

MINUTES

MONTANA SENATE 53rd LEGISLATURE - SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Halligan, Chair, on December 6, 1993,
at 8:16 a.m.

ROLL CALL

Members Present:

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

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Beth Satre, Committee Secretary

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

Committee Business Summary:

Hearing: SB 17, SB 20
Executive Action: None.

HEARING ON SENATE BILLS 17 AND 20

Opening Statement by Sponsor of SB 17:

Senator Crippen stated SB 17 was a constitutional amendment which had been submitted at the Governor's request. He explained SB 17 would give the electorate the opportunity to amend Montana's Constitution to allow legislators the flexibility to design a property tax system which would both withstand constitutional scrutiny and also meet the needs of both taxpayers and tax users. According to **Senator Crippen**, SB 17 would allow the Legislature to change the way property is valued for tax purposes from the appraisal system based on comparable sales to an objective and

more efficient system based upon purchase price. He emphasized that, subject to some major constitutional restraints, SB 17 would also allow any other type of system the Legislature might enact. **Senator Crippen** pointed out that SB 17 would strike the words "appraise, assess, and equalize the valuation" and "taxed in the manner" from the Constitution and replace those with the language "value all property for property tax purposes. The value of property may be based on acquisition value if provided by law". He explained that these changes would allow the Legislature the specific authority to use acquisition value.

Citing Department of Revenue (DOR) figures, **Senator Crippen** said that in the 1993 property tax bills the values of over 48 percent of residential property in Montana increased by more than 10 percent. He stated the State's most vulnerable citizens, those who are either elderly or on fixed incomes, faced unexpected large increases in property taxes through no action of their own. He added that as a result many people were in jeopardy of having to sell their home in order to alleviate the problems associated with the increase in property taxes. **Senator Crippen** stated that two primary factors contributed to the large increase in property taxes: reappraisals and higher school mill levies, he noted that SB 17 addressed the former.

Senator Crippen explained that the 1993 tax bills reflected the first statewide reappraisals since 1986 and that considerable economic changes occurred within the state depending upon local during that interim. He stated in the early 1980s the same phenomenon had occurred and the Legislature had tried to respond by reducing the tax rate for class four properties from 8.55 to 3.6 percent. He also noted that the Legislature had also tried to respond to inflated property values which resulted in some areas when the bottom dropped out of the oil market by adjusting values between appraisal cycles through different artificial means. He stated the Supreme Court ruled that those artificial methods were unconstitutional because the Supreme Court seemingly equated the term "equalization" as mentioned in the Constitution to the concept of "market value". **Senator Crippen** said SB 17 would eliminate the equalization requirement from the constitution and allow the Legislature to use the acquisition method of valuation that SB 20 would establish.

Senator Crippen admitted he had concerns about putting the acquisition value provision into the Constitution because his opinion was that the Constitution should grant the legislators the flexibility to design laws. He said that the restrictive powers of the Constitution were necessary and should reside in certain areas, specifically in the due process clause which protects the individual. He asserted that SB 17 would retain that protection for the Montana taxpayer. In support of his assertion, **Senator Crippen** cited the US Supreme Court ruling which held that acquisition value does not violate any of the due process clauses of the US Constitution. He noted that case dealt directly with California's Proposition 13. **Senator Crippen**

noted, however, he could not support a constitutional amendment similar to Proposition 13 because it "made a mess" of California's governmental system. **Senator Crippen** mentioned the public's overwhelming defeat of the sales tax and the suspension of HB 671 to support his claim that Montana's representative form of government is on trial. He admitted that the reason the public had responded so negatively to legislative actions was partly due to legislative folly. He added, however, that the primary reason was the Legislature's inability to respond to the problems of a rapidly expanding and contracting economic society. According to **Senator Crippen** SB 17 represented a start; it deals directly with the constitutional not the statutory issues and would allow, not require the Legislature to adopt acquisition values.

Chair Halligan granted **Governor Marc Racicot** permission to address the Committee on behalf of SB 20.

Proponents' Testimony on SB 20:

Governor Racicot informed the Committee that he would not address the property tax rebate proposal but emphasized that the rebates were inextricably tied to SB 20. He stated his administration had adopted the approach contained in SB 20 as a response to the explosive increases in property taxes in this tax year. He indicated that the origins of that increase could be traced to a number of different causes and effects that varied in different areas of Montana. He read four comments illustrating the significant impact those increases had on homeowners and then submitted an entire stack of letters to the record (Exhibit #1-#28).

Governor Racicot explained that his administration had developed the policy contained in SB 20 after a lengthy process which started with the creation of the Governor's Property Tax Advisory Council (PTAC) and continued with the review of the PTAC's report. He said that the PTAC recommendations were "well thought-out proposals" but, in his opinion, "needed to go farther". He stated the current property tax system was fair as far as its design, but revealed a number of frailties in its application. He said the system is a difficult one to apply and has gotten more complex since it was first devised: every appraisal takes four years to complete, costs \$20 million, and requires human subjectivity to determine the appraised value. **Governor Racicot** stated that those complexities as well as the additional dynamics comprise a property tax system which does not secure as much of the confidence of the people it serves as would the system his administration is proposing.

Governor Racicot said the administration's proposal would rely upon the market to establish property values, a concept which he argued was "totally and completely familiar" to everyone. He stated then property values could not be subject to the outside influences that can currently drive property tax rates up for

long-time residents. He noted also that the administration's proposal cost about \$20 million less and would not take as long to implement as the current appraisal method. He admitted that the proposal was not perfect in every detail and said that it would not achieve absolute and perfect equality. He stated, however, that, when either system or a combination of the two is considered, a determination needed to be made as to what kind and what form of equality Montana wants and can afford. According to **Governor Racicot**, it is necessary to choose the form of equality which would most capably address the needs and expectations of the people it serves. He noted that neither of the two property tax proposals could achieve total and complete equality under every circumstance, and informed the Committee that the administration had made its decision to back acquisition value as a result of the "tie-breakers": the cost, the time involved, and the people placed in vulnerable circumstances as a result of actions that are not their own. Referring to some statistics provided by DOR (Exhibit #29), **Governor Racicot** said that if acquisition value had been in place since 1986, 48 out of 56 local taxing jurisdictions would have had broader tax bases than they do currently. He explained one reason for the broader tax base would be the ability under acquisition value to immediately add new construction to the tax rolls.

Governor Racicot noted that not all of the "glaring defects" of the current property tax system had been litigated and added that the current increases might cause more people to go to court. He also reminded the Committee that litigation continues on every tax appraisal the State has undertaken. **Governor Racicot** indicated his and his administration's willingness to consider and discuss possible approaches to the topic of property tax reform for Montana.

Opening Statement by Sponsor of SB 20:

Senator Harp, Senate District 4, said SB 20 would establish a property tax system based on acquisition values in Montana. He emphasized that such a structural change would be meritorious for many elements of Montana's society: taxpayers, local governments, schools, special interests groups, and the Legislature. He also noted that the average taxpayer in Montana perceived such a system as one which would no longer allow huge increases because of reappraisals, would save millions of dollars, would provide taxpayers with predictability, and allay residents' fears that new buyers might drive up property values and displace Montanans from their homes and state. **Senator Harp** admitted that he "could not swear" that the increases in property tax were actually forcing people out of their homes. He stated, however, that the increases were definitely changing the lifestyles of those people on fixed incomes and forcing them to make different decisions about how they were going to allocate their money. According to **Senator Harp**, the proposal in SB 20 would eliminate the uncertainty and the "sticker shock" associated with the current tax appraisal system.

Senator Harp said the package in SB 20 would also benefit property tax users, primarily local governments and school districts; acquisition valuations would provide those entities with a steady and predictable flow of income. That was the case, he argued, in California after the property tax system was changed in 1978. He referred to DOR's analysis that **Governor Racicot** had mentioned (Exhibit #29) and stated that the fears that local government would be hurt were invalid. He also referred to the comments made during the hearing on Senate Bills 25, 26, and 27 that Proposition 13 had "caused great anguish" in California. **Senator Harp** responded to those comments by saying that the property tax base under acquisition value continues to make modest increases in spite of the fact that California had been experiencing a severe economic downturn because of the decline in the defense industry. He noted that in 1992, one of the most severe years of California's economic recession, property tax revenues grew by 7.9 percent.

Senator Harp said it was difficult for local budget planners to predict and budget for possible refunds that resulted from the Montana Supreme Court decisions ruling the 1990 and 1991 reappraisals unconstitutional. Citing California's experience with appraisal value, **Senator Harp** informed the Committee that assessments themselves act as a natural reservoir keeping reserves in place until the time when a property is sold or transferred. He said at that time those reservoirs go to local governments in a more predictable and steady manner than would be the case if California still had the *ad valorem* tax. He mentioned the fact that property is sold or transferred on the average of every seven years. He suggested that the acquisition value of taxing property is very progressive in nature since those who can afford to buy a house pay more; according to a California study, low and middle income taxpayers in California pay less property tax than they would under the *ad valorem* tax. He compared that study to Montana where, **Senator Harp** argued, property taxes are not based on the ability to pay.

Senator Harp stated the Committee's December 4, 1993 meeting made it clear that both Republicans and Democrats wanted to solve this problem. He reminded committee members that there were groups who did not want the Legislature to productively respond, groups who would prefer that the Legislature turn the "keys" over them. **Senator Harp** stated that, unlike the Legislature, those groups had no experience with the actual mechanics of government. He added that the process of an initiative government "would create total chaos". He expressed the belief that there was a desire within the Committee and the Senate to reach a bipartisan solution. He stated he looked forward to working toward that solution and added that the Legislature could not afford to pass up the chance that the special session presented.

Proponents:

Mick Robinson, Director, DOR, supplied the Committee with some

technical amendments for SB 20 (Exhibit #30). He then addressed the comparative analysis of property tax base under the current reappraisal system and the acquisition values DOR had calculated and both **Governor Racicot** and **Senator Harp** and mentioned (Exhibit #2). He explained that an assumption of a two percent average inflation figure had been built into the calculations on acquisition value since DOR did not have all of the sales activity from 1986-1992. He stated the eight counties with the highest tax base under the acquisition value would most likely have had higher taxable values than the analysis showed because the average change would have likely resulted in values greater than two percent.

Mr. Robinson addressed the mechanics of SB 20. He noted that the administration of the property tax system SB 20 would institute would be based on the acquisition value of that particular piece of property. He said there were a number of safeguards built into SB 20 to ensure that sales and transfers reflect the legitimate value connected with the properties sold or transferred. He explained that SB 20 made provision for DOR to monitor the reasonableness of the price at which a property is transferred or sold and retained DOR's authority to appraise in instances when transactions do not appear to be "arms-length". He stated that SB 20 would allow property transfers between spouses and from parents who have lived in a property to their children to occur without raising the taxable value of that property. He informed the Committee that new construction would be added on the tax rolls at appraised market value. **Mr. Robinson** stated that SB 20 also had language allowing property owners to document any significant decline in their property value and receive a commensurate break on their property taxes. He noted such documentation might be an appraisal by an independent appraiser.

Mick Robinson explained the amendments that he had distributed were primarily technical in nature (Exhibit #30). He noted that the only possible substantive change would be the language providing an exception to I-105 which would allow acquisition values to increase the taxable value for a local jurisdiction. Without that exception, **Mr. Robinson** explained, I-105 would probably not allow the taxable value to increase except through the reappraisal process. He noted that the exception was similar to the ones currently accorded to new construction being added to the tax rolls or to increases in taxable value as a result of an acquisition.

Senator Mesaros, Senate District 25, said it was the duty of the Legislature to address, reconsider and improve upon the reassessment process. He stated that, unlike the present system which has proven that it is flawed, the proposal in SB 20 is fair, simple, straightforward, immediate, would save the state millions of dollars in administrative costs, and take "all the interpretation" out of the system. He explained that under the current system equalization does not equate to fairness and does

not take into consideration the homeowner's ability to pay.

According to **Senator Mesaros**, the property tax issue was not an east-west but a Montana issue. He stated that in Cascade County currently 1115 protests had been filed in the amount of \$249,000. In comparison he said, the previous year 125 protest were filed amounting to \$80,000, and in 1986, 320 protests amounting to \$160,000. He passed out a cartoon from the *Great Falls Tribune* which he stated accurately reflected the message from taxpayers all over the state (Exhibit #31). He expressed his hope that the Committee would seriously consider the approach contained in SB 20.

Dennis Burr, Montana Taxpayers Association (MTA), stated that Senate Bills 17 and 20 represented a fundamental change in the way "Montana thinks about property taxation". He noted that he had long questioned the fairness of the concept behind California's Proposition 13. He said after reevaluating Montana's current system, however, he now believed that the Committee should seriously consider a property tax system based on acquisition value. He agreed with **Senator Towe** that taxpayers like the concept of market value assessments until they receive them, then they no longer like them. **Mr. Burr** compared the current situation in Montana to the situation present in California in 1978 when Proposition 13 was adopted. He said taxpayers in California had gone through rapid inflation in residential home values, periodic re-evaluations of property values had resulted in huge increases every few years in property assessments, and there were some scandals involving California assessors.

Mr. Burr said the assumption had always been that market value was an equivalent to wealth and measured a property owner's ability to pay. He stated that there were now enough exceptions to make that rule no longer universally true. He also noted that only the values of those properties that are over-appraised tend to get corrected through the appeal process, even though many properties are under-appraised. He noted that he was not sure that Montana's current system had ever worked very well, adding that in California people have decided that predictability is more important than the concept of those two neighbors paying the same tax on the same type of house. He reiterated **Senator Harp's** argument that local governments in California have a more stable tax base than they had under the market value approach and said that in California tax bases had increased close to ten percent per year through the 1980s. He noted that Montana had never seen those kind of average increases outside of the occasional lurch from reappraisal.

Dennis Burr explained the chaos in California was created by the provision in Proposition 13 limiting property tax to one percent of the value of the property. He noted that provision cut the property tax revenue collected in the state by two-thirds, amounting to a \$5 billion blow to local governments. He assured

the Committee that neither SB 17 nor SB 20 contained any provision that "really" limited the tax; SB 20 would limit the valuation of the property until it was sold or transferred. He noted that property tax in Montana was currently averaging about 1.5 percent of property value. **Mr. Burr** encouraged the Committee to look seriously at passing Senate Bills 17 and 20. He expressed his opinion that if the Legislature did not enact such legislation, some group would put a Proposition 13 on the ballot next November which would be much more restrictive to government and might well pass. He stated he would like to see taxpayers have a predictable property tax system without having any of the extra harm that might come from something more restrictive.

John Schroder said that he lived in Cascade County in the Missouri River Canyon and that the property taxes on his home had increased by 25 percent in the current tax year. He said that his taxes went up \$1267 or 126 percent the previous year and noted it had taken a lot of his personal time and effort to get them reduced. He said that since the real estate market in Great Falls and the Missouri River Canyon are currently very strong, property taxes in those areas would probably continue to climb. He stated, however, that people cannot always afford to pay higher taxes on their homes, since family income does not always keep pace; family size might increase or people might be retired on fixed incomes. **Mr. Schroder** added that when many young couples buy a home, they are stretched financially and most likely cannot afford to pay higher real estate taxes the following year. He stated that a California Proposition 13 type of tax is the only fair way to tax real property because then property value is determined by the market of buyers and sellers and buyers know the amounts of their house payment, taxes and insurance and make sure they can afford those costs.

