

## **MINUTES**

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

#### **COMMITTEE ON TAXATION**

**Call to Order:** By Senator Eck, Vice-Chair, on December 7, 1993,  
at 8:15 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 22, SB 21  
Executive Action: None.

#### **HEARING ON SENATE BILL 22**

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

**Senator Halligan, Senate District 29,** stated SB 22 would provide the Legislature with an option to address the recent Supreme Court decision regarding taxes paid by federal retirees. Referring to the fiscal note, **Senator Halligan** noted that SB 22's estimated impact to the State's General Fund would be \$16.4 million, but added that fiscal impact would not be incurred until the next biennium. He said SB 22 would provide federal retirees with credits on taxes paid after December 31, 1994, a provision which moved the General Fund reduction into the 1995-1997

biennium. He explained that the tax credit would be non-refundable; to the extent that they exceed tax liabilities, remaining credits would be transferred into the next tax year.

**Senator Halligan** stated Arizona and other states who, like Montana, did not have funds available to provide cash refunds to those federal retirees who were owed money under their retirement plans, had adopted similar credit proposals in an attempt to resolve the issue. **Senator Halligan** said he was uncertain whether the Legislature would want to address the refund issue in this fashion, but added he thought it wise to introduce SB 22 as a potential policy so it would be available if it became necessary.

**Proponents' Testimony:**

None.

**Opponents' Testimony:**

**John R. Milodragovich, Northern Rocky Mountain Retiree Association (NRMRA)**, identified himself as the Chair of the NRMRA committee assigned to deal with the question addressed in SB 22. He added that an additional member of his committee, Gary Nelson, was also attending the hearing. **Mr. Milodragovich** said that NRMRA had been working with state authorities and with Missoula legislators on the problem this issue poses to the state and to individual taxpayers. He stated that NRMRA recognized Montana's financial dilemma and hoped that a solution could be reached without further litigation.

**Mr. Milodragovich** stated NRMRA opposes SB 22 for two primary reasons: first, it makes no provisions for a cash refund and second, it does not include interest on those monies collected. He said the majority of NRMRA members feel that cash refunds are preferable to tax credits, although some feel that a tax credit are acceptable. He emphasized, however, that no NRMRA member felt that a solution which did not include interest would be acceptable. **Mr. Milodragovich** stated the NRMRA membership feels strongly that reciprocity is necessary; if taxpayers owe the State money, the State expects them to pay interest as well as a penalty on that money.

**Ed Sheehy, Jr.** identified himself as the attorney for the plaintiffs in the litigation of **Sheehy v. Department of Revenue (DOR)**, which, according to **Mr. Sheehy, Jr.**, had finally pushed the State to react to his clients claims. He stated he was opposed to SB 22 for two reasons: first, since it provides for tax credit instead of refunds SB 22 would not satisfy due process requirements nor would it bring an end to the litigation, and second, SB 22 made no provision for interest. According to **Mr. Sheehy, Jr.**, two United States Supreme Court rulings (Harper v. Virginia Department of Taxation, 509 U.S. \_\_\_\_ (1993) and

Mckessen) established that as a matter of due process the state has three options when illegal taxes are imposed: it has to have a pre-deprivation remedy; if no pre-deprivation remedy is present there has to be a method for obtaining refunds; or the illegal taxes have to be imposed on the people that were favored. **Mr. Sheehy, Jr.** said he was currently contesting the presence of a pre-deprivation remedy in Montana's statute. He noted that, as a result, the only due process remedy available is refunds, since he doubted that imposing the current tax on state retirees retroactively back to 1983 was not a politically acceptable solution. Since tax credits do not satisfy the due process requirements, he assured the Committee that if SB 22 passes, the plaintiffs would continue their litigation. **Mr. Sheehy, Jr.** said the absence of any provision for interest represented a lack of reciprocity and unfair, a point which would be grounds for continuing the law suit against the state. He agreed with Senator Halligan and the administration that the litigation needs to be resolved, but stated SB 22 would not accomplish resolve the issue.

**Ed Sheehy, Sr.** identified himself as the lead plaintiff in the previously mentioned lawsuit, and said he concurred with the statements of his attorney. **Mr. Sheehy** quoted a U.S. Supreme Court justice from many years ago as saying "the power to tax is the power to destroy", the reason, according to **Mr. Sheehy** that inter-governmental immunity was established. He stated that in this case, if tax credits are issued, not only would money be taken out of the pockets of those retirees, but the federal government could be deprived of monies to which it may be entitled. He urged the Committee to vote against SB 22.

**Herman Wittman**, Vice-President of the State Association of the National Association of Retired Federal Employees (NARFE), said that as a military retiree he also agreed with the opposition of NARFE on SB 22, which he was representing. He stated NARFE was opposed to SB 22 since it did not provide for cash refunds. He noted that tax credits were impractical, and would make it difficult for three groups to receive their reimbursement: the heirs or estates of deceased federal retirees; federal retirees who had moved to another state and no longer paid state income taxes; and those federal retirees who currently reside in the state but decide to move. **Mr. Wittman** noted that at issue were only those taxes collected for four years, even though the general laws had been in place and federal employees had been paying taxes since 1939. He said that money the federal retirees were requesting was only a small "chunk of that which was potentially due to them", and added it seemed unfair to ask federal retirees to "relinquish their interest based upon that small time span".

**Owen Warren**, President of the Local Chapter of NARFE, testified that his chapter has many members who all believe SB 22 is not the right approach to this problem and would afford no solution.

**Senator Swift, SD 32**, said he was a member of NARFE. He stated he was pleased that Senator Halligan had introduced this issue into the Legislature and expressed his hope that a solution could be found. Senator Swift emphasized, however, he did not believe that SB 22 currently considered those things which are "right and proper under law". He noted SB 22 contained no provision for interest on those taxes illegally collected. According to **Senator Swift**, DOR had notified federal retirees who protested paying their taxes that if they filed a timely claim they would be repaid once a decision was made. He stated those who filed timely should receive a cash refund, and those who did not could receive a tax credit.

**Questions From Committee Members and Responses:**

**Senator Towe** asked **Ed Sheehy, Jr.** to explain his theory as to why the State does not provide a pre-deprivation remedy. **Mr. Sheehy, Jr.** replied that Montana's refund statutes specifically provide that if a person has overpaid their taxes, they are entitled to file a claim for a refund. He stated the application of those particular statutes have been reviewed by courts in Missouri and Iowa. According to **Mr. Sheehy, Jr.** both courts ruled that those statutes provide no pre-deprivation remedy because a person is required to pay their taxes under some threat that something will happen to them. **Mr. Sheehy, Jr.** said DOR contends that there is no threat process in Montana, that a person is not compelled to pay the taxes. He added that point is what "we are going to be arguing in District Court".

**Senator Towe** asked if the County Appeal Board did not provide a remedy. **Ed Sheehy, Jr.** responded that the County Appeal Board review process applied only to property not to income taxes.

**Senator Towe** asked whether the possibility of a settlement had been discussed. **Ed Sheehy, Jr.** replied he had written a letter to the Governor and the Director of DOR asking to discuss the matter before the Governor indicated in the press that he was going to come to the Legislature with a proposal. **Mr. Sheehy, Jr.** stated he had not received a response from the administration since the date of that letter, and he added the administration has proceeded to argue in court as to whether or not the State has a legal obligation to pay refunds. **Mr. Sheehy, Jr.** informed the Committee he was opposed to the administration's proposal as contained in HB 56 since it made no provision for paying his attorney's fees. He stated "we are going to end up in litigation over that if that is not done".

**Senator Towe** asked **Ed Sheehy, Jr.** to respond to the problem that it would be impossible to assure that all retirees will agree with a settlement if that settlement involves something less than full recovery. **Ed Sheehy, Jr.** replied a motion was pending to have this action certified as a class action.

**Senator Towe** stated if the US Supreme Court granted that writ of

certiorari, the action would become a class action at which point **Mr. Sheehy, Jr.** would have the authority to settle on behalf of all claimant. **Mr. Sheehy, Jr.** verified **Senator Towe's** statement.

**Senator Towe** asked **Dave Woodgerd**, Chief Counsel, DOR, to define the State's position on the pre-deprivation remedy. **Mr. Woodgerd** responded that the State provides remedies: one, the ability for taxpayers to simply say they believe a tax to be illegal or unconstitutional and to refuse to pay; two, the ability to get an injunction. **Mr. Woodgerd** noted in the first case, the contested income would be considered gross income and the taxpayer could essentially subtract that income from their tax income. He explained DOR would then conduct and issue an assessment which would also be contestable, as long as taxpayers filed their protests.

**Senator Towe** asked **Dave Woodgerd** to respond to the plaintiffs request to certify theirs as a class action so that they would be in a position to "truly negotiate" with DOR. **Dave Woodgerd** replied DOR had opposed the class action primarily because it seemed unnecessary given DOR's position that if, in fact, the court ruled that a refund was due, all federal retirees would receive their refunds whether or not the lawsuit had been certified as a class action. **Mr. Woodgerd** stated a concern existed on the part of the State to oppose class action because it would result in large attorney's fees. He explained if the State ends up refunding money, the administration wants that money to go to the taxpayers and not the attorneys bringing the lawsuit. He expressed his doubts that if a class action were agreed upon everybody would settle; if only one person was dissatisfied, opted out of the class and continued the litigation then the state would still be forced to litigate. **Mr. Woodgerd** also noted he was not convinced that the case would be accepted as a class action given Montana's tax structure.

After noting that anyone who opted out would most likely have neither the attorneys nor the resources available to continue to pursue the claim, **Senator Towe** asked whether most of the pertinent issues could be discussed and worked out in a compromise. He said, for instance, an agreement could certainly be negotiated that a refund is to be had and a certain amount of the refund could be set apportioned as attorney's fees. **Dave Woodgerd** agreed that the parties involved "could sit down and talk about anything".

**Senator Towe** asked if the administration had truly not responded to the request to negotiate. **Dave Woodgerd** replied he did not know, but assumed that statement was true.

**Senator Towe** asked **Senator Halligan** to clarify the intent of the language on Page three, Lines five, six and seven. three, Lines five, six, and seven. **Senator Halligan** asked for a few minutes to review that section.

**Senator Harp** asked if **Ed. Sheehy, Jr.**'s main objection to the administration's proposal was that no provision was made to pay for his attorney's fees. **Ed Sheehy, Jr.** responded yes. He noted that typically in a class action the case is settled and the court decides what amount of that money recovered by the class should be awarded to the attorney as a fee. **Mr. Sheehy, Jr.** noted if this case were settled in court as it should be, then that is what would happen. He stated the administration came up with its proposal in order to avoid having any attorney's fees paid, and he emphasized that his attorney's fees would be paid by his clients not the State. **Mr. Sheehy, Jr.** stated once that money is paid through the legislative process, the only way for him to recover his fees would be to go into court and attach some of that money. He explained he was not asking the Legislature to award him attorney's fees. He stated, however, the administration is deliberately trying to avoid resolving this matter in court, so it would not have to address this issue.

**Senator Harp** stated he felt that the intent of the Governor's proposal was forthright, honest and wanting to do something for the federal retirees, whereas **Ed Sheehy, Jr.**'s main objection was that he was possibly not going to get paid on a guaranteed basis. **Ed Sheehy, Jr.** disagreed that his fees would be guaranteed, since if his clients did not receive their refunds, he would not get paid. **Senator Harp** responded that the State would give federal retirees some kind of a refund, and reiterated **Mr. Sheehy, Jr.**'s main problem was that he was not going to get paid. **Ed Sheehy, Jr.** replied **Senator Harp** was correct.

**Senator Van Valkenburg** asked to how much in attorneys' fees **Ed Sheehy, Jr.** felt he was entitled. **Ed Sheehy, Jr.** responded he would be willing to accept ten percent of the settlement even though attorneys in other states had collected sixteen and 33.3 percent by court approval.

During a short exchange between **Senators Harp and Van Valkenburg** and **Ed Sheehy, Jr.**, **Mr. Sheehy, Jr.** stated he already had about 3000 hours invested in the case and his attorney's fees would be about \$1.4 million. He noted that extensive litigation always costs "a whole lot of money".

**Senator Harp** asked what kind of capital investment **Ed Sheehy, Jr.** had in the case. **Mr. Sheehy, Jr.** replied he had computers, and staff and added he had not been paid for about four years. He noted, however, the small amount of money his clients had been able to collect had paid his costs. He informed the Committee that the printing cost for the brief to the U.S. Supreme Court for a "petition for a cert" alone was \$3,000.

**Senator Towe** asked **Ed. Sheehy, Jr.** if in the event that neither SB 22 or HB 56 are adopted and he successfully argues his case in court, then his attorney's fees would be provided in the class action if indeed it becomes certified. **Ed Sheehy, Jr.** responded affirmatively. **Senator Towe** asked **Ed Sheehy, Jr.** whether that

presented a reason for the state to negotiate a settlement, since a part of that negotiation would probably be a lesser attorney's fee. **Mr. Sheehy, Jr.** responded that the ten percent he quoted already represented a lesser fee than he would ask for in the litigation. He explained his agreement with his clients provides that he is entitled to 25 percent, and added he would be going into court and asking for that 25 percent. **Mr. Sheehy, Jr.** pointed out that the case was a 23-D2 class so people could not opt out, but could argue his attorney's fees in court. He assured the Committee that action does occur.

**Senator Towe** noted that **Mr. Sheehy, Jr.** sounded as though he would be very willing to talk about the amount of his attorney's fees, and that even ten percent might be negotiable. **Ed Sheehy, Jr.** replied "it might be".

**Senator Grosfield** asked **Ed Sheehy, Jr.** to respond to **Senator Swift's** suggestion that timely filers receive a cash refund and untimely filers an income tax credit. **Ed Sheehy, Jr.** replied he would support that suggestion since, as a part of the litigation, the state is arguing that the five year statute of limitations on filing refund claims would not apply. According to **Mr. Sheehy, Jr.**, people should be able to file a refund claim as a result of that litigation. He noted such a provision would circumvent that process, because late filers would be able to seek credits rather than go through the mechanics of filing for a refund.

**Senator Grosfield** asked **Ed Sheehy, Jr.** if he thought people who did not file timely would still have good grounds to continue the lawsuit and seek cash. **Ed Sheehy, Jr.** replied yes. He said courts in "a couple of other states" have held that the five year statute of limitations is waved as a result of litigation being filed. He said if the case received a class action certification, every member of the class would be entitled to file a refund "going back to 1983".

**Senator Grosfield** stated there are actually two classes: the class of timely filers and the class of untimely filers. **Ed Sheehy, Jr.** replied a court would hold that all members of a class are entitled to a refund and would specifically direct all members of the class to file refund claims.

**Senator Gage** asked **Mick Robinson, Director, DOR**, if the fiscal note on SB 22 were based on the current tax structure, since a considerable difference in exemptions, deductibility, and various costs exists between the current tax structure and the tax structure that may have been in place. **Mick Robinson** replied that the calculation of the tax was based on the year in which that tax return was originally filed. He stated the taxes in question were those rates in effect for the years 83-87. He noted that HB 671 would not have any impact on those taxes.

**Senator Gage** asked whether the two tax structures were different enough that federal retirees might not have any tax liability in

future years or might have a lot less tax liability than they do under current law. **Mick Robinson** responded he was unsure whether DOR had evaluated that issue. He said the financial ability of an individual to pay the tax based on retiree income and any possible changes in that financial circumstance would have to be forgotten in such an evaluation. He stated HB 671, on the other hand, would provide for significant shifts in who is being taxed and who is not. **Mr. Robinson** noted it would be difficult to say how individuals might be affected under HB 671, but added he thought it safe to say that some federal retirees would probably be paying more tax and some of less.

Closing by Sponsor:

**Senator Halligan** said he had met with **John Milodragovich** and **Edward ??** in Missoula and it was from their comments that he had arrived at the position of putting tax credits into SB 22. **Senator Halligan** noted that, in Missoula, the federal retirees had understood that the Legislature was about to cut dentures, eyeglasses, education, and human services and had expressed their desire to be part of the solution instead of a part of the problem. He said SB 22 did not provide for interest because of the need to find some middle ground. He commented that if the federal retirees wanted to continue on another year or two in court, they may get their interest and a full refund, but they would also have to pay a huge chunk in attorney's fees. According to **Senator Halligan**, SB 22 was designed to offer people compensation in those tax years that would not affect the most needy in our society. He said he did not care that SB 22 might affect the class action, or that it might affect the lawsuit if the Legislature adopts some method, whether credits or otherwise, to reimburse federal retirees. He stated his job is to try and help the federal retirees while not impacting the state budget this session, and concluded that was the purpose of SB 22.

HEARING ON SENATE BILL 21

Opening Statement by Sponsor:

**Senator Towe, Senate District 46**, informed the Committee that SB 21 was an attempt to address the increased valuation on homes resulting from the last reappraisal cycle. He stated SB 21 did not address the past reappraisal or provide for a refund or a rebate, but did provide a more reasonable mechanism of obtaining the appraisal of homes so that people are not faced with an enormous property tax increase. **Senator Towe** noted SB 21 would use the annual increase in the state-wide average of all class four property market values instead of the flat four percent rate proposed in SB 25, SB 26 and SB 27 as a mechanism to cap increases in taxable value. He explained SB 21 would provide that the increased appraisals of the values of peoples' homes would be frozen at the statewide average if they sign up and are eligible for the program. According to **Senator Towe**, the



requirements for eligibility SB 21 would establish are twofold: a person would have to own and live in a residence for five years and be living in that house for ten months out of the year. He handed out a specific example of how SB 21 would affect the appraised value on a house (Exhibit #1).

**Senator Towe** addressed the possible constitutionality of the provisions contained in SB 21. He stated the comments of former Judge McDonough at the preceding committee hearing made him believe SB 21 was constitutional. He noted he had reviewed the Montana Supreme Court rulings which had declared past appraisals unconstitutional and stated those cases dealt with the sales assessment ratios and their failure to address each individual property as a possible exception. **Senator Towe** stated those decisions do not negate the Legislature's authority to deal with a limitation on property values, but added if the Legislature created a different class for those houses on which it wanted to put the limitation, there would clearly be no constitutional problem. Although he did not "particularly like" the idea of establishing another class, **Senator Towe** stated he would be willing to make that change in order to clarify the constitutionality of the provisions in SB 21 and distributed an amendment which would do that (Exhibit #2). He stated SB 22 represented a very legitimate way "to handle a very serious problem in the future". He informed the Committee he was having another bill drafted which would address the question of the 1993 appraisal.

**Proponents' Testimony:** None.

**Opponents' Testimony:**

**Dennis Burr, Montana Taxpayers' Association (MTA)**, said he basically agreed with the comments made by **Senator Towe**. He noted, however, he liked SB 21 more when he thought it was unconstitutional, and added he liked SB 21 even less because it would separate real estate into two classes. He stated if the Committee implemented such a policy, the policy should apply to all land and buildings, not just residential property.

**Greg Van Horssen, Income Property Managers Association (IPMA) and Montana Landlords Association (MLA)**, said the organizations he represents reluctantly oppose SB 21 in its current form. He stated that limiting the valuation of these properties as suggested by **Senator Towe** had some merits, but added the concept should be applied to those individuals who have owned and occupied real estate for less than five years and those individuals who have owned real property, including commercial property, in Montana. **Mr. Van Horssen** noted people who have owned their homes for less than five years are probably more likely to need this type of tax relief than those who have owned for over five years.

**Questions From Committee Members and Responses:**

**Senator Grosfield** asked **Senator Towe** if the five years specified in SB 21 was an arbitrary number. **Senator Towe** replied he had no strong feelings about the specific time period and would not be offended if it were eliminated. He explained the five year provision was intended to afford some protection to those people who have lived in their house for a long time, whose property values and taxes have been driven up through no action or desire of their own, and who, as a result, might not be able to afford to remain in their homes. He said the period of five years made it clear that SB 21 was addressing those people, but he added that the Committee should determine the actual time period.

**Senator Grosfield** said **Senator Towe** had targeted those people about whom the Legislature was most concerned, but stated he was concerned about the long-term effects of the system SB 21 would implement. Using the numbers provided in the example passed out to the Committee (Exhibit #1), **Senator Grosfield** projected the actual market and taxable values of two houses with equal appraised values in 1993. According to **Senator Grosfield**, if one house is in an area where property values are increasing rapidly the actual market value by 2002 would be \$150,000 and under SB 21 the taxable value would be \$73,503. He compared that to another house in an area where property taxes did not increase rapidly or decreased. He said the market value of the latter house could well be \$68,000 and the taxable value at \$73,503. **Senator Grosfield** asked if, in such situations, SB 21 would present a constitutional issue. He wondered how SB 21 could be fair.

**Senator Towe** responded if those properties were put in a separate class, a constitutional issue would not exist, because all the people in that class would be treated equally. He noted he thought a separate class might not even be necessary. He agreed that SB 21 would create a tax shift particularly in regard to the 101 state mills, but argued that because it is based on a statewide average rather than just an arbitrary number, the cap SB 21 would institute is immanently fairer than the four percent. He noted that a four percent cap would aggravate the scenario presented by **Senator Grosfield** twice as much, but the taxes paid would be reduced by one half. He agreed that other than being fairer, using the state-wide average has the same frailty and faults as the four percent rule. **Senator Towe** noted if the State decides these people need to be protected, adding he favored such protection, the state would have to enact a shift to this extent, which has been done before. He cited an example in Billings from the 1979 tax cycle, when a number of people who lived in an area with encroaching commercial and industrial properties had their properties appraised at commercial rates and experienced a doubling of their property taxes. **Senator Towe** said the Legislature responded by providing those homeowners the opportunity to certify that they wanted to retain their house as their home; those properties were then taxed as residential property. He stated that response worked, even though that

policy represents a tax shift; if those folks sell their property it will be at commercial or industrial rates and they will benefit. **Senator Towe** said they did not lose their homes because of something they had no control over. He stated that should happen in this current case.

**Senator Grosfield** noted that SB 21 would cause a shift toward people with lower equity and away from people with higher equity. **Senator Towe** agreed and said that fact is one of the real arguments against a cap of any kind. He stated such policies need to be considered, however, if those people who experienced gigantic increases in their property equity which they neither wanted nor could control are to be afforded protection.

**Senator Eck** asked if the concerns **Senator Grosfield** had raised could be resolved by instituting an annual cap based on the county-wide average rather than the state-wide average. **Senator Towe** responded that some of the concerns **Senator Grosfield** raised would be addressed, he added, however, a county-wide average would not be an adequate solution. He explained that in those counties with homes hardest hit by the property taxes, the enormous jump in property equity probably applied to most homes. **Senator Towe** said a county-wide average would certainly be a possibility, but added he was not sure it would give those particular individuals the kind of protection they need. **Senator Eck** said the real concern is that the counties have a tax-base which is growing at the same rate as their costs. She asked whether determining that cap through an index, like the cost of living index, would be a feasible approach since it would assure counties the increase in property tax appropriate to their needs. **Senator Towe** answered a cost of living index would represent a move backwards from the position of SB 21 because a cost-of-living index would be less than the state-wide average. He stated another possibility would be limiting the index to just residential instead of all class four properties. According to **Senator Towe**, the average increase in residential properties state-wide would be about 13 percent in 1993, but the commensurate increase for all class four property would be 7.3 percent. He noted boosting the annual increase to the state-wide average for residential properties was not a bad suggestion.

After noting that the program contained in SB 21 was considerably different than the Governor's Property Tax Advisory Council's proposal, **Senator Van Valkenburg** stated the Advisory Council had agreed on a four percent annual cap only in combination with the offsetting measure of a makeup tax. He asked **Senator Towe** if he had considered, at least since the hearing on Senate Bills 25, 26, and 27, a makeup tax as a method of dealing with the tax shift caused by any kind of artificial cap placed on assessed value.

**Senator Towe** said he had introduced SB 21 as an alternative to the four percent cap and added he would support simply amending it into SB 26, if the Committee deemed the state-wide average a

better option. He stated he had signed SB 26 and think that "it is a good way to go". He explained, however, that even though the make-up tax contained in SB 26 was a better and more simple approach than most make-up ideas, he had reservations about a make-up tax as a concept. **Senator Towe** stated there is an aversion to that approach and added he did not consider the shift in tax-burden so serious that a make-up tax would be necessary.

**Closing by Sponsor:**

**Senator Towe** closed the hearing on SB 21.

**ADJOURNMENT**

**Adjournment:** 9:20 a.m.

  
\_\_\_\_\_  
SENATOR MIKE HALLIGAN, Chair  
\_\_\_\_\_  
BETH E. SATRE, Secretary

MH/bs

# ROLL CALL

SENATE COMMITTEE TAXATION DATE December 7, 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		

SENATE BILL 21

EXAMPLE

EXHIBIT 1  
DATE December 7, 1993  
SUBJECT SB 21

Assume a \$60,000 home in an area where property values are increasing rapidly.

1993 Appraised Value	-	\$60,000.00	
1996 Actual value	-	90,000.00	
1996 Appraised value	-	90,000.00	← without SB 21
1996 Average Class 4 increase	-	7%	
Limit under SB 21 ( $7\% \times \$60,000$ ) = 4,200.00			
1996 Value under SB 21	-	64,200.00	← with SB 21

Amendments to Senate Bill 21 EXHIBIT 2

December 7, 1993

Thomas E. Towe

December 7, 1993

SB 21

1. Title, line 7.

Following: "VALUE;"

Insert: "CREATING A NEW CLASS THIRTEEN PROPERTY;"

2. Page 1.

Following: line 21.

Insert: "NEW SECTION. Section 1. Class thirteen property -  
**description - taxable percentage.** Class thirteen property  
includes owner-occupied residential property as defined in  
[Section 2] which is eligible for the limitation set forth in  
[Section 2]."

Renumber: subsequent sections.

NAME EJ Sheehy, Jr  
ADDRESS P.O. Box 5707 Helen 35604  
HOME PHONE 251-5245 WORK PHONE 442-8970  
REPRESENTING Plaintiff in Sheehy, et al v. DGA  
APPEARING ON WHICH PROPOSAL? S13 22  
DO YOU: SUPPORT \_\_\_\_\_ OPPOSE X AMEND \_\_\_\_\_

COMMENTS:

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WITNESS STATEMENT

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY



DATE December 7, 1993SENATE COMMITTEE ON TaxationBILLS BEING HEARD TODAY: SB 21, SB 22

&lt; ■ &gt; PLEASE PRINT &lt; ■ &gt;

Check One

Name	Representing	Bill No.	Support	Oppose
ED SHEEHY	SEER	22		✓
Owen Warren	Local chapter Fed Employees	22		✓
Ed Sheehy, Jr. WITTMAN	Assembly - Sheehy, Jr. State assembly VP - NARFE	22		✓
Herman Wittman	VP - NARFE	22		✓
JACK SCHULTZ	NARFE CHAP 322	22		✓
ARTHUR L. ROE	" "	22		✓
Sherwood C. Trotter	" "	22		✓
JOHN MILODRACOVICH	NRMRA	22		✓
GARY NELSON	NRMRA	22		✓
Bernie A. Swift	Legs. NRMRA-	22		✓

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY