.66	(5,289)	87,067	0
Sanders	5,555,380	6,341,282	785,902	280.62	220,541	81,814	40,907
Sheridan	3,183,605	2,854,534	(329,071)	288.37	(94,895)	204,853	0
Silver Bow	26,332,620	29,888,106	3,555,486	468.23	1,664,768	625,900	312,950
Stillwater	5,527,614	6,020,851	493,237	295.79	145,894	161,814	72,947
Sweet Grass	3,000,939	2,480,196	(520,743)	326.44	(169,992)	49,044	0
Teton	4,625,397	4,010,415	(614,982)	351.14	(215,943)	135,535	0
Toole	3,953,033	3,758,767	(194,266)	281.79	(54,743)	164,300	0
Treasure	440,700	390,375	(50,325)	271.88	(13,682)	28,668	0
Valley	5,448,390	5,908,297	459,907	334.41	153,797	165,529	76,898
Wheatland	1,179,937	1,071,212	(108,725)	285.36	(31,026)	28,822	0
Wibaux	613,702	657,015	43,313	276.04	11,956	45,772	5,978
Yellowstone	120,138,973	128,252,529	8,113,556	363.12	2,946,221	1,826,651	913,325
TOTALS	713,726,276	766,520,545	52,794,269		20,018,902	12,272,209	4,331,922



DATE 12/16/93
#B 45

A SAMPLING OF FY94-95 CULTURAL TRUST GRANTS — *Rural*

- Hysham -- #510 Treasure County 89'ers, Inc. -- \$4,500.

To enable this organization to contract with a museum professional and historical architect to help volunteers develop exhibits and marketing materials. The architect will also prepare a report to secure funding for renovating the Yucca Theatre in Hysham.

- Ft. Benton -- #513 Montana Agricultural Center and Museum -- \$2,000.

To support the development of a series of exhibits to interpret the ecology of agriculture on the Northern Plains; specifically weather, soils, water, native grasses; and weed control.

- Statewide -- Vigilante Theatre Company -- \$20,000.

To provide artistic and administrative support of this professional theatrical company that tours to 89 towns in Montana.

- Lame Deer -- Northern Cheyenne Cultural Commission -- \$15,000.

To support the publication of a book on traditional Northern Cheyenne designs and their histories from slides collected over the past two years.

- Great Falls -- Great Falls Symphony Association -- \$12,000.

To expand the GFSA's outreach to rural communities by establishing a woodwind quintet, the Chinook Winds. This will augment the existing Cascade String Quartet that will also develop a new program to offer a multi-cultural view of different music in the world.

- Glendive -- Dawson County Arts Unlimited -- \$5,000.

To provide operational support for this emerging art center and gallery in this isolated Eastern Montana community.

- Philipsburg -- Granite County Museum & Cultural Center -- \$8,000.

To support the operational costs of this newly renovated museum and cultural center. A curator will also be hired to oversee acquisitions, plan exhibits, catalogue historic data, coordinate educational programs and manage the facility.

- Garnet -- Garnet Preservation Association -- \$9,000.

To support the stabilization and restoration of three structures in the Garnet Ghost Town: the Mountain View Mine/Mill, the Honeymoon Cabin and the Magone House.

- Lincoln -- Upper Blackfoot Valley Historical Society -- \$3,000.

To provide support for moving and restoring buildings to serve as a historical museum in Lincoln that will display already donated old mining and ranching equipment and memorabilia.

MONTANA CULTURAL TRUST

Cultural and Aesthetic Projects Advisory Committee

DATE 12/6/93

HB 45

December 6, 1993
PO Box 1343
Chinook, MT 59523

Representative Bob Gilbert, Chairman
House Taxation Committee
Montana Legislature
State Capitol
Helena, MT 59620

RE: MONTANA CULTURAL TRUST

Dear Representative Gilbert:

It is my understanding that the House Taxation Committee is hearing testimony this morning on a bill that will eliminate the Montana Cultural Trust. The purpose of this action is to fund the proposed property tax rebate. I also understand that the State will continue the Cultural and Aesthetic Grant Program, which is currently funded by interest earnings from the Cultural Trust, by earmarking revenue from the coal tax. I strongly oppose the proposed elimination of the Trust. Because I am unable to attend the hearing, I have asked Arnie Fishbaugh, Director of the Montana Arts Council, to read this letter in the hope that you will consider my comments.

Before stating my reasons for opposing the elimination of the Cultural Trust, allow me to give you and the members of the Committee some background on myself and my experience with the Cultural and Aesthetic Program. I am graduate of the University of Montana, having received a B.A. in 1969 and a M.A. in 1971. After completing active duty in the Army and spending time in the Peace Corps, I returned to Montana in 1975. Currently, I hold the position of Executive Director of the private, nonprofit Bear Paw Development Corporation, which is based in Havre and serves Hill, Blaine and Liberty Counties as well as the Ft. Belknap and Rocky Boy Indian Reservations. Our organization provides technical assistance to local governments and the private sector, including community development planning, economic development, housing rehabilitation, and home ownership.

In 1984, the Montana Historical Society appointed me to the Cultural and Aesthetic Advisory Committee. I have served on this Committee for almost ten years and currently hold the position of Chairman. It has been a privilege to participate in the process of making recommendations to the Legislature regarding the Cultural and Aesthetic Grant Program. Last year, we received 129 applications and recommended funding for approximately 90 projects. We constantly strive to recommend projects that provide geographic balance, cultural diversity, and that meet high standards for quality. This experience leads me to make to the following observations:

December 6, 1993
Representative Bob Gilbert
Page Two

1. Montana's Cultural and Aesthetic Grant Program is very important to the state, both in terms of cultural development and the quality of life we all enjoy as citizens of Montana.
2. The Cultural Trust is unique in the nation. Montana's general fund support for the arts is very low in comparison to most other states, but the Cultural and Aesthetic Grant Program compensates for this low level of financial support. Cultural and arts organizations, both professional and volunteer, serve this state in many ways. County museums, performing arts groups, local historical societies, and art centers are some examples of the type of organizations that have received grants from the Cultural Trust. Many of these organizations struggle to survive and money from the Cultural Trust has often made the difference between success and failure.
3. The grant program supported by the Cultural Trust is also an economic development resource. Montana's many cultural and arts organizations provide important employment to hundreds of residents.
4. Elimination of the Cultural Trust will jeopardize the future of the Cultural and Aesthetic Grant Program. No matter how strong the assurances, earmarked revenue can be eliminated much easier than the Cultural Trust. In essence, the Trust is a long-term commitment by the state to support the cultural and artistic life of Montana.
5. The Cultural Trust has helped support activities and projects all over Montana. Both rural and urban residents have benefitted. By eliminating the Trust, the Legislature will jeopardize the survival of the Cultural and Aesthetic Grant Program. With fewer resources available to draw from, rural Montanans stand to lose the most if this happens.

We all know that the State of Montana faces tough financial problems. But, eliminating the Trust provides only a one-time source of revenue. Once gone, the Trust will never be restored. Earmarked revenue can always be "de-earmarked," but the Cultural Trust represents a sincere commitment by the state that should be honored despite the temptations of the moment. This much is clear: The benefits of maintaining the Cultural Trust far outweigh the temporary gains created by eliminating the Trust. Thank you for listening to my comments.

Sincerely,


Richard C. King

House Bill 29 Amendments
Introduced Version
Department of Revenue

Explanation

The first amendment amends the title to reflect the changes in the bill as a result of the amendments.

The second amendment adds a statement of intent since the Department will need to adopt rules in order to implement this legislation.

The third amendment extends the rebate from just residential property to all of the property in class four. It also clarifies that farmsteads in what was formerly class 11 will receive a rebate based on the current class four taxable percentage.

The fourth amendment clarifies what is meant by a "property" in the bill.

The fifth amendment clarifies the calculation of the taxes which are subject to rebate.

The sixth amendment provides that the taxpayer is not entitled to a rebate unless it exceeds \$25 for residential property and \$50 for commercial property and that the rebate can not exceed \$200 for residential or commercial property.

The seventh amendment clarifies that all of class four property is entitled to a rebate.

The eighth amendment provides that the rebate will be by check for the November, 1993 property tax payment and by refundable credit for the May, 1994 payment, November, 1994 payment and May, 1995 payment.

The ninth amendment clarifies that the first payment for the 1993 tax year is by check and the other three payments are by refundable credit.

The tenth amendment adds a new section on the tax credit to be codified with the individual income tax and corporation tax provisions. It provides the necessary details for how the credit will operate.

The eleventh amendment provides codification instruction to include section 2 in both the income and corporation tax chapters.

The twelfth amendment adds an applicability section to provide that the bill only provides rebates for the 1993 and 1994 property tax years.

1. Title, Line 6
Following: "FOUR"
Strike: "RESIDENTIAL"
Line 7
Following: "rebate;"
Insert: "PROVIDING FOR PAYMENT OF REBATES THROUGH
STATE WARRANTS AND CREDITS AGAINST INDIVIDUAL INCOME
TAXES AND CORPORATION FRANCHISE TAXES; PROVIDING AN
APPLICABILITY DATE;"
2. Page 1, Line 10
Following: Line 9
Insert: Statement of Intent The Department of Revenue will be
required to adopt administrative rules to implement this legislation. The
rules will need to address issues concerning ownership of property,
calculation of the rebate, application to particular properties, department
certification of the rebate amount during the first rebate year, tax return
requirements in order to claim the rebate and other administrative issues.
3. Page 1, Line 16
Following: "four"
Strike: "residential"
Following: "1992"
Insert: "The rebate for property described in 15-6-134(1)(e) shall be
calculated as if the taxable percentage for the 1993 tax year was the same
as the taxable percentage for this property in the 1994 tax year."
4. Page 1, Line 19
Following: "property"
Insert: "for which a separate geocode exists"
5. Page 1, Lines 20, 22, 23, and 25
Page 2, Line 5
Following: "amount of"
Insert: "tax assessed by"
Following: "mill levies"
Strike: "assessed"
6. Page 2, Line 6

Following: "10%,"

Insert: "and exceeds \$25 for residential property and \$50 for commercial property,"

Line: 7

Following: "the amount"

Strike: "equal to the amount in"

Insert: "of the"

Following: "excess"

Strike: "of 10% "

Insert: "The amount of the rebate may not exceed \$200 for any property with a separate geocode."

7. Page 2, Line 8

Following: "four"

Strike: "residential"

8. Page 2, Line 12

Following: "The"

Strike: "department shall provide for two rebate periods according to the payment dates of property taxes."

Insert: "rebate shall be by state warrant for the November, 1993 property tax payment and by refundable tax credit as provided in [section 2] for the May, 1994 payment, November, 1994 payment and the May, 1995 payment."

(5) In order to rebate the November, 1993 property tax payment in calendar year 1994, the department shall calculate the amount of the entire rebate as provided in (3) and provide for one rebate payment of half of the calculated amount."

Line, 15

Following: "rebate"

Strike: "," through "rebate" on Line 18

RENUMBER SUBSEQUENT SUBSECTIONS

9. Page 3, Line 6

Following: "shall"

Insert: "calculate the rebate as provided in (3), and"

Line 7

Following: "taxpayers"

Insert: "in 1994 for the first half of the 1993 property tax year"

payment and grant refundable credits for the second half 1993 tax year payment and the 1994 tax year payments for eligible properties as provided in [section 2]

10. Page 3, Line 8

Insert: NEW SECTION. Section 2. Credit for Property Tax Rebates. (1) Taxpayers who are entitled to a rebate of property taxes pursuant to [section 1] and which are due in May of 1994, November of 1994 and May of 1995 are entitled to a credit against taxes imposed by this chapter. Property taxes must be paid when due in the income or franchise tax year for which the credit is claimed. However, if a taxpayer paid all of the 1993 tax year property taxes in calendar year 1993, one half of the 1993 tax year property taxes may be claimed in the succeeding tax year.

(2) If the amount of the credit is greater than the taxpayer's liability, the amount of unused credit shall be refunded by state warrant or the taxpayer may elect to carry the unused credit forward to subsequent tax years.

(3) If the property eligible for the credit in (1) is owned by a partnership, limited liability company as defined in 35-8-102(12) or a small business corporation as described in 15-31-201, the credit shall be refunded by state warrant to the entity paying the tax.

(4) No interest will be paid on credits or refunds including any credits which are carried forward.

(5) The rebates provided for in [section 1], whether paid by state warrant or by credit is not taxable income to the recipient.

RENUMBER SUBSEQUENT SECTIONS

11. Page 3, Line 11

Following: "[section 1]."

Insert: "[Section 2] is intended to be codified as two separate sections as integral parts of both Chapter 30 and Chapter 31 of Title 15 and the provisions of Title 15, Chapters 30 and 31, apply to [section 2]."

12. Page 3, Line 12

Following: Line 11

Insert: "NEW SECTION. Section 4. Applicability Date. [This act] applies to property tax years 1993, and 1994.

RENUMBER SUBSEQUENT SECTION

Impact of Modifications to Governor's Rebate Proposal

Description of Proposal

- Applies to all Class 4 and Class 11 property
- Rebates calculated using a 3.86% taxable valuation rate for Class 11 farmstead property
- Commercial caps: Minimum \$50; Maximum \$200
- Residential and farmstead caps: Minimum \$25; Maximum \$200
- Rebates associated with the the November, 1993 and May, 1994 property tax payments will be paid by the state directly through rebate checks. Rebates for the November, 1994 tax payment will be allowed as a credit on April, 1995 income tax returns. Rebates for the May, 1995 tax payment will be allowed as a credit on April, 1996 income tax returns. This results in one and one-half full payments of the total rebate amount in the current biennium, and one-half of the total annual rebate amount in fiscal year 1996.

Biennial Revenue Impact

Rebate amount for Class 4 residential property	\$ 7,907,695
Rebate amount for Class 11 farmsteads	813,315
Rebate amount for Class 4 commercial property	<u>608,711</u>
Total Annual Rebate	\$ 9,329,721

Impact on Current Biennium: \$ 13,994,582

Impact in Fiscal Year 1996: \$ 4,664,860

Impact of Capping 1993 Increase in Class 4 Property Tax Liability at 10%
\$25/\$200 Min/Max for Residential : \$50/\$200 Min/Max for Commercial

County	Residential	Farmsteads	Commercial	Total
Beaverhead	125,935	25,420	8,927	160,282
Big Horn	10,210	6,840	3,785	20,835
Blaine	34,510	7,205	1,257	42,972
Broadwater	45,910	10,005	3,855	59,770
Carbon	375	5,935	8,152	14,462
Carter	1,990	4,420	508	6,918
Cascade	382,175	35,760	43,892	461,827
Chouteau	22,440	4,735	2,873	30,048
Custer	113,005	14,370	5,810	133,185
Daniels	5,485	1,710	1,213	8,408
Dawson	37,550	4,185	3,280	45,015
Deer Lodge	168,320	3,585	3,767	175,672
Fallon	20,115	15,510	3,509	39,134
Fergus	49,880	4,810	3,956	58,646
Flathead	954,105	69,260	53,946	1,077,311
Gallatin	446,595	33,870	25,154	505,619
Garfield	590	1,065	781	2,436
Glacier	114,050	7,290	19,936	141,276
Golden Valley	0	2,420	88	2,508
Granite	88,570	8,695	3,045	100,310
Hill	175,690	20,525	5,867	202,082
Jefferson	156,925	12,150	7,595	176,670
Judith Basin	13,790	3,125	5,380	22,295
Lake	296,130	75,705	15,189	387,024
Lewis And Clark	522,010	9,020	14,880	545,910
Liberty	7,870	2,670	4,378	14,918
Lincoln	268,835	12,725	5,755	287,315
Madison	48,305	15,445	3,412	67,162
McCone	5,945	1,755	1,516	9,216
Meagher	39,930	4,715	5,646	50,291
Mineral	65,725	19,585	2,564	87,874
Missoula	676,285	30,775	80,410	787,470
Musselshell	10,465	3,760	7,817	22,042
Park	159,360	22,560	11,138	193,058
Petroleum	835	460	406	1,701
Phillips	45,305	15,180	5,613	66,098
Pondera	37,905	1,270	2,426	41,601
Powder River	7,045	11,270	458	18,773
Powell	58,950	4,175	2,669	65,794
Prairie	6,290	2,290	2,808	11,388
Ravalli	359,700	81,035	20,068	460,803
Richland	146,195	26,415	9,460	182,070
Roosevelt	61,995	15,585	5,344	82,924
Rosebud	24,785	8,190	13,719	46,694
Sanders	90,225	50,035	6,081	146,341
Sheridan	14,050	4,990	1,356	20,396
Silver Bow	412,805	4,120	31,396	448,321
Stillwater	82,360	19,385	8,005	109,750
Sweet Grass	5,940	1,135	3,354	10,429
Teton	20,600	1,460	1,272	23,332
Toole	48,755	1,880	3,341	53,976
Treasure	11,520	0	1,321	12,841
Valley	23,745	8,115	3,170	35,030
Wheatland	3,905	1,570	1,329	6,804
Wibaux	560	185	1,727	2,472
Yellowstone	1,375,150	52,965	114,107	1,542,222
TOTAL	7,907,695	813,315	608,711	9,329,721

Comparison of Class 4 Rebate and HB 20 Reimbursement Reduction

12-6-93
HB 20

County	Class 4 Rebate to Taxpayers	HB 20 Reimbursement Reduction to	
		Local Governments	Combined Impact
Beaverhead	160,282	(59,393)	100,889
Big Horn	20,835	(78,465)	(57,630)
Blaine	42,972	0	42,972
Broadwater	59,770	0	59,770
Carbon	14,462	(46,722)	(32,260)
Carter	6,918	0	6,918
Cascade	461,827	(332,446)	129,382
Chouteau	30,048	0	30,048
Custer	133,185	(74,416)	58,769
Daniels	8,408	0	8,408
Dawson	45,015	0	45,015
Deer Lodge	175,672	(23,965)	151,707
Fallon	39,134	(4,134)	35,000
Fergus	58,646	0	58,646
Flathead	1,077,311	(398,299)	679,013
Gallatin	505,619	(287,755)	217,864
Garfield	2,436	0	2,436
Glacier	141,276	0	141,276
Golden Valley	2,508	0	2,508
Granite	100,310	(25,655)	74,655
Hill	202,082	(34,565)	167,517
Jefferson	176,670	(74,509)	102,161
Judith Basin	22,295	0	22,295
Lake	387,024	(68,206)	318,819
Lewis And Clark	545,910	(262,779)	283,131
Liberty	14,918	0	14,918
Lincoln	287,315	(51,795)	235,520
Madison	67,162	(39,744)	27,418
McCone	9,216	0	9,216
Meagher	50,291	(11,209)	39,082
Mineral	87,874	(36,569)	51,305
Missoula	787,470	(762,226)	25,244
Musselshell	22,042	0	22,042
Park	193,058	(62,936)	130,122
Petroleum	1,701	(1,881)	(180)
Phillips	66,098	(2,752)	63,346
Pondera	41,601	0	41,601
Powder River	18,773	0	18,773
Powell	65,794	(39,551)	26,243
Prairie	11,388	0	11,388
Ravalli	460,803	(71,955)	388,848
Richland	182,070	(56,988)	125,082
Roosevelt	82,924	0	82,924
Rosebud	46,694	0	46,694
Sanders	146,341	(40,907)	105,434
Sheridan	20,396	0	20,396
Silver Bow	448,321	(312,950)	135,371
Stillwater	109,750	(72,947)	36,803
Sweet Grass	10,429	0	10,429
Teton	23,332	0	23,332
Toole	53,976	0	53,976
Treasure	12,841	0	12,841
Valley	35,030	(76,898)	(41,868)
Wheatland	6,804	0	6,804
Wibaux	2,472	(5,978)	(3,506)
Yellowstone	1,542,222	(913,325)	628,897
TOTAL	9,329,721	(4,331,922)	4,997,799

Amendments to House Bill No. 29
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
December 6, 1993

1. Title, line 6.
Strike: "RESIDENTIAL"

2. Title, line 7.
Following: "REBATE;"
Insert: "PROVIDING FOR PAYMENT OF REBATES THROUGH STATE WARRANTS
AND CREDITS AGAINST INDIVIDUAL INCOME TAXES AND CORPORATION
LICENSE OR INCOME TAXES;"

3. Title, line 8.
Following: "DATE"
Insert: "AND AN APPLICABILITY DATE"

4. Page 1.
Following: line 9
Insert: " Statement of Intent

The department of revenue is required to adopt administrative rules to implement this legislation. The rules will need to address issues concerning ownership of property, calculation of the rebate, application of the rebate to particular properties, department calculation of the rebate amount during the first rebate year, tax retire requirements in order to claim the rebate, and other administrative issues."

5. Page 1, line 15.
Strike: "nonvoted"
Following: "millage"
Insert: "not imposed by a vote of the electorate"

6. Page 1, line 16.
Strike: "residential"
Following: "1992."
Insert: "The rebate for property described in 15-6-134(1)(e) must be calculated as if the taxable percentage for the 1993 tax year were the same as the taxable percentage for this property in the 1994 tax year."

7. Page 1, line 19.
Following: "property"
Insert: "for which a separate geocode exists"

8. Page 1, lines 20, 22, 23, and 25.
Page 2, line 5.
Following: "amount of"
Insert: "tax assessed by"
Following: "mill levies"

Strike: "assessed"

9. Page 2, line 1.

Strike: "voted"

Following: "imposed"

Insert: "pursuant to a vote of the electorate"

10. Page 2, line 6.

Following: "10%"

Insert: "and exceeds \$25 for residential property and \$50 for commercial property"

11. Page 2, line 7.

Strike: "equal to the amount in"

Insert: "of the"

Strike: "of 10%"

Following: "."

Insert: "The amount of the rebate may not exceed \$200 for any property with a separate geocode."

12. Page 2, line 8.

Strike: "residential"

13. Page 2, lines 12 and 13.

Strike: "department" on line 12 through "taxes" on line 13

Insert: "rebate must be by state warrant for the November 1993 property tax payment and by refundable tax credit, as provided in [section 2], for the May 1994 payment, the November 1994 payment, and the May 1995 payment."

(5) In order to rebate the November 1993 property tax payment in calendar year 1994, the department shall calculate the amount of the entire rebate, as provided in subsection (3), and provide for one rebate payment of one-half of the calculated amount."

Renumber: subsequent sections

14. Page 2, lines 15 through 18.

Following: "rebate" on line 15

Strike: ", " on line 15 through "rebate" on line 18

15. Page 3, line 6.

Following: "shall"

Insert: ": (a) calculate the rebate as provided in subsection (3); (b) "

16. Page 3, line 7.

Following: "taxpayers"

Insert: "in 1994 for the first one-half of the 1993 property tax year payment and grant refundable credits for the second one-half of the 1993 tax year payment; and

(c) grant the 1994 tax year payments for eligible properties as provided in [section 2]"

17. Page 3.

Following: line 7

Insert: **"NEW SECTION. Section 2. Credit for property tax rebates.**

(1) Taxpayers who are entitled to a rebate of property taxes pursuant to [section 1] that are due in May 1994, November 1994, and May 1995 are entitled to a credit against taxes imposed by this chapter. Property taxes must be paid when due in the license or income tax year for which the credit is claimed. However, if a taxpayer paid all of the 1993 tax year property taxes in calendar year 1993, one-half of the 1993 tax year property taxes may be claimed in the succeeding tax year.

(2) If the amount of the credit is greater than the taxpayer's liability, the amount of unused credit must be refunded by state warrant or the taxpayer may elect to carry the unused credit forward to subsequent tax years.

(3) If the property eligible for the credit in subsection (1) is owned by a partnership, limited liability company as defined in 35-8-102, or a small business corporation as described in 15-31-201, the credit must be refunded by state warrant to the entity paying the tax.

(4) Interest may not be paid on credits or refunds, including any credits that are carried forward.

(5) The rebates provided for in [section 1], whether paid by state warrant or by credit, are not taxable income of the recipient."

Renumber: subsequent sections

18. Page 3, line 8.

Following: "instruction."

Insert: "(1)"

19. Page 3.

Following: line 11

Insert: "(2) [Section 2] is intended to be codified as an integral part of Title 15, chapters 30 and 31, and the provisions of Title 15, chapters 30 and 31, apply to [section 2].

NEW SECTION. Section 4. Applicability. [This act] applies to property tax years 1993 and 1994."

Renumber: subsequent section

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Madison COMMITTEE HB 36
HB 37
 DATE 12/6/93 SPONSOR(S) PETERSON MOLNAR FOSTER BILL NO. HB 45

PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Leonard Wortman ^{Box H 3041dA}	Jefferson County	45	X	
Ally Light ^{Thompson 74112}				
Patrick E. McKelvey ^{STAB 1209 5th Avenue}	State Tax Appeal Bd	36		✓
Carleen Rayne	Montana Arts Council	45	X	
Allyson Ishoy	" " "	45	X	
Paul Stahl	Cultural Advocacy	45	X	
Lois Vermorel	Cultural Advocacy	45	X	
Cheryl Konath	Blue Art Center	45	X	
Rene Clark	MT Assoc Realtors	37 45	X	
Rich Hill	Gov Office			✓
Lynn Mavencamp	Gardiner School			
Michelle Kerns	Gardiner School Board			
John Egan	Sweet Grass County High			

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HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

TAXATION COMMITTEE BILL NO. HB 45
 DATE 12-6-93 SPONSOR(S) FOSTER

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
DOLORES COLBURG 542 E. 6th, Helena	Myself	45	X	
DAVE ANDERSON	Jefferson Co.	45	X	
Gordon Morris	MACO	45	X	
Bernie Nelson 1116 Thon Valley Rd. Killedine MT. 59105	Myself	45	X	
Gayle Crane	Arlee Schools	45	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.