Dick Michelotti, Cascade County Treasurer, informed the Committee that he was testifying on his own behalf. He stated that he had been a proponent of acquisition value since 1985 and was very glad that the Legislature could consider that property tax system in SB 20. He noted, however, that some elements in SB 20, like the lack of an inflation factor, might need to be corrected. Citing the same numbers of protests filed in Cascade County as **Senator Mesaros**, **Mr. Michelotti** stated the current method of appraising was not working. He noted that his estimates as Cascade County Treasurer indicated that by the time the deadline for filing protests elapsed, his office would have received between 1500 and 1600 protests in the amount of approximately \$400,000. He said it cost his office about \$15 to process a protest. He used the new appraised value on his own home as an example of how the appraisal system was ineffective and unfair. After saying that he was an inactive real estate broker as well as county treasurer, **Mr. Michelotti** stated that, because of his background, he had recognized that his re-appraisal was too high and had been able to find some comparable property listings which were valued at \$12,000-\$15,000 less by state appraisers. He

stated he, unlike many property owners, had the knowledge and the expertise to find those comparable property listings.

Mr. Michelotti noted that local governments lose money under the current system because only those property owners who feel that their properties values are too high complain, not those whose values are too low. He urged the Committee to seriously look at the basic concept contained in SB 20. He noted, however, he was uncertain whether the Legislature would have enough time to enact actual legislation during the special session.

David Owen, Montana Chamber of Commerce, stated that his board members would support anything in which the "market's sense of value" could be taken advantage of, but added that the opinions expressed at discussions he had conducted around the State which considered the concept of acquisition value was fairly split. He stated that concerns were voiced about the variable taxes of two different houses on the same block, and the possibility of "house-lock" under a property tax system using acquisition value. **Mr. Owen** defined "housetock" as a situation in which a family might want to move into a bigger, better or different house but the increase in value and property taxes might prevent them. He stated, however, that the preponderance of the people attending those meetings felt that the current system did not afford "a lot of equality in taxation" and that acquisition value would protect them from people with too much money and no sense of property value driving their taxes up.

Mr. Owen noted that he had listened very carefully to the argument presented at the Committee's hearing on Senate Bills 25, 26, and 27 that acquisition value would deter economic development by making it harder for new businesses on main street. He said that while that argument seemed reasonable, other inequities existed that were as serious. He gave as examples name-recognition and current businesses having advertising contracts that bring their rates per answer down. He stated that he did not think that argument "persuasive enough" to warrant casting acquisition value aside. He stated that the Montana Chamber of Commerce believes that SB 20 and acquisition value is worthy of discussion and worthy of support. **Mr. Owen** stated his meetings had indicated that if the Legislature wanted to restore the credibility of the legislative process, it needed to do something. He concluded that SB 20 would go a long way toward addressing that public sentiment.

Greg Van Horssen, Income Property Managers Association and Montana Landlords Association, stated, for the record, that both organizations are proponents of SB 17 and SB 20.

Opponents' Testimony:

Tom Hopgood, Montana Association of Realtors (MAR), noted that he was a little surprised that no other opponents of SB 17 and SB 20 were at the hearing to testify. He read MAR's position statement

and noted that specific to the issue of taxation the statement finds that the existing tax structure in the state of Montana inhibits rather than encourages the economic development in the state; disproportionately high property taxes serve to discourage new businesses from locating in Montana and existing businesses from expanding. He noted that MAR supports an equitable, balanced tax structure for the state of Montana and a general reduction in spending to balance state spending on services with revenues. Mr. Hopgood stated that property taxation was neither an east-west issue nor an issue of high-income versus low income people, rather an issue that affects all Montanans and realtors all across the state. He said that MAR members had carefully examined the various proposals dealing with tax reform which have come before the Legislature in this special session before electing to oppose them. He noted, however, that the issues had created as much discussion, thought and heated argument in MAR as any issue with which he had ever dealt.

Mr. Hopgood introduced Ernie Dutton who spoke at the Committee's December 4, 1993 meeting. He cautioned the Committee to be careful with the concept in SB 20 and not blindly embrace something that "has not worked" in California. He asked that the Committee remember that immutable law of unintended effect, with which he said the Committee very familiar.

Ernie Dutton, Chair, MAR Legislative Affairs Committee task force on budget and tax reform, distributed two separate charts to the Committee (Exhibits #32 and #33). He said that MAR was not advocating that this Legislature do nothing, but believed that Montana does not have a valuation crisis, that the mandate of the special session was to reduce spending and taxes, and that revaluation schemes would only create a redistribution of the current tax burden. He stated that MAR did believe that the 1992 reappraisal had provided the most accurate numbers in Montana's history. He noted he had been involved with DOR implementation of the Computer Assisted Mass Appraisal System (CAMAS) in Yellowstone County and stated CAMAS gave "great power" to Montana's property tax system and would provide even better numbers in the future. He reflected on the tremendous effort and expense necessary to centralize and make uniform a system which had been based on ledger cards and involved haphazard and different applications of the tax system around the state. Mr. Dutton stated MAR firmly encouraged the Legislature not to abandon CAMAS after it was finally in place.

Mr. Dutton expressed MAR's concern that legislators were focussing only on those people who currently feel "under the gun" because of property tax increases. He stated much of the discussion on SB 20 had centered around who would be helped by a acquisition system, not who would be hurt. He maintained adopting the concept in SB 20 would really hurt the young people in Montana who probably need the help as much or more than senior citizens. To substantiate his argument, Mr. Dutton referred to a comparison made on *60 Minutes* between a retired couple and a

young couple with two children each with a yearly income of \$30,000. He stated the retired couple were on social security, had non-taxable bonds, paid neither income tax nor health insurance costs and enjoyed income stability. The young couple, in contrast supported four instead of two people, paid about \$5500 in social security and income taxes, enjoyed less income security, and most likely had to pay for health insurance. **Mr. Dutton** emphasized that MAR was not against the elderly but also believed it could not be against the young, who are more likely to need to buy and sell homes than anyone else.

Mr. Dutton turned to the second chart which he had distributed chart which depicted and compared the tax bases under the current system in Montana and a system based on acquisition (Exhibit #33). He gave the Committee the numbers representing a four instead of a seven percent annual appreciation. Referring to the DOR numbers comparing the same thing for Montana counties, **Mr. Dutton** admitted that under a low appreciation environment like DOR's two percent, the tax base would have been little different whether acquisition or the current valuation system was in place and that acquisition value might cause a little more consistency. He argued, however, that Montana needed a tax system that worked not only in low inflation but also high inflation or deflationary environments. He noted that in a deflationary environment SB 20 would place the burden on taxpayers to get an appraisal in order to receive reductions in values instead of having it occur automatically.

Mr. Dutton also called into question DOR's assumption that the average property would turn over every seven years in Montana. He cited studies in California which showed that after 15 years 43 percent of homeowners remained in their original home, and stated those people who tend to move, tend to move and most people at the very upper end of the cycle are really carrying the tax burden. He noted that on the average commercial property tended to turn over much slower than residential property. He stated the Montana Power Company or other larger economic interests in Montana rarely move their location and their property valuations would not be adjusted upward. **Mr. Dutton** stated that the California example really only shows that California has had an incredibly high inflation rate which masks the tendency of the acquisition cost method to, in fact, reduce the tax base over time. He pointed out that if Montana does move toward a property tax system based on acquired costs, MAR and the taxpayers would want to make sure that a cap is also placed on the effective tax rate because the only way to make up reductions in the tax base is to enact higher effective tax rates, a situation which would have an even greater impact on those taxpayers carrying the most tax burden.

Mr. Dutton concluded that MAR's solution to Montana's current problems would have the Legislature look at spending and taxation but not at valuations. He noted that approach would not effect a cure, would lower the taxes of only a few, and would grant no tax

relief. He stated that MAR supported expanding the existing low income tax relief program and believed the Legislature should concentrate its efforts in that area.

Informational Testimony:

Russell C. McDonough, Member of the Revenue Finance Committee, Montana Constitutional Convention, stated that committee had drafted the wording in the section of the Constitution affected by SB 17 in order to give the Legislature the broadest type of power to solve such problems by using three basic methods of taxation: income tax; consumption, sales or excise tax; and property tax. He stated the committee members had hoped that section three would be subject only to the due process and equal protection clauses and would not in any way inhibit the Legislature in the valuation of property. He urged the Committee to look at SB 17 very carefully as to all of the ramifications of changing the wording. As an example, **Judge McDonough** cited the short phrase "in accordance with law" which he said was very specifically intended to greatly expand the power of the Legislature to by law appraise, assess and equalize in any method it deemed wise.

Judge McDonough noted that the words "assessment, assess, and equalize" were words of art as they apply to property taxation and were used as such for over 60 to 100 years. He stated a little more thought should be given to eliminating those words from section three of the Constitution. He emphasized that he was "basically...not really opposed" to SB 17 but thought that more thought should be given before making any change. He informed the Committee that he had not been a participant in the last Supreme Court decision.

Questions From Committee Members and Responses:

Senator Van Valkenburg referred to **Judge McDonough's** comment that the constitutional convention delegates had crafted the language in article three of the Constitution in order to provide the Legislature with substantial flexibility. He noted, however, that **Judge McDonough** had served on the Supreme Court which struck down the sales assessment ratio and asked if **Judge McDonough** could explain what policy the Legislature could adopt that would currently pass constitutional muster. **Judge McDonough** responded that he had neither participated in the last Supreme Court decision nor read the briefs. He stated the Supreme Court had found a number of deficiencies relative to due process in the previous case which had eliminated any right to appeal. He noted that the Legislature had not complied with the Supreme Court's direction to provide property tax payers with more due process protection. **Judge McDonough** admitted, however, that the first portion of the opinion written by Justice Sheehy was "none too specific".

Senator Van Valkenburg asked if the defendants' lack of the right to appeal was the only problem with the Legislature' approach. **Justice McDonough** replied he did not remember all of the Supreme Court's first decision and repeated that he had not yet read the second decision. He said that equal protection is, in some ways, a very nebulous concept, the interpretation of which can be dependent upon the policy in question and the viewpoint of the court hearing the case. He referred to **Senator Crippen's** comment that the US Supreme Court had ruled that California's method of setting valuation by the price at the time of purchase provided adequate equal protection. He stated he did not know if he agreed, but added he did know that the previous Montana statute had a lot of due process questions.

Senator Van Valkenburg said that Proposition 13 forbade the implementation of any statewide property tax levies in California. He asked **Senator Crippen** if it were fair to have valuations be entirely different throughout the state given the 101 statewide mills levied in Montana. **Senator Crippen** responded that the constitutional amendment he was proposing would place the burden of fairness strictly and rightly on the Legislature. He disagreed with **Judge McDonough** that the phrase "assess, appraise and equalization" were constitutional "words of art" and stated that they were legislative "words of art" and should be used in a statutory context. **Senator Crippen** emphasized that it was necessary to have language in the Constitution that would provide flexibility. He said the present constitutional language is restrictive even though the framers of the Constitution had not intended that to be the case. According to **Senator Crippen** the Supreme Court, not the framers or the Legislature, is the body which interprets the language of the Constitution and their interpretations indicate that a change was necessary.

Senator Van Valkenburg noted that did not answer his question and asked **Dennis Burr** if there were statewide levies in California. **Dennis Burr** replied he was unaware that California had statewide levies at that time of Proposition 13. He added that California did have a huge state surplus at that time and when property taxes were cut by \$5 million, the state was able to reimburse local governments the majority of the money they lost. **Mr. Burr** said that reimbursement probably had the same result as statewide mill levies; home owners did not pay their fair share of taxes in those areas where property values are rising rapidly and no limit is placed on the assessment.

Senator Van Valkenburg asked the Committee to consider the appropriateness of applying and comparing California's policy and experience to Montana's circumstances. He noted that the absence of statewide levies in California as well as that state's ability to deal with some of the inequities by distributing a substantial state surplus were two factors which differed substantially from Montana.

Senator Doherty asked **Mick Robinson** whether taxpayers were

currently able to hire appraisers in order to document declines in their properties values in order to have their property taxes reduced. **Mr. Robinson** replied that was not the current system; the appraisal is statewide and DOR captures the changes in the comparable sales of property and factors that into the statewide computer system during the appraisal period.

Senator Doherty asked how much would it cost an individual taxpayer who has experienced a decrease in property value to hire an independent appraiser in order to document the declines for property tax purposes. He noted that process would occur automatically under the current system. **Mr. Robinson** ventured that the "going rate" for a residential appraisal might be \$300-\$400. He said the purpose of that provision in SB 20 was intended to give property owners a means to address the situation if their property values became "locked in" at a high level when the actual value of their property had significantly declined. He recognized that there were other possible mechanisms to deal with such situations. As an example, **Mr. Robinson** noted that the appraisal staff that DOR would maintain in order to deal with new construction, etc. could be focused on a particular locational area which has had an economic downturn or sustained damage from a natural disaster. He added, however, DOR did not anticipate maintaining the statewide appraisal system only to capture decreases in value if Montana were to go to acquisition value.

Senator Doherty noted that one of the consequences of rapid growth in a community was the need to raise taxes in order to provide the necessary services to an expanded population and area. He asked **Senator Harp** what had happened to local expenditures for law enforcement, the fire departments, and other necessary services in the eight counties which had experienced rapid growth. **Senator Harp** admitted he did not know any specific numbers and added that local governments would also receive additional monies as a result of rapid growth. He noted, however, that in some cases the increases in property values could be directly attributed to out-of-state interests and the economic paper values in property did not directly correlate to additional need for services. He stated if local governments had responded to the situation in his particular area in the right manner, property owners would not have seen the large increases.

Senator Doherty asked if the increases in **Senator Harp's** area correlated to increased expenditures at the local level. He noted he was trying to establish whether the Legislature or local governments should bear both the blame and the responsibility for the large increases. **Senator Harp** replied that the Legislature was the only forum which could respond to the current situation on a statewide basis. He stated the situation could not be restricted to eight or nine counties and written off as a local government problem, but instead embodied a potential property tax revolt. He stated he would rather respond to the problem in the Legislature than give the keys of government to another group.

Senator Eck asked **Senator Crippen** if the ballot language would not be fairer and more understandable for voters if it included language indicating that SB 17 would eliminate the requirement for equalization of property tax values and allow taxes to be based on acquisition price. She said that the current language in Sb 17 did not really explain the amendment's effect on the Constitution. She stated that a lot of voters valued the current requirement that property taxes are to be equalized. **Senator Crippen** said the Committee should determine whether the ballot language should be more specific. He noted, however, that an explanation page is required by law which contains both the proponents reasons for the change and opponents objections accompany any change in the constitutional amendment. He stated if those statements were properly crafted, the average voter would gain a great deal of insight as to the legislation's intent.

Senator Eck noted that the poor voters might be faced with such a long string of initiatives and questions on the ballot they might have a hard time remembering the contents of the book. She noted it might really slow down the process of voting. **Senator Crippen** replied Montana voters had indicated at previous elections that they have a substantial and informative knowledge of issues on the ballot.

After noting that the fiscal note for SB 20 was not yet available, **Senator Eck** asked **Mick Robinson** what kinds of cuts in staff and budget DOR intended to make if SB 20 were adopted. **Mick Robinson** noted that although the property values connected with class four comprise about 50 percent of the total property tax values statewide, the property tax division did not expend 50 percent of its effort in that area. He said that only 198 full-time employees (FTEs) out of almost 400 FTEs operated directly with class four and added it would be necessary to maintain some of that work force to appraise new construction etc. He estimated that the fiscal note would reflect an approximately \$2 million decrease per year in the property tax division's current \$13 million annual budget.

Senator Eck asked why those decreases would not amount to one-half of the annual budget since about one-half of the property tax division was assigned to the task. **Mr. Robinson** explained that one-half of the property values the division administered are connected with class four properties, but half of the staff time was not spent on those reappraisals. He stated the division's staff spent an inordinate amount of time in the personal property tax area with local over-the-counter effort and assessor and deputy assessors. He stated that the property tax division would still have important duties connected with class four properties if the acquisition value approach is adopted; the information regarding acquisition value would need to be captured and entered into the computer system in order to determine whether sales and transfers are at reasonable values, and would need to be pursued if a question arose. **Mr. Robinson** indicated

that he was still working with the property tax division on the final numbers, but noted that \$2 million would be a substantial savings.

Senator Eck asked if SB 20 would cause a substantial decrease in the activities of the tax appeal boards at local and state level. **Mr. Robinson** replied that the workloads of local tax appeal boards indicated that they are primarily empowered by the property tax appeal process. He said an acquisition value system would reduce that workload by making it more difficult to debate the value placed on a property for tax purposes, since that value would be determined by purchase price. He stated that the need for an appeals process would still exist, but the workloads would be significantly reduced in terms of normal activity.

Senator Eck noted that the DOR amendments did not quite fit the lines and numbers (Exhibit #30). She asked **Mr. Robinson** to clarify the change that those amendments would make to I-105 if SB 20 were adopted. **Mick Robinson** replied the amendment would allow the higher value of a piece of property reflected in its acquisition price to be placed on local tax rolls after it was sold or transferred. He stated I-105 would not currently allow that to happen although reappraisal changes and appraisals of new construction are allowed. He suggested that **Dave Woodgerd** might be better able to explain that amendment.

Dave Woodgerd, Chief Counsel, DOR, said that SB 20 would remove cyclical reappraisals as an exception to I-105 because those reappraisals would no longer exist if SB 20 were adopted. He explained, however, that SB 20 in its current form did not include any exception in I-105 for increases in value as a result of the acquisition process. He said without the amendment, the taxable value in the county would be frozen at the initial amounts under I-105. He stated that an amendment which would allow changes in ownership and acquisition values would be consistent with the intent of I-105.

Senator Eck asked if the amendment would essentially adapt the current situation to a property tax systems based on acquisition value. **Mr. Woodgerd** said that was his opinion.

Senator Towe noted he had some philosophical and some procedural questions. He asked **Judge McDonough** if the Legislature and the current appraisal system's overriding emphasis on equality had "strayed" from the original intent of the Constitutional Convention delegation. **Judge McDonough** noted that **Senator Towe's** was a very broad question and replied he did not know if he could actually answer it because it was a matter of implementation. He stated there "had been a lot of [legislative] tinkering on this section in the last 20 years" and questioned whether the Legislature had actually left something in place long enough to get it "fine tuned".

Senator Towe referred to the urgent need felt by many people to

limit the property value increases in those areas experiencing large increases in market values in order to protect long-time residents from those increases which they have experienced through no fault of their own. He asked **Judge McDonough** if he thought that the Legislature could limit the increases in the value of certain properties under the existing language in the Constitution. **Judge McDonough** expressed his opinion that if properties were still appraised in accordance to the law, the existing language of the Constitution did not really stipulate that property values had to be equalized at market value, just between classes and between people. He stated that the language was very broad, but cautioned that whatever the Legislature did, anomalies and situations with potential violations would exist. He noted that was a current problem.

Senator Towe asked if **Judge McDonough** thought the Legislature could adopt a limitation in property value increases without changing the constitution. **Judge McDonough** replied that was possible if the statute was correctly worded. He made reference to Hawaii's property tax system.

Senator Towe asked **Senator Crippen** how he would respond to property owners in areas where there had been a large turnover of properties when they complained that they were paying more taxes to the state because of the 101 statewide mills than other property owners in areas where there had not been as much turnover. **Senator Crippen** said the adoption of SB 17 would not preclude the Legislature from maintaining the current method of property taxation, it would only allow the use of acquisition values. He stated the Legislature would have to make the final determination as to how to best balance the potential disparities in effective tax rate and predictability. He said the people in California opted for predictability, even though that caused some problem. **Senator Crippen** added that recent Montana Supreme Court decisions have demonstrated that the current constitutional language is not doing the job that the Framers of the Constitution and that provision intended. He informed the Committee that another retired supreme court justice had expressed the opinion that annual reappraisals were the only way to meet constitutional muster under this provision since anything else would be based on an artificial method and would not meet the Supreme Court's requirements.

Senator Towe asked **Senator Crippen** whether he supported an acquisition valuation. **Senator Crippen** said he supported presenting that to the Legislature as a possible method. He noted that an acquisition valuation was not the only method, but stated it is certainly one that ought to be considered even given the time restraints of this special session.

Senator Towe asked if **Senator Crippen** supported SB 20 or not. **Senator Crippen** replied yes, he supported SB 20. **Senator Towe** asked if **Senator Crippen** believed the acquisition method preferable to the existing method. **Senator Crippen** said

"certainly".

Senator Towe asked **Mick Robinson** where the language about the "irrebuttable presumption of leasehold" referring to cooperative housing originated. **Mr. Robinson** replied that the Legislative Council drafts of both the constitutional amendment and the "implementation bill" were both "basically pulled out of the California Constitution and statute".

Senator Towe asked **Mick Robinson** to explain how that provision would operate. **Mr. Robinson** replied that there were two kinds of leases, operating and capital. He explained that an operating lease usually involved short-time use of a property while a capital lease was a way of financing the transfer of a property. He said that SB 20 would identify a lease over 35 years as a cut-off point since it was necessary to have a specific period of time in statute even though counties generally had other methods to determine whether a lease actually represented a transfer of property. He stated under SB 20 a lease over 35 years or more would automatically trigger a DOR appraisal in order to establish acquisition value for tax purposes since the long-term lease would not be the sale price.

Senator Towe asked **Mr. Robinson** to explain the partial interest provision contained in section eight of SB 20. **Mr. Robinson** replied that in cases where property is jointly owned and one of the owners decides to sell their interest, an appraisal or the sale price of that interest would establish a new taxable value for that share of the property which was transferred. He referred to the clause establishing a minimum dollar amount which would deal with many transfers of partial interest. He also mentioned that the same type of procedure would apply to transfers of interest in condominium organizations and the like. He stated that the purpose of the partial interest provision was to make sure that the form of ownership could not disguise the actual transfer of a piece of property.

Senator Towe said that in a situation where parents left their house worth \$70,000 to their seven children, the partial interest provision would require a reappraisal of the interest each time one of the seven children transfers their interest. He noted that could result in seven different values for that \$70,000 house. **Mr. Robinson** responded that **Senator Towe's** was an extreme example since in such situations the interest would most likely be transferred to one of the other children and would fall under the same exemption as parents transferring to their children.

Senator Towe noted that SB 20 would grant DOR a "pretty broad authority" to appraise any transaction that does not seem to be arm's length. He said that provision might well require a lot of appraisals on a fairly regular basis and asked **Mick Robinson** if DOR truly anticipated reducing the total appraisal classification system if SB 20 were adopted. **Mr. Robinson** replied DOR would try to "stay out of the appraisal business as much as possible" and

there would be some reduction. He stated, however, it would be necessary for DOR to assume a watchdog function in order to ensure that the true acquisition value is reported for tax purposes. He said the majority of transactions would not present any problems, but added that some of the values DOR would receive would appear unrealistic and might require an appraisal. He explained that DOR would fulfill that watchdog function by developing a computer check which would establish a range which appeared reasonable given the computer data. **Mr. Robinson** emphasized that an appraisal would not automatically be ordered if a transaction seemed unreasonable, but DOR would further investigate and, in the final instance, perhaps order an appraisal.

Senator Towe asked **Mr. Robinson** if it would be necessary to appraise every property anyway in order to get enough computer data to make the initial reasonableness check. **Mr. Robinson** replied that it would be necessary to input data in order to maintain the currency and effectiveness of the data base for that check. He agreed that it would be harder to maintain the data for those areas of the state where there is not much activity. He emphasized, however, that DOR's initial approach would be to consider all transactions reasonable unless some data is brought to DOR's attention that indicates otherwise. He stated DOR should assume the responsibility to try to determine a better value for such properties.

Senator Towe asked how conscientious taxpayers would avoid the appraisal assessment in section 12, paragraph three if they recognized and wanted to be honest about a property transfer that is actually less than market value but appears to be arms-length. **Mr. Robinson** replied that the cost of the appraisal would only be levied if, after the appeal process and the evaluation of the information received, it was determined that the value they have provided was not reasonable. He said if the buyers understand that some difficulty could exist, the form would provide a spot for a narrative explanation of possible problems. He stated it was necessary to be careful about loopholes and to make sure that DOR could uncover transactions where the sales price was set artificially low and some other type of compensation was provided.

Senator Towe asked whether people who immediately informed DOR that their purchase price did not reflect fair market value would be given the opportunity to opt out of having the property appraised for a arms-length price. **Mr. Robinson** replied such instances would fall into the category of changes in ownership requiring a reappraisal to come up with the taxable value. He stated that in such situations there would be no charge for an appraisal.

Referring to page 45 of SB 20, **Senator Towe** asked if it was really necessary to require social security numbers. He noted federal law had once prohibited state departments from obtaining

and using social security numbers. **Mick Robinson** replied that provision was not necessary and had troubled him. He explained there had been significant interest in establishing a means to determine whether a property was owned by Montana residents or nonresidents. He said he did not know of any way to make that differentiation in the property tax system except by using either social security or some other identification numbers. He stated he was not comfortable with having social security or tax payer identification numbers within the property tax system, and identified the reason that provision was in SB 20 was to bring up that point for discussion. He noted that **Representative Raney** had introduced a piece of legislation which would have DOR blend the income and property tax bases in order to determine resident/nonresident ownership.

Senator Towe asked **Mick Robinson** if any other system that would identify nonresident ownership without using social security numbers would be sufficient. **Mick Robinson** responded that the basic question was if it was at all desirable to have social security numbers in the property tax system, even if they were the only possible way to differentiate between resident and nonresident ownership. He stated the state's right to require social security numbers was a valid conceptual, moral and philosophical question that needed to be answered. He stated he had misgivings because he believed that the original intent of the social security number was not to be used for that type of identification.

Senator Yellowtail stated he would like to ask a few questions of some of the primary consumers of property taxes regarding their responsibility, accountability, authority and latitude in adjusting their level of taxation with respect to taxpayers whose tax bills have gone up. He asked if a representative of the **Montana Association of Counties**, the **Montana School Board Association**, or the **Montana League of Cities and Towns** were present. After being told that no representative from any of those groups were in attendance, **Senator Yellowtail** noted they were conspicuously absent.

Senator Stang asked **Dave Woodgerd** if any research had been done on the effect SB 20 would have on any court cases the state may have won involving, for example, the Railroad Revitalization and Reform Act (4-R Act). He asked if SB 20 would open up the possibility of litigation that could end up costing more than it would save. **Mr. Woodgerd** replied he did believe that SB 20 would have any impact on the 4-R Act in the extent that SB 20 would affect commercial property in class four. He expressed his hope that the issue could be worked out so as not to create any variation.

Senator Van Valkenburg said he agreed with **Mr. Dutton** that moving to an acquisition value would involve a disproportionate shift of the burden of property taxes toward younger property purchasers. He asked **Mr. Dutton** if he had come across any studies which

indicated how acquisition value affected the seven-year average turnover for houses or reduced the amount of new construction to provide new housing for people in a given area. **Mr. Dutton** replied he did not think those types of numbers were currently available or know how they could be generated. He noted that California obviously had a "real good market"; people have continued to purchase property and build despite the taxation system.

Senator Van Valkenburg said he was surprised at the lack of appearance by a representative of the home building industry. He asked **David Owen** if he had discussed the consequences of moving toward acquisition value with the home building industry, and if he foresaw any significant impact on the economy of homebuilding in this state that such system would cause. **Mr. Owen** replied he had not talked with the homebuilders about the concept in SB 20. He said he was unsure of the impact on the economy beyond sharing how the question could be applied to his own circumstances. He explained that if acquisition value had been in place when he moved to Helena a year ago, he most likely would have purchased his second choice house because it was a little bit cheaper than the one he actually bought. He guessed that acquisition value would impact where people would make investments, but added he did not know at what point an actual deterrent to buying new property could be established.

Senator Van Valkenburg asked **Mr. Robinson** to explain the numbers in the comparison between the real taxable value under current law and possible real taxable value under acquisition value (Exhibit #29). He asked if the \$578 million total reflected the taxable value for all class four property. **Mr. Robinson** replied that number included both class four and class eleven properties, with class eleven being agricultural. Referring to other figures on page 72 of the property tax book published by DOR, **Senator Van Valkenburg** said if those numbers were accurate then the taxable value in FY94 of class four and class eleven properties would be about \$800 million instead of the \$568 million represented on the table. **Senator Towe** noted that the \$800 million would include the estimated 1993 values.

Mick Robinson said the \$568 million probably reflected the combination of class four residential and class eleven agriculture.

Senator Van Valkenburg reiterated that DOR had projected the taxable value of class four and class eleven at nearly \$800 million for FY94. He stated that fact was very important since the proponents of SB 20 had been using the comparison chart to illustrate that the taxing jurisdictions in Montana would have been better off if SB 20 had been in effect (Exhibit #29). He stated that if the real taxable value is actually \$800 million, that conclusion might not be correct. **Mr. Robinson** replied that since most of the information that was calculated for the PTAC involved residential and farm properties but not commercial, the

commercial dollars had not been included in the computation of the real taxable value. He stated the real taxable value of commercial properties amounted to almost \$215 million which added to the \$568 million would total \$800 million, the number to which DOR was "trying to make the relationship".

Senator Gage asked **Mr. Michelotti** if his comment about the absence of an inflation in SB 20 was based on his concern that local government should have some means of financing inflated costs since they would be stuck with property tax as a means of financing as opposed to appraisal. **Mr. Michelotti** responded yes. He added that some type of inflation factor would be necessary so that properties that were not sold would not be totally stagnant.

Referring to page three of SB 20, **Senator Gage** asked **Senator Harp** which assessed value of the property would be made the acquisition value of the property. **Senator Harp** said the base acquisition value would be those values obtained from the 1993 reappraisal.

Senator Gage asked that someone would compare the effect of SB 20 and the effect of Senate Bills 25, 26, and 27 regarding property tax values and reappraisals. **Mick Robinson** replied that if SB 20 were adopted and the constitutional amendment were to pass in November of 1994, the acquisition value would become effective January 1, 1995. He stated at that point the 1993 new re-appraisal values would be the base and remain a property's taxable value unless it were transferred and sold. In the case of any transfer of property or change of ownership, **Mick Robinson** said the new value would become effective in the following tax year and the actual change in those values would begin in tax year 1996. He said that there would be only one year's difference between that and the proposal under Senate Bills 25, 26 and 27; the phase-in of the 1993 re-appraisal amounts would last through the 1996 tax year and in 1997 the new appraisal values which would reflect the structural changes in that proposal would come out.

Senator Doherty asked if it was fair to characterize the current property tax situation in Montana by saying that 1986 reappraisal values have passed constitutional muster, the sales acquisition ratio has not passed constitutional muster, and the new reappraisal values look like they will pass constitutional muster. **Dave Woodgerd**, commented that he did not know what future litigation would bring. He said the question was how the courts would interpret the 1993 values based on the constitutional language; if the courts were to look at one or two exceptional situations where the property is overvalued and determine that those values are an example of the population, they could rule that the valuation process is not equal. He stated that DOR was implementing somewhat the same methodology as it had for the sales assessment ratio except that the range for determining the value of a property was much narrower because it

was based on specific sales instead of an average for all properties in an area. In **Mr Woodgerd's** opinion it was too early to tell what the court's reaction to the very complicated mathematical process would be. He did say, however, that a class action lawsuit starting in Cascade County regarding the valuation system was very likely.

Senator Gage commented that the Legislature had decided to phase-in the re-appraisal values on agricultural properties. He asked **Mick Robinson** why he did not think it was fair to phase-in class four values as well. **Mr. Robinson** replied he personally thought that the acquisition value approach presented a much fairer valuation system in the minds of most Montana taxpayers than the present comparable sales process. He stated he was not necessarily opposed to a structural change that deals with a phase-in, but emphasized that he "would certainly opt for an acquisition value rather than continuing with comparable sales". He noted that one of the reasons that the new agricultural values would be phased-in was because of some question about the calculation of irrigation costs. He noted the phase-in period would allow the Committee enough time to review that issue and perhaps come back with some corrections for the 1995 legislative session.

Senator Towe asked **Mr. Woodgerd** if the challenge to the new re-appraisal values were something the Legislature needed to be "really concerned about" or if it would deal with the more mechanical things that would not go to "the heart of the reappraisal system". **Dave Woodgerd** prefaced his reply by saying his "crystal ball went black two weeks ago". He said, however, he did not believe that the class action suit represented a serious challenge because CAMAS came closer to what is normally considered to be an appraisal than to the sales assessment ratio of adjustments. He explained that the computer was really used to assist in finding comparable sales and then normal appraisal techniques were applied to a particular piece of property. He said he thought the state would "come out okay in that particular litigation".

Senator Van Valkenburg noted that he had heard **Governor Racicot** comparing the methods whereby motor vehicles and real property are valued and concluding that taxes on motor vehicles do not increase just because a neighbor buys a new car. **Senator Van Valkenburg** questioned the validity of that comparison for two reasons: one, the blue book values provide a national standard for valuing motor vehicles; and two, 99.9 percent of motor vehicles decline instead of appreciate in value, which is the real problem with the real property system. **Mr. Robinson** replied he had had a 1970 Chevrolet and paid tax of \$37 because it was not in the blue book and currently had a 1979 GMC on which he paid \$35 in tax. He noted he liked older transportation and the predictability of the license. He stated that the tax on his car did not increase as a result of his neighbor's decision to buy a 1994 Ford.

Closing by Sponsor of SB 17:

Senator Crippen noted that the 1986 reappraisal had not been challenged in court. He questioned MAR motives in testifying against SB 17 and SB 20, stating that realtors were the only segment of Montana's economy which would get a commission representing both sides of this issue. He then posed a case scenario in which an elderly woman, whose increased property tax was forcing her to sell her home, had to hire a realtor for that purpose. **Senator Crippen** stated that although MAR was concerned about the potential consequences of the legislation on property tax, they were making the faulty assumption that any increase in value which occurs in Montana belongs to the state for tax purposes. **Senator Crippen** disagreed and added that the Revenue Oversight Committee had, in fact, established the opposite: only a portion of the entire value of personal and real property can be used to determine the taxable value of a property.

Senator Crippen noted that **Judge McDonough's** presence illustrated that the Supreme Court had wrestled with the problem of property tax and that the intent of the Constitution's framers was to provide the Legislature with the flexibility needed to devise a system by which Montana could operate and value property in a fair manner and deal with the cyclical aspects of the economy. He reminded the Committee that property taxes are unique since they represent one of the few areas in which the "paper value" of an asset is taxed. He stated the Legislature needed to design a statutory method which would deal with that difference in a fair and reasonable manner for tax-users as well as taxpayers. **Senator Crippen** stated the amendments to Montana's Constitution proposed by SB 17 would serve well as a guide for the Legislature no matter whether the acquisition value, the sales-assessment value, or a combination of the two was adopted. He noted that, unlike Proposition 13, SB 17 contain no provision for a cap because that concept belonged in the legislative not the constitutional realm.

In conclusion, **Senator Crippen** commended SB 17 to the Committee and expressed the hope that the legislative process would generate a bipartisan approach to the property tax issue which would "do the job".

Closing by Sponsor of SB 20:

Senator Harp stated he would reserve his time for executive action and closed on SB 20.

ADJOURNMENT

Adjournment: 10:56 a.m.



SENATOR MIKE HALLIGAN, Chair



BETH E. SATRE, Secretary

MH/bs

ROLL CALL

SENATE COMMITTEE TAXATION

DATE December 6, 1993

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

November 29, 1993

EXHIBIT #

Gov. Marc Racicot
Capitol Bldg.
Helena, Mt. 59601

RECEIVED

GOVERNOR'S OFFICE
HELENA, MONTANA

EXHIBIT NO. 1

DATE December 6, 1993

BILL NO. SB. 20

RECEIVED

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

I am writing in regard to our property tax. Recently I have read many articles complaining about 3% or even 10% rises in property taxes. I have a news flash for you! Ours went up 90%. It was \$2400 and this year we got a bill for \$4700.

Isn't there some kind of law against a 90% tax increase in one year?

When we retire in two years, do you have any suggestions about how we can pay this? It will be very embarrassing to ask our son to help us. This just doesn't seem right to me. Please help!

Sincerely,

LaVerne Adams
and

Rev. Allen Adams
183 Woodland Estates Rd.
Great Falls, Mt. 59404

Exhibit No. 1

August 28, 1993

SENATE TAXATION

DIRECTOR'S OFFICE
DEPT. OF REVENUE

EXHIBIT NO. 2

DATE December 8, 1993

BILL NO. 5620

Governor Marc Racicot
Capitol Station
Helena, MT 59620

REF: August 28 AP news release re property tax appraisals

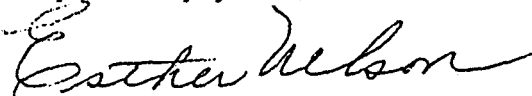
It is a false assumption that the appraisal crisis is due to new residents. The fault lies with irresponsible policies in arriving at the new appraisals. You refer to an average of 7.4 percent increase. I wish I was so fortunate. My property appraisal for approximately 10 acres increased 106% and the Taxable value 59%. To average 7.4 percent there must have been many reductions in values. (My property has always had the highest appraisals for its use).

When I asked the local appraiser how they arrived at the new rates, I was informed that they checked with local real estate agencies. I resent the fact that realtors are determining my fate. They have been encouraging me to sell for years. I provide affordable homesites for ninety seniors. City officials have been encouraging more affordable housing. Yes, I can pass the tax increase on to the tenants, but, this would not be right. The appraisal rate is most unreasonable --approximately \$100,000 per acre. This property is considered commercial even though it is strictly residential and has been since 1956. My wells have been polluted by industrial waste upstream, the carports and roads are deteriorating and, yet, my property is considered more valuable?

Don't blame the schools for the fiscal crisis. The state has historically passed state deficiencies back to the local school districts and this year is no exception.

I hope your task force is made up of more than just realtors and farmers. If we are to have real property reevaluations, then everyone should be increased, not just a few.

Respectfully yours;



Esther Nelson
Owner/Operator
Nelsons' Mobile Home Park

cc: Mick Robinson, Director
Revenue Dept

*Ken - draft response
please - for my
signature. We
have the staff re
info and contact
Again?*

30 November 1993

SENATE TAXATION

EXHIBIT NO. 3

DATE December 4, 1993

BILL NO. SB 20

RECEIVED

DEC 3 1993

Governor's Office
Helena, Montana

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor Racicot,

We watched and listened to your speech yesterday, over TV 6; and liked it very much.

We were especially interested in what you had to say about property taxes, as we are elderly and on a modest fixed income.

We were appalled when our taxes more than doubled from last year's. Last year, 1992's taxes on our place was \$264.35. This year it's \$537.08! What will it be next year?! We live in Jefferson County halfway between Butte and Whitehall, in the mountains.

We were born and raised in Montana and hope to live here the rest of our lives.

We, orginally, bought two acres from a rancher, built a house and raised our five children. Ten years ago, we added thirty acres of mountain pasture, poor grazing land, but suitable for one or two horses.

We wanted this land for two reasons. Pasture, and land around us was starting to be sold to these developers. We realized if we didn't get this land as a buffer, we'd have someone building in our front yard.

Before we purchased this pasture land, I wrote to Don Larson, the county assessor, and inquired about the taxes on it, as we wanted to make sure we could afford it. I have his letter. He said it would be approximately \$4.00 a year. That we could afford to add to our usual taxes.

It looks as if we're being taxed the same as the subdivisions around us. There should be a 'grand-fathers' exception to this property taxes, to protect native Montanans who have lived here all our lives. It's not fair what is being done by developers.

Several developers from Bozeman have bought thousands of acres in the mountains around us, and divided it into lots. We understand that most of it has been sold. Much to out-of-staters, sight unseen. We, ourselves, can't imagine buying a piece of land and not seeing it first.

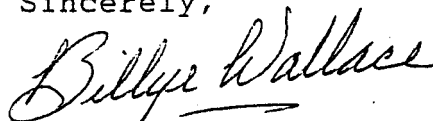
The developers may not lie when they sell these lots, but they sure don't tell the truth. They lead these people to believe there will be good roads and services available, and none of this is true.

We know of one party who came up to see his 'property' from out-of-state and found six different roads and right-of-ways across his twenty acres.

One of the developers is supposed to have bought one of the lots just above our place; then tried for weeks to get us to let them have a right-of-way through our place. And did so in a rather devious manner. When we realized what they were after, we told them no. We live in a narrow canyon and there is no room, except right by our house. If we did give permission, the value of our land would be cut in half, if not more.

We used to be able to ride horseback, hike all over the mountains behind us. No more. It's a shame what's happening in too many parts of our Montana Big Sky country.

Sincerely,

A handwritten signature in cursive script that reads "Billye Wallace". The signature is written in dark ink and is positioned below the word "Sincerely,".

Billye Wallace (Mrs.)
1182 HWY 2 West
Whitehall, Montana
59759

SENATE TAXATION

EXHIBIT NO. 4DATE December 6, 1993 8 2 1993BILL NO. SB 20

RECEIVED

DEC 3 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

TO WHOM IT MAY CONCERN

In response to our recent tax bill, I find it necessary to contact someone and express my dismay.

First, I do not resent paying taxes. Montana is a beautiful state and I feel fortunate to have lived here my whole life. I do not resent paying for this privilege.

My concern is this. Our property taxes increased over 40% last year. They were \$2308.72 for 1992 and \$3286.84 for 1993. I feel this increase is absurd. The increase does not seem to apply to everyone, even in our immediate neighborhood. Why? As I stated before, I do not resent paying taxes but I DO resent paying an inequitable share.

Of MOST concern to me, however, is that every organization in any way supported by tax dollars claims to have less money to operate than before--schools, fire department, police and sheriff departments, health and human services, library etc. etc. Budgets are cut and services are either deleted or severely cut back. Just take a look at any daily newspaper. Where did our 40% increase in taxes go?

Something must be done or it will soon be impossible to pass any kind of bond issue or increase a mill levy. For example I have never, in the past, voted against any educational issue, but now I wonder how much more are we going to be asked to give? Our income simply is not going up at the rate of 40% per year.

Governor Racicot's attempt at addressing this problem seems logical and thoughtful. I sincerely hope it will be considered. As part of the plan, I would hope there would be a required reporting procedure of the actual price of real estate when sold so the market value is accurately represented.

Thank you for taking the time to consider the above comments.

Sincerely,



Bonnie Flanagan
4045 Fox Farm Road
Missoula, MT 59802

cc: Governor Marc Racicot
Representative Bob Ream
Representative Jeff Weldon
Missoula County Commissioners
Chuck Sterns, City of Missoula
Jake Block, Superintendent, School District One
Mary Vagner, Interim Superintendent, Missoula County High

SENATE TAXATION COMMITTEE
EXHIBIT NO. 5
DATE December 6, 1993
BILL NO. SB 70

DOR - CC: KM
Nov. 26, 93
RECEIVED
NOV 30 1993
DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor Racicot:

I am writing you concerning the increase of our property taxes which we have experience due to shony reappraised values by the Dept. of Revenue. These people have been using very questionable method of comparison and sales of other property to get an appraised on our homes and improvements.

I am a farmer 67 yrs old and we have about 200 acres of irrigated land, which is getting another big hit by the Tax thieves. we can't pass any of this on and our income is actually shrinking due to cheap grain prices. we raise hay and wheat. The cattlemen can't pay more for hay as he is in the same boat which we are. wheat prices for soft wheat which we raise is cheaper than it was 20 years ago. Yet our expenses continue to climb. It appears to us that the only way we can salvage anything is to sell our land to the Indians, who already own land on two sides of us.

As an example of the unfair double standards of the Revenue Dept., They appraise our home built buildings at "Contractor prices" - i.e. union labor + No. 1 material.

We built these buildings including our house from low grade lumber & our own labor. When we file our income tax we are only allowed to depreciate ~~actual~~ proven costs - lumber, nails, roofing etc. ~~Our~~ Our labor

yet when they appraise these buildings they calculate labor union prices + no l. material. as "replacement cost." as the value of these improvements

I would like to be able to discuss with you the subject of the increase in irrigated land values as the methods they are using are terribly flawed and biased.

I am not much for writing letters to politicians, as a matter of fact this is the first one I've ever written but I sure am getting my belly full of govt rip off artists stealing my livelihood. I sure hope you or whoever reads this will pay attention, or there wont be any small farmers left in a few years.

Very Sincerely,

George Stonehocker

1216 Haegg Ln

Ronan. mt.

ph 676-8081

11/25/'93

SENATE TAXATION

EXHIBIT NO. 6

DATE

December 6, 1993

BILL NO.

SB70

Gov. Marc Racicot
Helena, Montana

RECEIVED

NOV 30 1993

**DIRECTOR'S OFFICE
DEPT. OF REVENUE**

Sir:

I am fully aware that you alone cannot do anything about the following tale of woe, tho' God knows you tried.

I just paid my tax bill for less than an acre of land on Swan Lake. I had expected an increase, but doubled? This is ridiculous. My bit of land contains two small structures: a tiny rustic cabin that my late husband and I built for vacations and a slightly bigger house (after we retired) with a few of the amenities, such as insulation. In no way would it be considered lavish. Unless you lived in a third world country.

Now - I can pay this insidious and odious bill. With difficulty. And only because I live simply and economically. I do wonder what other elderly people, alone and on fixed incomes, are doing short of selling out and moving away.

I have fought for a Montana sales tax for years. I don't know if that would ease the property tax burden or not. I do know that resentment of rich Californians and rich Hollywood types is growing. They can afford to buy choice pieces of our state at highly inflated prices, take a tax write off while we watch our small holdings climb out of our income bracket. Maybe a way to tax these people could be found. They can afford it; we can't.

Respectively,

Cornelia L. Boetcher

(Cornelia L. Boetcher)
Swan Route
Bigfork, Mt. 59911

AIRMAIL

November 26, 1993
Lakeside, Montana

SENATE TAXATION

EXHIBIT NO. MT 729

DATE December 6, 1993

BILL NO. SB 70

RECEIVED

NOV 30 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Governor Mark Racicot
State Capitol Building
Helena, Montana 59601

Dear Governor Racicot,

I am writing in regard to the outrageous increase in Real Estate Property Taxes in Flathead County. They have been going up every year but this year is unbelievable.

I am a Senior Citizen and worked all my life to have a place on the lake when I retired, only to be driven out by Californians. They are coming in droves and buying up property at exorbitant prices. We need to quit advertising for out-of-staters, especially Californians. They are not the same kind of people as we have known in Montana for years.

The Real Estate appraisal needs to be frozen, at least back to 1990 level, when owned by the same family. The Helena office should not be deciding property values for the different counties. This should be done locally as it used to be. It is like someone from Harlem telling us we have to build 50 ft from the lakeshore instead of 20 ft, and, in their own words, if we can make it 50 ft now, we will ask for 100 ft back later. The lakeshore property is too valuable to waste 50 ft, or 100 ft, with nothing on it.

Flathead citizens, by all means, need a rebate on the outrageous Real Estate increases this year alone. My taxes on Flathead Lake property went up 61% this year alone. Is that fair taxation? I have a place built in the early 50's and have owned it since 1971. It seems those in Helena making the appraisals are jealous of people living in Western Montana so are trying to make us pay for it.

Hoping something can be done about this, I am

Yours truly,

E. O. Myhre
E. O. Myhre
P.O. Box 231
Lakeside, MT 59922

cc: Bill Boharski
Bob Brown
John Harp
Marge Fisher

P.S. This makes our taxes \$32.70 less, ^{per month} than our payments on our lake property were for twenty years.

RECEIVED

NOV 2 1993

Walter H. Carpenter
320 40th St. South
Great Falls, MT 59405-3617

Governor Marc Racicot
State Capitol Building
Helena, Montana 59601

SENATE TAXATION OFFICE

EXHIBIT NO. 8

DATE December 6, 1993

NOV 26 1993

Dear Governor Racicot:

BILL NO. SB 20

I have noted your concern regarding the escalating values of residential and business properties, with the attendant increase in property taxes, in several of our Montana counties, such as Flathead, Lake, and Yellowstone Counties.

This matter strikes close to home, and I am taking the liberty of enclosing copies of the 1993 Flathead County Assesment Notice, and of Property Taxes due for the tax years 1992 and 1993, on a small residential property my wife and I own in the West Glacier area, in the Flathead.

You will note that the taxes on this property were \$453.77 in 1992, and increased to \$917.69 on the same property in 1993, with no additions or improvements made, but due to the 1993 re-appraisal. This figures out to more than double, or an increase of one hundred two percent. The property in question is on a small 90'x200' lot, and consists of a 26x32' log cabin, and two small storage sheds. This increase appears very unreasonable to me, and entirely uncalled for.

I was born near Eureka, Montana in August of 1910, and have lived and worked in Montana most of my working years, and had hoped to spend the rest of my days here. My wife and I own our home in the eastern area of Great Falls, where we got hit with the 32 percent increase in appraised value of our house in 1990, and another 13 percent in 1991.

We purchased the Flathead lot in 1967, and for the next twenty or so years I spent most of my vacation time, and innumerable weekends in pretty much single-handed building the improvements that are there now. This while most of my friends and acquaintances were out fishing or playing golf, etc. It appears they were the smarter, if the influx of wealthy out-of-state buyers, with hefty bankrolls emigrate into Montana and price the property out of reach of native Montanans.

The Flathead property was planned for use as a vacation home, and later a retirement home, however illness in the family has prevented us from moving there for the time being. We have no intention of selling, and hope to retain the property in the family, taxes permitting.

Sincerely yours,

Walt Carpenter

Enclosures

EXHIBIT NO. 9DATE December 6, 1993BILL NO. SB 20

RECEIVED

002

NOV 24 1993

Dear Governor Rocicot

I hate to complain about paying so much property taxes, but I'm getting desperate. I'll tell you why I am. Seventy four years old I've worked hard all my life. I was born and raised thru the depression by a mother with six children I had to go to work when I was fourteen to help. I dropped out of school in the 9th grade so I didn't have enough education to get the high paying jobs but I done O.K. I managed to raise my family and never asked for any thing from my government. Always paid my taxes and never complained much, but the last few years I have been complaining a lot when I first retired I lived in Idaho and I was still doing O.K. but every thing has been going so much higher every year that I'm worried I won't be able to make ends meet in the near future. My wife



works part time as a clerk which helps, but she too has health problems and thinks she will give it up this year. Between the two of us we have an income of \$1500. when she quits. Can you imagine how rough it is to keep a roof over your head and pay your bills on \$1500. a month with taxes as they are plus the many other costs especially Doctors, Hospital and medicine.

When we came to Montana we spent our life savings for a small piece of property and with the help of a son and hired Carpenter built a small two bedroom house and garage. I figured we would be more secure if we didn't have to pay rent, but now I'm beginning to worry that I won't be able to pay the rent to the government. I tried to have my taxes reduced once but they said I made too much to be eligible. I believe they should consider the



personal income, the way they assess property and the mill levy. I can't complain about the assessment I'm complaining that I put every thing I saved over the years to make our lives more secure and I can't afford to pay \$1,057.20 in property taxes along with every thing else that has gone sky high. You just can't tax people the same. If your neighbor has property comparable to yours and his income is \$30,000 or \$40,000 he can afford to pay that money, I'm being forced off my property and if I sell it and have to rent I'll be even worse off.

Our government is in a terrible shape that's why so many people are disgusted with both Parties and are looking for some new faces that's why Perot has so many followers today I know you have

rible job and I feel sorry
our representatives that are
trying to do a good job. I believe
the people who keep demanding
more and more from our government
are to blame to, we should start
going the other way. I still believe
the Republicans do a better job than
the Democrats, because I think they
are a little more conservative with
our money. Thank you for your
time

Sincerely
Barth Lyons

P.S. I would be forever grateful
if you could get some relief
for us during the special session

2212 Emory Rd

Ronam, Mt.

SENATE TAXATION

EXHIBIT NO. 20

DATE December 6, 1993

BILL NO. 5620

RECEIVED
NOV 30 1993

NOV 28, 1993

MISSOULA, MT

RECEIVED

GOVERNOR'S OFFICE
HELENA, MONTANA

DEAR GOVERNOR RACICOT,

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

I WANT TO THANK YOU FOR YOUR CONCERN
OVER RECENT PROPERTY TAX INCREASES
AND EXPRESS MY GRATITUDE, SUPPORT
AND ENCOURAGEMENT FOR YOU IN YOUR
EFFORT TO PROVIDE TAX RELIEF TO
THE HARDEST HIT PROPERTY OWNERS.

THE PROPERTY TAX ON MY HOUSE WENT FROM
\$1,350 LAST YEAR TO OVER \$2,000 THIS YEAR.
NEXT YEAR MY HOUSE WILL BE CONNECTED
TO A SEWER SYSTEM WITH ATTACHED SID
COSTS OF \$10,000.

GOVERNOR, I'M VERY APPRECIATIVE OF THE
SERVICE PROVIDED BY GOVERNMENT AGENCIES,
AND DON'T MIND PAYING MY FAIR SHARE
OF TAXES, BUT I CAN'T HANDLE INCREASES
LIKE THESE!

MY FAMILY CAME TO MONTANA IN THE 1880'S
WITH THE RAILROAD. MY FATHER WAS BORN
HERE IN 1899, I IN 1949 AND MY FOUR
CHILDREN WERE BORN IN MONTANA.

CONTRARY TO POPULAR DEMOCRATIC PER-
CEPTION, IT'S NOT ONLY RECENTLY ARRIVED
OUT OF STATE MILLIONAIRES WHO HAVE
INCREASED PROPERTY TAX INCREASES

ALSO CONTRARY TO DEMOCRATIC PERCEPTION
IT WAS NOT ONLY PEOPLE WHO LIVE IN
FANCY HOMES ON FLATHEAD LAKE WHO IN-
CURRED LARGE INCREASES.

MY HOME IS IN A SUBDIVISION, OVER
TWENTY YEARS OLD AND WAS BOUGHT AS
A FIXER UPPER BECAUSE IT WAS ALL
I COULD AFFORD.

GOVERNOR, PLEASE ADJUST BACK OFF YOUR
PROPOSAL TO PROVIDE REBATES TO PROPERTY
TAX INCREASES OVER 10%.

PLEASE LET ME KNOW IF I CAN BE OF
ANY ASSISTANCE.

SINCERELY,

C. T. Beede

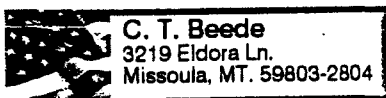


EXHIBIT NO. 11

DATE December 6, 1992

BILL NO. SB 70

REFILED

NOV 3 1993

DOR

RECEIVED

**DIRECTOR'S OFFICE
DEPT. OF REVENUE**

~~NOV 29~~

14-10-22
GOVERNOR'S OFFICE
C. H. H. H. H. H.

My taxes went up \$300.00
This year a total of \$1100.00
it was \$800. last year I am 80
and my wife 73 years old

Wife and I living on social security. Between us about \$1100.00 a month.

\$1100.00 a month.
We ^{are} living in the same house
since 1944. Old house on
three acres a land. Built in
1908. Wish you ~~could~~ could do
some thing for us old people
We love you.
Very truly yours

Very truly yours
Max & Gladys Jimeno

584 1000 Acra Rd.

Corvallis mo

105
Gerald J. Nulty
505 So. Montana
Butte, Montana 59701

Tax Advisory Council for Property Owners
c/o Governor's Office
State Capitol
State of Montana

RECEIVED
NOV 29 1993

RECEIVED

NOV 30 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Ladies and Gentlemen of the Councils of Finance

In your quest to control excessive property taxes you have identified escalating property appraisals as the culprit. This condition is often by design. In a former residence in the Bitterroot Valley, State Appraisers from Hamilton, Mt. frequently exaggerated or fabricated home features to increase the assessed value.

An equally significant factor in skyrocketing property taxes is the inequitable "blank check" school mill levy process, that enables school districts virtually unrestrainable authority to raise property taxes. A very weighted process that allows the many voters to impose property tax increases on the comparatively few property owners, and allows school districts to repeatedly rerun defeated levies until only the organized special interest groups persevere. A process that would be unconstitutional in any other forum.

Automatic pro-tax groups composed of school employees and their families, non-property owners and 18 year old students who are registered and coerced to vote by teachers, places the remaining property tax payers under an impossible handicap in controlling their own taxation. A grossly unfair process.

It is time to place controls, restraints and accountability on school district administrators and to define the "basic education" which citizens are required by law to finance. As is done in many states such as; Colorado and Oregon, parents/students should be required to pay activity fee's, admission charges and personal equipment costs for extra curricular activities. Many of those who benefit most now contribute nothing. Recent statements from school administrators suggest very little concern for the taxpayer dilemma and demonstrate that school district empire building is alive and well.

A widow struggling on a fixed income should not be required to recreate and entertain students, many of whom drive late model cars and wear designer clothes. A rebate of property taxes has little meaning if the process is to continue.

Sincerely,

Gerald J. Nulty

Gerald J. Nulty

SENATE TAXATION

EXHIBIT NO. 12

DATE December 6, 1993

BILL NO. SB 20

RECEIVED 10

Governor Marc Racicot
P.O. Box 200802
Helena, MT 59620-0802

SENATE TAXATION

EXHIBIT NO. 13

DATE December 6, 1993

BILL NO. SB 20

RECEIVED
NOV 29 1993

NOV 30 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Sir:

Recently you had stated that our system of property tax appraisals needs drastic revision. I couldn't agree with you more. Many of our elderly and other long-time residents are being forced out of the homes that they worked all their lives to secure. This is wrong.

I would urge you to consider the following approach to the matter, and I urge you to consider it during the up-coming Special Session.

1. Eliminate the State appraisal system and turn this job over to the Counties.
2. Establish strict guidelines for the Counties to follow when making appraisals.
3. Appraisals should be based on the purchase price or construction cost and adjusted for inflation (GNP) not to exceed 20%.
4. Properties would not be re-appraised unless there were additional square footage of living space or additional structures added. Re-appraisals would be confined to those additions or additional structures added.
5. Replacing windows, siding, painting, sidewalks, driveways, re-plumbing, re-wiring and general repairs would not be subject to re-appraisals.

This approach has been adopted by other states and seems to be the best solution to the problem.

Again, I would urge you to look at adopting this approach and to do so during the Special Session. Do not delay. Act now.

*James R. Helms**Nancy A. Helms*

Signature

Box 189

Address

Phillipsburg MT 59858

City, State, Zip

RECEIVED
NOV 29 1993

SENATE TAXATION

EXHIBIT NO. K

DATE December 6, 1993

BILL NO. SB 20

GOVERNOR'S OFFICE
HELENA, MONTANA
1718 Virginia Lane
Billings, Montana 59102-3624
November 23, 1993

Gov. Marc Racicot
State Capitol
Helena MT 59601

RECEIVED

NOV 30 1993

Dear Gov. Racicot:

DIRECTOR'S OFFICE
DEPT. OF REVENUE

We are in AZ. temporarily and our home is as above. The Billings Gazette is delivered to us, even though about a week late.

Having purchased property on Flathead Lake in 1972 and having to retire for medical reasons in 1987, we are one of the many couples that are extremely concerned and upset with the way our taxes there have gone over the past ten years. The CI105 was circumvented by those in power and our taxes have gone up every year since it was voted in. I understand this was not property taxes, but nevertheless, it has been a farce.

Our taxes, property, are 50 to 60 % more this year than last. For people that are retired, especially, this is absolutely out of reason. All the ins and outs of the reasons, excuses, have been printed in the Gazette.

Retired people, especially a lot of the self-employed, put aside their own retirement money, not funded by a government agency or a corporation. Now it seems, that although our population in Montana has actually gone down since 1980, our tax load has increased some 150 % or whatever. The destruction of the retired class is being pushed by the educational system and the ~~bureaucrats~~ bureaucrats.

I have read your proposal and others in the Gazette articles. Please hold fast and get the majority of our legislators to do SOMETHING on our behalf. This exorbitant increase must be stopped somehow. Even 10 % a year is way beyond the inflation rate and what happens when our retired income goes down or stays the same and we eventually have to pay the 60 % increase anyhow?????

SOMETHING HAS TO BE DONE FOR US -- NOT TO US.

Please do your best to protect us and help us.

Sincerely,

Dr. Robert E. Danskin

Robert E. Danskin, D. D. S.

Temporary address: 25218 S. Cloverland Drive, Sun Lakes, AZ 85248

SENATE TAXATION
EXHIBIT NO. 15
DATE December 16, 1993
BILL NO. SB 20

Nov 25 1993

RECEIVED

NOV 30 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Racicot

Dear Governor:

I just wanted you to see how taxes has gone up here in Flathead County, and I have sent this copy of my tax notice, also the copy of the appraisal, and what I wrote to protest this \$434.⁰⁰ increase in one year. I only thought it might help you to see and understand the plight of some of the senior citizens. I know you are a very busy man, and your time fully taken up, but if you can, we would like to hear from you.

Sincerely Yours,
Alvin & Melba Arnoux
130 So. Meridian Kalispell
59901

P.S. I have sent similar copies to the Flathead County Commissioners

PROPERTY TAXES DUE
1993 REAL ESTATE TAXES

Flathead County
DELLA SMITHERS, TREASURER
800 South Main Street, Kalispell, MT 59901-5400
Phone (406) 758-5680

Tax Bill Number 9332507
School District 75
Assessor Number 0027400
Geocode 07396513104010000

Parties with Ownership Interest - AS OF 1/1/93
Owner of Record.....ARNOUX, ALVIN R & MELBA C
Address.....130 MERIDIAN RD
KALISPELL MT 59901-3848

Sn	Tn	Rn	Property Description	Lot	Block
13	28	22	MERIDIAN ADD	1	1

Type of Property	Market Value	Taxable Value
Real Estate	13,000	451.62
Buildings	44,700	1,552.87
Totals	57,700	2,004.49

SUMMARY OF TAXES, LEVIES & FEES
(Items marked with * are paid in the First Installment only)

COUNTY	.073547	147.42	NOXIOUS WEED	.001225	2.46
BOARD OF HEALTH	.004150	8.32	REFUSE DISPOSAL		30.50*
Sub-Total - Taxes For County Functions...					188.70
STATE - UNIVERSITY	.006000	12.03	GENERAL SCHOOLS	.087270	174.93
STATE - SCHOOL AID	.040000	80.18	FLAT VAL COM COLLEGE	.013190	26.44
FLATHEAD HIGH SCHOOL	.044090	88.38	KAL CITY - SD 75	.074310	148.95
Sub-Total - Taxes For Education.....					530.91
KALISPELL CITY	.107000	214.48	KAL GARBAGE		48.00*
KAL LIGHTING 50		13.37*	KAL STORM SEWER		38.80*
KAL SPEC MAINT DIST1		31.07*			
Sub-Total - Taxes For City Functions.....					345.72
KALISPELL MOSQUITO	.000366	.73			
Sub-Total - Other Taxes And Fees.....					.73

Total Taxes and Fees 1066.06

First installment due 11/30/93. 613.90
Second installment due 5/31/94. 452.16

One mill in Flathead County equals \$118741. Receipt returned only upon request.

N O T E - Interest at 5/6 of 1% per month plus 2% penalty MUST accompany payment of delinquent taxes. This amount can only be verified by contacting the Treasurer's office PRIOR to payment.

Paid under protest
11/27/93
ck # 2171

EXHIBIT 15
12-6-93
OB 20

Nov-26-93

Governor Racicot

RECEIVED
GOVERNOR'S OFFICE
FLENA, MONTANA

My name is Paul Hawley,
my wife and I have bought our new
house in a subdivision.

We received our 1993 tax bill and
it has increased by \$179.52;
although our property has
decreased in value.

SENATE TAXATION
EXHIBIT NO. 16
DATE December 6, 1993
BILL NO. OUR SB20

The reason for this
neighbor has started a
automobile salvage yard.

I have been in contact with
Darrell A Stankey with Dept.
Motor Vehicle Recycling &
Disposal program. I have been
informed this is a State
program. My question to you is
if the State sanctions this
kind of program devaluating
property. Should this not
reflect on our property
tax's.

RECEIVED
DEC 1 1993

Or is this the taking of
Property without Just
Compensation

Please reply as Soon
as possible

Concerned Montana Citizen

Paul Hawkins

Home Address

H C 38 Bx 2155 A

Livingston, MT 59047

Home Phone

333-4233

00P

SENATE TAXATION

EXHIBIT NO. 17

DATE November 6, 1993

BILL NO. 5620

Tim A. GAERTNER

16 CONTOUR PP.

MISSOULA MT 59802

RECEIVED

Gov. MARC RACICOT

CAPITOL BLDG

HELENA MT

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

DEAR Gov. RACICOT

YOUR BUSY - I'LL BE BRIEF:

MONTANA HAS A WAY OF KEEPING SMALL, MED.
BUSINESS OUT OF STATE SO OUR
GRADUATES HAVE TO LEAVE TO FIND
EMPLOYMENT. NOW MONTANA IS TAXING
THEIR PARENTS OUT OF THEIR HOMES,
DO WE LEAVE ALSO? CALIFORNIA
AND OTHERS WITH BIG MONEY BID UP
THE PRICE OF REAL ESTATE, BUILD
LARGE GRANDiose EXPENSIVE HOMES
AND SORE UP PROPERTY TAX.

MINE WENT UP \$500⁰⁰ THIS YEAR
AND I DON'T HAVE AN ORDER
"JUST CATCHING UP" HOME. IT

12-6-93

SB 20

WAS BUILT 4 YEARS AGO AND
TAXES HAVE INCREASED EACH YEAR,
AND NOW ANOTHER HUGH JUMP
OF \$500.

MAYBE WHEN WE'RE ALL GONE
THEY'LL RE-NAME THIS STATE
CALIFORNIA NORTH.

Thanks For TRYING TO
HELP US!

REGARDS

Tom A. Santos

P.S. WE PRAY GOD GIVES YOU
WISDOM —

MERLE D. FITZ, M. D., F.A.A.F.P.

BOX 950
SCOBEE, MONTANA
59263

487-5000

RECEIVED
NOV 30 1993

November 22, 1993

SENATE TAXATION

Lake County Commissioners
Lake County Treasurer
106 4th Ave. East
Polson, MT 59860

EXHIBIT NO. 18

DATE December 6, 1993

BILL NO. SB 70

RECEIVED

DEC 1 1993

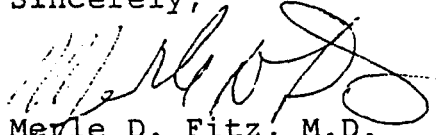
DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Sirs:

Greed in politicians has a bad smell, and a tax increase of 216.16665% in one year is enough smell to cover Montana. A ten percent (10%) or even twenty percent (20%) increase could be acceptable, but not 216 +%.

These taxes are paid under protest and since the courts have held that the present method of appraisal is unconstitutional then this tax is unfair and therefore also unconstitutional.

Sincerely,


Merle D. Fitz, M.D.
TW 23, Range 19, Sec 15
2 TRS in Lot 4

mdf/lt

Copies to:

Gov. Marc Racicot
Capital Building
Helena, Mt. 59604

Great Falls Tribune
P.O. Box 5468
Great Falls, Mt. 59403

DATE 10/14/92
STATE OF MONTANA

LAKE COUNTY TREASURER
106 4TH AVE EAST
FOLSON MT 59860

2440

1992 REAL PROPERTY TAX STATEMENT

** THIS IS A TAX BILL **

TAXPAYER NAME & ADDRESS	TW RANG SC	DESCRIPTION
FITZ, MERLE D.	23 19 15 2	TRS. IN LOT 4 2.31 AC.
BOX 950 SCOBEY MT 59263		

TAX DIST	DISTRICT DESCRIPTION	TAXABLE VALUE	MILL LEVY	TAX AMOUNT
23MC	FOLSON RURAL	1,778	338.458	601.78
23MC	FOLSON RURAL	1,113	338.458	376.70
SAN	SANITARY LANDFILL		0.000	41.00
TV	BLACKTAIL TV		0.000	5.00
SOIL	SOIL CONSERVATION		1.210	3.50

CURRENT
TAXES DUE

PAY THIS AMT BY 11/30/92	PAY THIS AMT BY 05/31/93	CURRENT TOTAL TAX DUE
536.99	490.99	1,027.98

PENALTY		
INTEREST		
TOTAL	536.99	

5584

PLEASE EXAMINE YOUR NEW STATEMENT CAREFULLY AND READ THE ENCLOSED LETTER. DELINQUENT TAXES MUST BE PAID BY DATE SPECIFIED OR ADDITIONAL INTEREST MUST BE CHARGED. PLEASE RETURN THIS STATEMENT WITH PAYMENT!!! THANK YOU.

YOUR TAX DOLLARS APPLY AS FOLLOWS:

STATE	COUNTY	CITY	SCHOOL	OTHER
52.04	197.93	0.00	691.99	86.02

10-25-93
07:38:43

STATE OF MONTANA, COUNTY OF LAKE
Office of County Treasurer
106 4th Ave East
Polson MT 59860
1993 REAL Property Tax Statement

Page:
Tax ID:

24

** THIS IS A TAX BILL **

Name & Address	TW	Rang	SC	Description
FITZ, MERLE D. BOX 950 SCOBEY MT 59263	23	19	15	2 TRS. IN LOT 4 2.31 AC.

District	Taxable	Mill Levy	Tax Amount
23MC POLSON RURAL	4,480	321.45	1,440.1
23MC POLSON RURAL	2,128	321.45	684.0
SAN SOLID WASTE MANAGEMENT DISTRICT	0	1.00	85.0
SOIL SOIL CONSERVATION	6,608	1.21	8.0
TV BLACKTAIL TV	0	1.00	5.0

CURRENT
TAXES DUE

Pay This Amount Pay This Amount Current
By 11-30-93 By 05-31-94 Total Tax Amount

1,156.08 1,066.07 2,222.1

PENALTY

INTEREST

TOTAL

Please examine your new statement carefully and read the enclosed letter. Any Delinquent taxes must be paid by date specified or additional interest must be charged. Please return this statement with PAYMENT!!! Thank you.

Your Tax Dollars Apply as Follows:

State	County	City	School	Other
363.44	542.21	0.00	1,241.85	74.6

RECEIVED

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

SENATE TAXATION

EXHIBIT NO. 19
DATE December 4, 1993
BILL NO. SB 70
NOV 30 Nov. 27, 1993

008

Dear Gov. Racicot,

GOVERNOR'S OFFICE

I have never written a letter like this before but as Montana taxpayers we have just been hit with a tax bill that we feel is totally unfair and unreasonable.

We purchased our lake front property in 1962 for \$12,000.00. We had to scrape then to purchase it. My husband, a native Montanan, is a carpenter. For years, our family project has been making the land liveable and we have done all the work ourselves. Our family has spent all our summers here and last year my husband, who is 72 and I at 66, retired here. This has always been our dream. We live modestly on a small fixed income but we have the home we worked to build.

When we purchased our property in 1962 the assessed value was \$1,100.00 and our taxes were \$45.76. In 1992 our

- 2 -

we were \$1,499.74. This year our property
was valued at \$202,900.00 and our taxes
are \$2,637.08.

It is possible we could sell our place
to some Hollywood movie star for the
assessed value, but we want to live here.
This is our home and we want to be able
to keep it. Are we going to be able to
afford it?

We Montanans have been willing to
work harder for less to remain in the
state. We feel we are now being punished
by our own state for having discovered and
improved a beautiful place that has now
become desirable to others outside our
state.

We hope that you as governor, will
consider some tax relief for us who
are trying to keep our property and
live and enjoy Montana on it.

Sincerely,

Haney M. La Voie

- 3 -

Eugene E. & Nancy M. La Voie
201 Finley Point Lane
Polson, M.T. 59860

SENATE TAXATION

EXHIBIT NO. 20

DATE December 6, 1993

BILL NO. SB 20

RECEIVED
NOV 30 1993

GOVERNOR'S OFFICE
HELENA, MONTANA

RECEIVED

November 29, 1993

DEC 1 1993

434 Parkway Dr.
Kalispell, MT. 59901

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor Racicot,

My parents, who were both born and raised in Montana, have owned property on Lindbergh in the Swan Valley for 30 years. They worked hard to provide my brother and myself with a special place to spend our summers. Instead of family vacations, we went to the cabin. Much of the work we did ourselves, only occasionally hiring professionals. We are not a wealthy family, but we are wealthy beyond words for being fortunate enough to own property at Lindbergh Lake.

We may not be able to hold onto our property much longer, however; our taxes more than doubled this year. We expected an increase, because we had made some much needed improvements to our cabin which was beginning to show its age. We were shocked that the taxes increased so much.

We managed to scrape together the first half of the taxes, but we have no idea how we will make the May payment. We must consider selling our cabin. Is this your vision for Montana's future? Will hard-working Montanans be forced off their property and maybe out of the state to earn their living? My brother, an engineering graduate of MSU has already left.

Our hearts ache every time we think of selling our family cabin. Unless you change the method by which property taxes are assessed in Montana, you will force us off our land and break our hearts.

We submit the first half of our property taxes under protest.

Sincerely,

Julie Wolf

Julie Wolf

SENATE PASSAGE

EXHIBIT NO. 21

DATE

BILL NO.

Nov. 29, 1993

Gov. Marc Racicot

Capital Bld.

Helena, Montana 59601

Gov. Racicot

Today we paid our first installment of taxes. The amount needed for taxes is gross!

We read in the papers and see on TV that something is going to be done about the taxes and you are trying to figure out what.

We live in a little Montana town of three thousand and that is stretching it a little. We have lost our telephone ofc., the Mont. Power ofc.; we're afraid we will lose more. You can readily understand then, how the property in Malta cannot and should not be the same as it is in the larger cities and western Montana as far as valuation is concerned. The smaller towns should have a different standard to work from, in taxes, than the larger towns.

Another point for discussion are grants and they cause taxpayers money in more ways than one. We the public pay for the grant, from our tax money, then, when it is a matching grant we have to pay more taxes to pay for that.

We have one of those on our taxes this year, for flood control for the city. It doesn't stop the flooding except for only a small portion of it, the north side will be flooded as usual. What good is a control like that? They haven't started work yet and I wish it could be stopped! There is another grant in the offing, the people of our town do not need. We have a piece of land in our town that doubled in value this year!

yours truly,

Mae B. LaFond

J. Gaylord & Mae LaFond
Box 130
Malta, Montana 59538
654-1815

RECEIVED

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

RECEIVED
NOV 30

GOVERNOR'S OFFICE
HELENA, MONTANA

Under protest.

November 30, 1993

26B & 8 Frank

Missoula, MT 59601

GOVERNOR'S OFFICE
HELENA, MONTANA

RECEIVED

DEC 2 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

SENATE TAXATION

EXHIBIT NO. 22

DATE December 6, 1993

BILL NO. SB 20

Dear Governor Racicot:

a few weeks back the missoulian carried a proposal by House Speaker John Mercer for dealing logically with the excessive property tax increases some of us have been hit with this year.

His proposal, as I remember it, calls for limiting current increases to 10% and tying future increases to the annual cost-of-living increases. Mercer proposed dealing with taxing property purchased at a highly inflated price by taxing such property in accordance with the purchase price.

mercer's proposal makes a lot of sense to me. I happen to be a life-long Democrat but by no stretch of the imagination can I see this as a partisan matter.

I prefer this to your refund proposal and I hope it receives the support of the Legislators and you.

Respectfully yours

SENATE TAXATION

EXHIBIT NO. 13DATE December 6, 1993BILL NO. SB 20

November 27, 1993

RECEIVED

DEC 3 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor Racicot

Would like to add my bit to the tax story, since our tax bill has increased over 100% this year. I understand that you are trying to do something about this matter, which is no small undertaking, but you will find that you have lot of support on this subject.

To be specific, our property tax went from \$666.46 to \$1419.33, a rise of \$752.87 for the year. As for the school part of the bill, it rose from \$535.43 last year to 909.27 or an increase of \$373.84.

One of our main gripes is the new legislation which calls for a mandatory increase for the school district without a public vote on this matter.

The Big Fork Eagle carried pland for a grand expansion program, also that they had hired about 19 assistant coaches, apparently they had the extra money to spend. I attended a school board meeting this summer in which the new superintendent pushed through plans for a new high school, his main selling point was that the state would pay for most of it, and we should grab it now. as of this year, I understand high school enrollemnt is down.

Eagle Bend is a very wealthy subdivision, having a tremendous tax base, and yet, I do not believe there is one school child in that area. and with the increase of property here, most of the places are going to people for summer homes, who are not making use of school facilities.

We are retired seniors who built our home to live in, not to sell. We have owned the property since 1963 and moved here in 1980. We do Not wish to sell, and hope that taxes will not force us to even consider it.

We appreciate your efforts toward getting a change in the tax situation, and hope you have great success in this field.

James H. Haines
James H. Haines

3168 Swan Highway

Big Fork, Mt., 59911 59911

SENATE TAXATION

EXHIBIT NO. 24DATE December 6, 1993BILL NO. SB 20

DEC 02 1993

RECEIVED

DEC 3 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

12-1-93

TO: Governor Mark Racicot and all Missoula Legislators

RE: PROPERTY TAX REFORM

I am in favor of property tax reform. Specifically in the administration, notice and appeal process.

It is totally unfair to a tax payer to receive an assessment notice stating you can appeal the valuation within 15 days plus "DON'T WAIT UNTIL YOU RECEIVE YOUR TAX BILL."

Case in point: Mine

Assessment notice (the one you have only 15 days to appeal).

Market Value	1992	1993	% of change
6-1-93	\$93,476.	\$109,100	16.7

I did not appeal as I had made some improvements to the property and market rates were increase. The appraisal seemed appropriate.

Tax Bill	1992	1993	% of change
11-1-93			
Real Estate only	\$1573	\$1992	26.6%
Total Tax	\$1578	\$2198	39.2%


How is a person to know that an increase in an appraisal will result in such a dramatic change in actual taxes? The tax payers deserve to understand the full impact of these notices and the right to appeal longer than 15 days. Tax payers should have the right to appeal the actual TAX BILL! not just the appraisal. The mill levy and other things change between June November.

I would have never assumed a 16.7% increase in valuation would equate to a 26.6% or a 39.2% additional tax. The notices are poor at best and should be much more clear as to the actual dollar impact-bright bold letters. The data mailers are fuzzy and faint and project only false estimates.

YES-a 39.2% increase is difficult to pay.

Property tax reform and clarification are appropriate for this session. Please address the issue.

Sincerely,


Larry A. Kahle 5812 Lori Court Missoula, MY 59803

511 N. ...
Missoula, MT 5980

Nov 29, 1993

Governor Marc Racicot
Governor's Office
Capitol Station
Helena, Montana 59620

SENATE TAXATION

EXHIBIT NO. 25

DATE December 6, 1993

BILL NO. SB20

RECEIVED

DEC 2 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor,

Thank you for your understanding concerning Montana's tax problems. I am so frustrated with my hugely increased taxes and the dead ears in the appraisal office at Lake County that I am writing and appealing to you to help. I am on a fixed income. I planned to live out my days on the lake property that has been in my family for forty years but I won't be able to. Last year, my taxes were \$1676.95. This year my tax bill is \$3206.55. I live in a 1 bedroom house that is 40+ years old. I am enclosing a picture. The problem is it sits on 5+ acres with lake shore front. Just because some wealthy out-of-state have come in & paid high price for land around my area doesn't mean that I can afford to pay double the taxes this year. I really don't want

1993 LAKE COUNTY ASSESSMENT NOTICE OF
PROPERTY SUBJECT TO TAXATION

TAXPAYER # 15243
B.D. 38

1992 1993 TAXABLE

CLASSIFICATION OR DESCRIPTION	QUANTITY	1992 MARKET-VALUE	1993 MARKET-VALUE	TAXABLE-VALUE
E ORCHARD TRS.	5.69	109,200	213,250	8,230
TRACT LAND	0.00	17,892	35,550	1,372
LIMPS ON TRACT LAND				

ONLY)

1

TOTAL MARKET VALUE 127,092 TOTAL TAXABLE VALUE 9,602

THIS IS NOT A TAX BILL

NOTE

Note:
Additional appeal information
can be found on this form.

59801-

Please see your county appraiser on real property (lands and buildings) questions and your county assessor for personal property questions. If you wish to have your values reviewed, you must, within 15 days of receipt of this notice, file a PROPERTY REVIEW FORM (AB-26) with the appraiser/assessor. You will be notified of the decision made on your request for valuation review. If you are dissatisfied with that decision, you have 15 days from receipt of that decision or until the first Monday in June to file an appeal with the county tax appeal board.

EXHIBIT 25
12-6-93
SB 20

not from the county. I don't
not to sell this place. I want
live here.

At one time I thought that I
would sell off an acre at a time
to finance my living here but last
year the legislature passed laws
that now keep me from doing this.
I am beginning to feel that I
live in a police state.

you are probably too busy to
even read this letter but I feel
a little better for having written it.

Sincerely,

Anna M. Lingel

In the winter time I live
in Mossula because my lake
house does not have an adequate
heating system.

EXHIBIT 25

12-6-93

38 20

SENATE TAXATION

EXHIBIT NO. 26

DATE December 6, 1993

BILL NO. SB 20

Nov 29, 1993

RECEIVED

DEC 2 1993

DIRECTOR'S OFFICE
STATE OF REVENUE

Governor Raciocot;

We have been watching great interest the agenda for the special session.

The one that interests us the most is property taxes. We are retired, living on social security and a small sum of interest on our savings. It is not easy, but the concern for us is will we be able to stay in our home. If property taxes keep going up we are afraid we won't be able to stay here. Our alternative is scary.

We are happy here, which in turn, helps us stay healthy.

We agree with you, Governor Raciocot, that the appraisal system is unfair. What one sells his property for does not mean the next door neighbor could sell his for the same.

We also would like to see the exemption amount raised to \$15,000 and

so respectfully.

feel privileged to be able to
write to you about our concern
and hope you will be
concerned too.

Yours truly,
Steve Mullen
12655 Ottomar Ln.
Lolo, Mt. 59847

SENATE TAXATION

EXHIBIT NO. 27DATE December 6, 1993BILL NO. SB 20

RECEIVED

DEC 2 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor,

My taxes too went up, 25% to 30%

on a house over 100 yrs. old. The
1st tax record we were able to find
was in 1891.My neighbors house went up
approx. 100.I know there is a problem at
hand and I appreciate what you are
trying to do.In a few months I will be 80
and my husband 84.
You're in our prayers.

In prayer,

Mary A. Olson

327 Edith St.

Miss, Mo. 54801

SENATE TAXATION

EXHIBIT NO. 28DATE December 6, 1993BILL NO. SB 70RECEIVED
NOV 30 1993

RECEIVED

Governor Marc Racicot
State of Montana - Capital Bldg.
Helena, Mt

GOVERNOR'S OFFICE
HELENA, MONTANA

DEC 1 1993

DIRECTOR'S OFFICE
DEPT. OF REVENUE

Dear Governor Racicot,

I just paid our 1st half 93 property taxes and wanted to share my concerns with you.

My wife and I own three parcels of property in Gallatin County. During the last five years, the taxes for this property have increased from \$2,175 to \$3,548 - over 63% and an annual rate over 12%. We have not improved the property during this time.

property	1989	1990	1991	1992	1993
RGG7458	\$1060	1240	1317	1432	1321
RGG3162	\$736	863	941	10063	1208
RPE17568	\$379	461	720	641	1019
total	\$2,175	2564	2978	3176	\$3,548

During this same period we have been able to increase our income along the lines of inflation. But, our property taxes increase 3 to 4 times the inflation rate. So, property taxes take an increasing percentage of our income. For us, the rapid increase in property taxes are even a larger concern than health costs. For people on fixed income, the concern must be even greater.

We want to fullfill our responsibility to support schools and state and local government, but the cost increases for them must be brought under control comparable to other living cost.

Thank you for your efforts to manage property taxes. I support your property tax initiative for the special session.

Sincerely,

Ross Mac Pherson

Ross Mac Pherson
6399 Aajker Rd.
Bozeman, Mt. 59715

PROPERTY TAX SYSTEM STRUCTURAL CHANGE - CLASS 4

- This structural change is based on the concept of market value determined by purchase price rather than the present determination of market in relation to comparable sales.
- The 1993 reappraisal values will become the base or starting point for this structural change.
- The property's value for property tax purposes will remain constant until the property is sold or otherwise transferred.
- Once transferred the purchase price will become the new value for property tax purposes.
- New construction will be added to the tax rolls based on the appraised value of the new construction.
- This new structure will result in decreased costs in administering the property tax system throughout Montana
- The tax base of local government and schools will increase gradually and with more predictability.
- A constitutional amendment would be needed in order to implement this structural change.
- Requires all increases in local levies to be voted on by the people

		Estimated Tax Year 1993 Taxable Value			Annual % Change From 1986	
County	Tax Year 86 Taxable Value	Current Law (Reappraisal)	Under Prop13	Difference	Current Law (Reappraisal)	Under Prop13
Beaverhead	3,851,527	5,240,264	5,204,023	(36,241)	4.5%	4.4%
Flathead	42,415,522	66,366,559	59,396,205	(6,970,354)	6.6%	4.9%
Gallatin	26,350,587	47,316,962	40,804,979	(6,511,984)	8.7%	6.4%
Granite	1,491,719	2,087,501	2,040,697	(46,804)	4.9%	4.6%
Jefferson	3,989,071	5,874,846	5,837,739	(37,107)	5.7%	5.6%
Lake	18,052,756	24,955,046	22,164,513	(2,790,533)	4.7%	3.0%
Mineral	1,480,818	1,958,025	1,865,271	(92,754)	4.1%	3.4%
Missoula	47,013,829	58,474,326	58,383,033	(91,293)	3.2%	3.1%
Silver Bow	15,011,560	20,161,853	18,337,153	(1,824,700)	4.3%	2.9%

Big Horn	3,969,232	3,068,775	4,546,447	1,477,672	-3.6%	2.0%
Blaine	2,219,011	2,250,181	2,578,255	328,074	0.2%	2.2%
Broadwater	2,046,491	1,903,520	2,459,488	555,968	-1.0%	2.7%
Carbon	6,963,569	7,402,105	8,343,471	941,366	0.9%	2.5%
Carter	760,486	598,351	916,448	318,097	-3.4%	2.7%
Cascade	39,716,344	50,506,496	50,612,417	105,920	3.5%	3.5%
Chouteau	3,643,191	3,213,372	4,355,644	1,142,272	-1.8%	2.6%
Custer	5,878,538	5,420,080	6,854,486	1,434,406	-1.2%	2.2%
Daniels	1,592,766	1,122,853	1,828,168	705,315	-4.9%	2.0%
Dawson	6,334,581	4,239,876	7,094,293	2,854,417	-5.6%	1.6%
Deer Lodge	4,644,332	4,585,291	5,347,682	762,391	-0.2%	2.0%
Fallon	1,924,311	1,417,470	2,206,892	789,422	-4.3%	2.0%
Fergus	5,232,732	5,366,817	6,385,146	1,018,329	0.4%	2.9%
Garfield	857,828	648,035	984,253	336,217	-3.9%	2.0%
Glacier	3,386,637	3,317,575	4,085,817	768,242	-0.3%	2.7%
Golden Valley	573,848	545,250	691,668	146,419	-0.7%	2.7%
Hill	8,619,630	9,124,571	10,201,755	1,077,185	0.8%	2.4%
Judith Basin	1,358,235	1,248,055	1,648,972	400,917	-1.2%	2.8%
Lewis & Clark	29,129,045	35,689,000	36,193,245	504,245	2.9%	3.2%
Liberty	1,579,339	1,329,897	1,986,559	656,662	-2.4%	3.3%
Lincoln	10,119,290	11,309,117	12,600,032	1,290,916	1.6%	3.2%
Madison	4,368,501	7,623,733	7,804,462	180,729	8.3%	8.6%
McCone	1,770,049	1,278,578	2,028,896	750,318	-4.5%	2.0%
Meagher	1,090,041	1,317,187	1,406,873	89,686	2.7%	3.7%
Musselshell	2,281,768	1,888,900	2,719,171	830,271	-2.7%	2.5%
Park	8,863,240	10,865,288	12,101,738	1,236,449	3.0%	4.5%
Petroleum	239,431	240,574	316,125	75,550	0.1%	4.0%
Phillips	2,780,695	2,438,031	3,264,805	826,775	-1.9%	2.3%
Pondera	3,224,220	2,892,272	3,808,943	916,670	-1.5%	2.4%
Powder River	1,330,467	979,674	1,592,670	612,996	-4.3%	2.6%
Powell	2,876,173	3,307,809	3,427,115	119,305	2.0%	2.5%
Prairie	767,148	540,046	907,037	366,991	-4.9%	2.4%
Ravalli	16,222,961	22,102,024	22,377,397	275,374	4.5%	4.7%
Richland	6,431,059	5,196,824	7,309,571	2,112,747	-3.0%	1.8%
Roosevelt	3,530,775	2,846,579	4,043,006	1,196,428	-3.0%	2.0%
Rosebud	3,966,145	3,083,700	4,597,478	1,513,778	-3.5%	2.1%
Sanders	4,371,304	5,363,756	5,552,334	188,579	3.0%	3.5%
Sheridan	2,939,329	2,225,514	3,397,713	1,172,199	-3.9%	2.1%
Stillwater	4,568,157	5,200,917	5,907,540	706,622	1.9%	3.7%
Sweet Grass	2,344,072	2,010,903	2,857,244	846,341	-2.2%	2.9%
Teton	3,618,778	3,201,894	4,350,059	1,148,165	-1.7%	2.7%
Toole	2,939,996	2,734,678	3,456,983	722,305	-1.0%	2.3%
Treasure	371,667	329,574	474,916	145,342	-1.7%	3.6%
Valley	4,713,181	4,211,111	5,628,061	1,416,950	-1.6%	2.5%
Wheatland	908,860	916,634	1,152,840	236,206	0.1%	3.5%
Wibaux	694,755	527,926	794,819	266,893	-3.8%	1.9%
Yellowstone	87,201,764	88,246,665	102,775,855	14,529,190	0.2%	2.4%

Amendments to Senate Bill 20
Introduced Copy

Department of Revenue

The first two amendments clarify that the acquisition value of property shall be the January 1, 1995 assessed property valuation until the property is purchased in an arm's-length transaction after the January 1, 1995 date. In the alternative a property owner may submit an independent appraisal demonstrating the property's market value is less than its January 1, 1995 assessed value or a subsequent purchase price. In that event the acquisition value will be the market value established in the valid independent appraisal.

The third amendment provides that any change in property valuation will be reflected in the next tax year.

The fourth amendment allows a person or entity filing a realty transfer certificate to state the purchase was or was not an arm's length transaction. The unamended version would seem to indicate a realty transfer certificate could not be filed unless the transaction was an arm's-length transaction. Many transactions, such as purchases by family members, will not be arm's-length, but that should not preclude the filing of a realty transfer certificate and deed.

The remaining amendments excepts changes in acquisition values caused by changes in ownership and purchases of the property occurring after January 1, 1995 from the I-105 limitations contained in Section 15-10-412, MCA. Without this amendment all acquisition values would be frozen at the property's 1986 level.

1. Page 4, line 1.
Strike: "acquisition"

2. Page 4, line 1.
Following: "property"
Insert: "as determined in subsections (a) and (b)"

3. Page 4, line 7.

Following: "value."

Insert: "Any change in value takes effect on the next succeeding January 1."

4. Page 46, line 5.

Following: "was"

Insert: "or was not"

5. Page 53, line 9.

Following: ~~the~~."

Insert: ":

6. Page 53, line 10.

Following: ~~"(i) cyclical reappraisal; or"~~

Insert: "(i) a change of ownership of the property; or (ii) a purchase of the property; or"

7. Page 53, line 11.

Following: "(ii)"

Insert: "(iii)"

8. Page 53, line 17.

Following: ~~the~~."

Insert: ":

9. Page 53, line 18.

Following: "(i)"

Insert: "(i)"

10. Page 53, line 19.

Following: "or"

Insert: "or"

11. Page 53, line 20.

Following: ~~"(ii) cyclical reappraisal"~~

Insert: "(ii) a change of ownership of the property; or (iii) a purchase of the property."

~~Exhibit 4~~

SENATE TAXATION

EXHIBIT NO. 31

DATE December 6, 1993

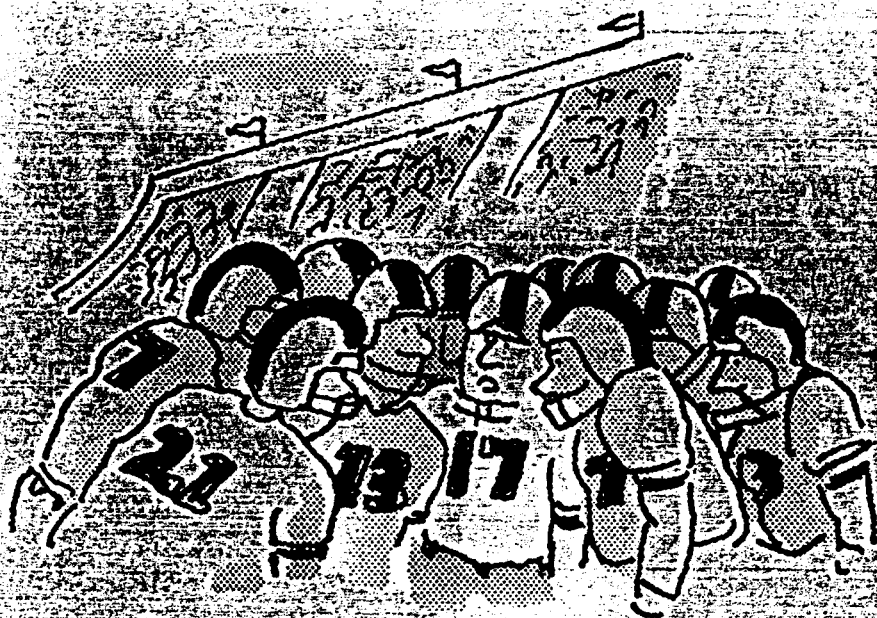
CH. NO. SB 20

ger

Big Sky Business Review — 15

BOTTOM LINERS

Ken Thomas



Eric & Bill

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12-4

"What are the tax consequences if we punt?"

Exhibit A

DATE December 6, 1993

BILL NO. SB 20

Effective Tax Rates for Residential and Commercial Real Property
Estimated Taxes Paid as a Percent of Market Value
(Taxes Levied for State, County, Schools, and City/Town Purposes)

County	Residential Property			Commercial Real Property		
	Market Value	Estimated Taxes Paid	Effective Tax Rate	Market Value	Estimated Taxes Paid	Effective Tax Rate
Beaverhead	122,036,236	1,493,557	1.22%	38,574,507	537,268	1.39%
Big Horn	88,229,559	764,040	0.87%	79,346,182	682,441	0.86%
Blaine	64,828,484	729,569	1.13%	16,349,661	240,364	1.47%
Broadwater	60,483,249	504,951	0.83%	15,009,513	137,696	0.92%
Carbon	198,574,897	2,308,936	1.16%	31,427,948	428,832	1.36%
Carter	20,451,586	206,898	1.01%	1,486,405	24,973	1.68%
Cascade	1,231,239,931	20,088,294	1.63%	473,278,522	8,110,415	1.71%
Chouteau	113,580,917	1,265,312	1.11%	17,137,630	243,609	1.42%
Custer	128,601,639	2,265,370	1.76%	48,194,521	899,582	1.87%
Daniels	38,864,021	531,170	1.37%	7,984,116	132,484	1.66%
Dawson	129,282,782	1,923,687	1.49%	41,644,890	691,069	1.66%
Deer Lodge	115,265,742	1,679,217	1.46%	36,017,332	532,263	1.48%
Fallon	39,039,242	410,874	1.05%	13,386,036	149,088	1.11%
Fergus	154,222,365	2,226,542	1.44%	40,535,718	678,519	1.67%
Flathead	1,489,086,212	20,426,741	1.37%	482,850,108	7,358,512	1.52%
Gallatin	1,083,880,363	14,213,151	1.31%	368,645,689	5,575,578	1.51%
Garfield	21,042,982	208,199	0.99%	4,133,262	49,386	1.19%
Glacier	97,674,430	1,045,444	1.07%	41,984,034	480,673	1.14%
Golden Valley	18,026,196	168,721	0.94%	1,399,442	14,213	1.02%
Granite	46,729,532	445,412	0.95%	7,780,659	84,838	1.09%
Hill	243,067,041	3,045,313	1.25%	84,266,789	1,132,336	1.34%
Jefferson	139,987,918	1,357,855	0.97%	36,966,841	369,887	1.00%
Judith Basin	42,509,501	430,273	1.01%	5,361,773	65,769	1.23%
Lake	524,502,549	5,976,212	1.14%	78,093,260	1,046,410	1.34%
Lewis And Clark	847,587,264	12,941,959	1.53%	327,005,235	5,415,277	1.66%
Liberty	52,504,749	488,470	0.93%	6,976,514	81,579	1.17%
Lincoln	279,395,452	2,874,647	1.03%	91,838,790	1,009,259	1.10%
Madison	189,239,324	1,951,940	1.03%	43,427,666	483,664	1.11%
McCone	43,420,052	486,483	1.12%	5,510,213	88,098	1.60%
Meagher	34,569,036	362,781	1.05%	5,548,016	70,681	1.27%
Mineral	42,028,582	520,063	1.24%	16,585,287	215,684	1.30%
Missoula	1,453,623,944	23,991,674	1.65%	734,037,778	13,136,884	1.79%
Musselshell	61,997,650	749,291	1.21%	9,399,692	132,295	1.41%
Park	281,354,236	3,504,031	1.25%	74,690,566	984,632	1.32%
Petroleum	7,084,694	85,371	1.21%	590,312	9,653	1.64%
Phillips	69,762,758	688,733	0.99%	18,172,446	205,593	1.13%
Pondera	95,691,194	1,157,952	1.21%	28,145,861	396,230	1.41%
Powder River	31,357,628	417,752	1.33%	4,414,034	76,878	1.74%
Powell	81,952,132	920,062	1.12%	18,317,030	228,795	1.25%
Prairie	19,385,431	206,693	1.07%	2,415,387	33,478	1.39%
Ravalli	545,235,080	6,067,064	1.11%	91,752,285	1,256,962	1.37%
Richland	133,298,072	1,554,668	1.17%	60,438,175	785,148	1.30%
Roosevelt	86,523,236	889,640	1.03%	24,121,015	282,343	1.17%
Rosebud	98,269,858	616,103	0.63%	48,542,464	299,187	0.62%
Sanders	128,740,344	1,386,667	1.08%	24,263,489	300,832	1.24%
Sheridan	71,636,484	826,318	1.15%	17,763,510	244,943	1.38%
Silver Bow	464,051,734	8,185,514	1.76%	230,816,990	4,143,402	1.80%
Stillwater	131,389,941	1,406,230	1.07%	20,363,975	261,271	1.26%
Sweet Grass	72,312,058	846,836	1.17%	12,770,616	181,735	1.42%
Teton	110,701,474	1,397,531	1.26%	20,357,708	305,241	1.50%
Toole	86,847,222	977,974	1.13%	24,346,487	319,711	1.31%
Treasure	11,484,120	117,760	1.03%	1,367,415	18,150	1.33%
Valley	114,938,077	1,557,094	1.35%	34,498,111	548,108	1.59%
Wheatland	28,922,903	321,779	1.11%	4,542,849	60,533	1.33%
Wibaux	15,041,797	156,795	1.04%	2,642,254	33,057	1.25%
	2,135,218,211	29,604,005	1.39%	1,017,994,039	14,571,192	1.43%

TABLE 1
Estimated Percent Change in Property Taxes for Residential Property
Fiscal 1993 to Fiscal 1994

County	Change in Residential Value Due to Reappraisal	1992 Effective Tax Rate		Combined Impact to Residential Taxes
		Change in Average Mill Levy		
Granite	19%	.95 X	21% = 1.14	44%
Mineral	26%	1.24 X	11% = 1.38	40%
Glacier	-8%	1.07 X	46% = 1.57	35%
Jefferson	9%	.97 X	19% = 1.16	29%
Wibaux	3%	1.04 X	23% = 1.28	27%
Broadwater	-13%	.83 X	42% = 1.18	24%
Lake	27%	1.14 X	-4% = 1.10	22%
Beaverhead	16%	1.22 X	4% = 1.27	21%
Sanders	15%	1.08 X	5% = 1.14	20%
Richland	8%	1.17 X	11% = 1.30	20%
Fallon	1%	1.05 X	17% = 1.23	19%
Meagher	7%	1.05 X	8% = 1.14	16%
Flathead	16%	1.37 X	-1% = 1.36	15%
Stillwater	8%	1.07 X	6% = 1.14	14%
Ravalli	9%	1.11 X	4% = 1.16	14%
Deer Lodge	5%	1.46 X	8% = 1.58	13%
Lewis And Clark	9%	1.53 X	4% = 1.60	13%
Hill	2%	1.25 X	11% = 1.39	13%
Lincoln	7%	1.03 X	6% = 1.13	13%
Phillips	-1%	.99 X	14% = 1.13	13%
Missoula	5%	1.65 X	7% = 1.77	12%
Powell	11%	1.12 X	1% = 1.14	12%
Roosevelt	-7%	1.03 X	20% = 1.24	11%
Custer	13%	1.76 X	-2% = 1.73	11%
Yellowstone	8%	1.39 X	2% = 1.42	10%
Gallatin	12%	-2%	6%	9%
Park	2%	-6%	6%	8%
Silver Bow	15%	-6%	6%	7%
Carbon	2%	5%	6%	7%
Powder River	-8%	15%	6%	6%
Valley	1%	4%	6%	6%
Cascade	7%	-3%	4%	4%
Madison	5%	-3%	2%	2%
Treasure	-17%	22%	2%	2%
Judith Basin	-14%	16%	0%	0%
Blaine	0%	-1%	-1%	-1%
Toole	-10%	9%	-2%	-2%
Wheatland	-10%	9%	-2%	-2%
Fergus	-4%	2%	-2%	-2%
Sheridan	-11%	10%	-2%	-2%
Pondera	-14%	12%	-4%	-4%
Golden Valley	-10%	6%	-5%	-5%
Dawson	-11%	6%	-6%	-6%
Prairie	-19%	15%	-6%	-6%
Carter	-11%	5%	-7%	-7%
McCone	-12%	5%	-7%	-7%
Petroleum	-1%	-7%	-8%	-8%
Sweet Grass	-21%	16%	-8%	-8%
Daniels	-16%	8%	-9%	-9%
Garfield	-7%	-3%	-10%	-10%
Teton	-17%	9%	-10%	-10%
Big Horn	-3%	-8%	-11%	-11%
Musselshell	-16%	5%	-11%	-11%
Rosebud	-15%	4%	-12%	-12%
Liberty	-25%	15%	-15%	-15%

\$270,875

153,000

CURRENT
VALUATION
SYSTEM

\$70,000

\$270,875

153,000

ACQUIRED
COST

SENATE TAXATION

EXHIBIT NO. 33

DATE December 6, 1993

BILL NO. SB 20

\$104,016

\$70,000

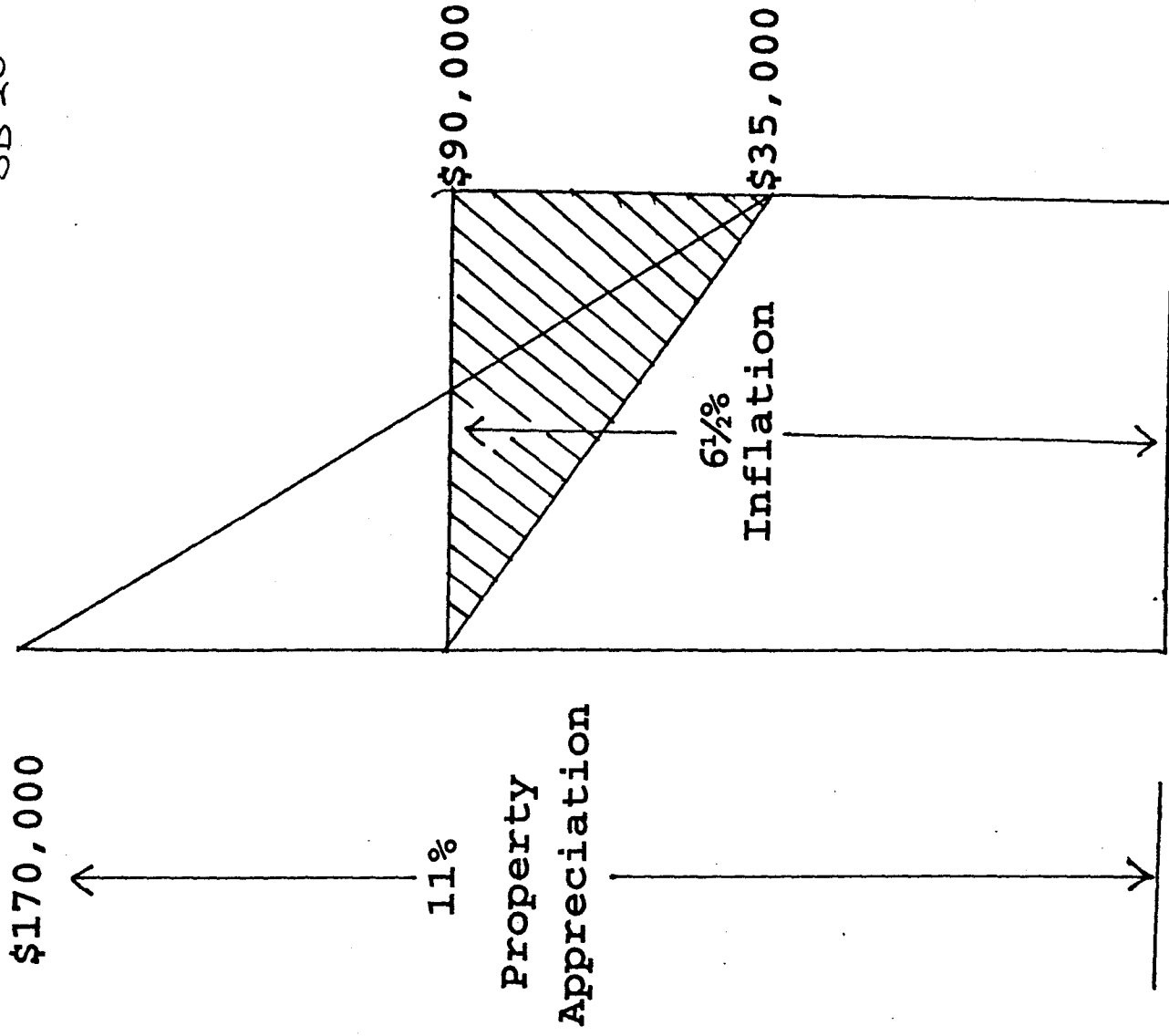
7% ANNUAL APPRECIATION OVER 20 YEARS

4 1/2 %

Montana Association of Realtors
Retain Current Valuation System
Greater Equity
Preserves Tax Base

CALIFORNIA 1975-1990 EXPERIENCE WITH PROPOSITION 13

Montana Association of Realtors
Retain Current Valuation System
Greater Equity
Preserves Tax Base



EX-118-37
12-6-93
SB 20

NAME Russell C. McDonough
ADDRESS 576 2. Sanders St
HOME PHONE 449-4794 WORK PHONE _____
REPRESENTING self
APPEARING ON WHICH PROPOSAL? SB 17820
DO YOU: SUPPORT _____ OPPOSE X AMEND _____

COMMENTS:

The Legislature should be free
to devise new board solutions.
This is really statutory law and
has no place in a constitution.

WITNESS STATEMENT

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 6 December, 1993

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 17, SB 20

< ■ >

PLEASE PRINT

< ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
ALBERT B DISMORE	self.	20	X	
STAN TAMRUSZKA	Self	20	X	
RUSS KENDALL	SELF	20	X	
Russell C. McDermough	self	17 & 20		X
Kerry McDermough Jensen	self	SB 20		X
Joyce Decker Wegner	LAKE County SUPT	SB 17 SB 20		
DIANNA J Kelley	Self	SB 20		
Rosie Erickson	Self	20		
Roy Tuffy	Self	20		
Dick Michelotti	cascade County TREASURER	20	✓	
Dave Woodgerd	Dept. of Revenue	17, 20		
Tom Hopgood	Mt. Assoc Realtors	17, 20		✓
Ernie Dutton	MT Assoc of Realtors	17, 20		X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 6 December '93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 17, SB 20

< ■ >

PLEASE PRINT

< ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
FRED ROACH		SB 20	✓	
John Schroder		SB 20	✓	
Gregory Van Housen	Income Property Managers Assn. Mountain Landlords Assn	SB 20	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY