

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - SPECIAL SESSION**

#### **COMMITTEE ON TAXATION**

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

#### **ROLL CALL**

##### **Members Present:**

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

**Members Excused:** None

**Members Absent:** None

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

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

##### **Committee Business Summary:**

Hearing: SB 8, HB 53, HB 52, HB 51, HB 62, HB 55  
Executive Action: HB 45 Do Pass As Amended, HB 55 Do Pass  
As Amended, HJR 2 Do Pass As Amended,  
HB 51 Do Pass Motion Failed

**HEARING ON SENATE BILL 8**

**Opening Statement by Sponsor:** SEN. SUE BARTLETT, SD 8, Helena, said SB 8 is introduced at the request of the Office of Budget and Program Planning (OBPP) and the State Auditor. It gives the State Auditor's office the authority to collect bad debts for counties and for the Internal Revenue Service (IRS) through the existing bad debts collection program. The Bad Debts Bureau of the State Auditor's Office offsets bad debts for state agencies against state warrants that are issued by the State Auditor's Office. SB 8 extends that program for counties and the IRS to use. An optional use provision for counties is a fundamental part of the bill. Counties are able to determine whether or not they wish to use the program and what specific records they would submit to the State Auditor for collection. The administrative costs are funded through a fee charged to the agencies that use the program and is 12% of the funds collected. The fee amount is adjusted periodically in order to limit the charge to the amount necessary to cover the costs of the program. In the case of bad debts collected for counties, 40% of the revenue is used to offset general fund requirements of funding school governments and the university system mill levy. The revenue anticipated for the state has been included in the Appropriations Committee considerations.

**Proponents' Testimony:**

Mark O'Keefe, State Auditor, said the Bad Debt Bureau is run just like a private business, only more efficiently, as they charge only 12% as compared to 18% in the private sector. Based on a test run on all bad debts owed Lewis and Clark County, the Auditor's Office estimated they could collect \$100,00 to \$250,000 per year for the general fund by collecting bad debts for counties who wish to participate voluntarily. It gives counties another tool to use in their collection activities.

Cort Harrington, Montana County Treasurers Association, expressed support for the bill and submitted proposed amendments (Exhibit #1) which remove real property taxes from the provisions of the bill. The concern was that mobile homes were not covered and the proposed new section would cover mobile homes and clarify the notification procedures.

Gordon Morris, Montana Association of Counties (MACO), said MACO worked on the bill and supports its passage.

**Opponents' Testimony:** There were no opponents.

**Questions From Committee Members and Responses:**

REP. FOSTER asked for further information regarding the amendments referencing uncollectible taxes.

**Mr. Harrington** said the State Auditor's system is fairly passive. Every time a warrant is issued it is compared to list of outstanding taxes. On occasion, the owner of a trailer house has moved the trailer and the County Treasurer is unable to locate the owner. There is a chance that the State Auditor may locate that owner through the use of the warrant comparison. He said there may not be a lot of money collected from this specific program, but it does keep opportunity open for collection.

**REP. DOLEZAL** asked the sponsor to comment on the proposed amendments.

**SEN. BARTLETT** said the amendments improve the bill. The bill was very specific as it came out of the Senate and some debts that could be collectable were not included in the bill's provisions. The County Treasurers are very interested in collecting some of these debts and the amendments simply clean up the internal operations.

**Closing by Sponsor:** **SEN. BARTLETT** said the bill is designed to give the counties an additional tool in their collection activities. She asked the Committee to take favorable action on the bill.

### HEARING ON HOUSE BILL 53

**Opening Statement by Sponsor:** **REP. BOB RANEY, HD 82, Livingston,** said HB 53 will raise money for the state of Montana that Montanans will not have to pay. It is a fairness in taxation bill. Non-resident property owners in the state receive a multitude of state services but they do not pay taxes to support those services. They pay local taxes to support local governments and schools, but they do not pay anything to support state services they receive. HB 53 takes a small step towards ensuring that those property owners who do not live here pay their fair share through a "state services equity fee". He said the bill will enable the state to determine how much property is owned by non-residents, what it is worth, and the acreage. He offered an amendment (Exhibit #2) that would charge the Legislative Auditor's office with that responsibility. The Auditor, Mr. Seacat, has said his office could provide a statistical sampling of that information. The next step is determine an estimate of cost of state services provided to the out-of-state landowner for which they do not pay. The bill also directs the Legislative Council to determine the legality of taxing non-residents for those services. Many states tax non-residents in one form or another. Various lawyers have offered the opinion that the state can tax non-residents for the services they receive in the form of a fee in lieu of income taxes not paid. He said that he has also been told that it cannot be done. The bill represents a concept. The cost of determining the

legality of such a fee is very low because the work will be done by legislative agencies who will not have to invest a great deal of time in gathering the information. A report from the Legislative Auditor, the Legislative Fiscal Analyst, and the Legislative Council will be presented to the members of the Legislature by September of 1994 determining the feasibility of this form of taxation. He said he does not know how much money could be raised. If the report indicates such a method of taxation is feasible, it could be considered by the 1995 Legislature.

**Proponents' Testimony:**

Wayne Hirst, CPA, Libby, spoke in favor of the bill saying we need to look at this concept. There are potential legal problems; however, if the tax is closely tied to the services received by the non-resident property owner it could be a potential revenue source for the state that is fair and justifiable.

**Opponents' Testimony:** There were no opponents.

**Questions From Committee Members and Responses:**

REP. NELSON asked what services would be looked at and expressed concern about the cost of compiling the information.

REP. RANEY said law enforcement, prisons, clean air and clean water controls, administrative services, and health services are examples of the types of services received. He said the Auditor and the Council have both indicated they can absorb the associated costs. He has to talk to the Fiscal Analyst to determine what costs, if any, that office would incur.

**Closing by Sponsor:** REP. RANEY closed saying this is simply a concept which needs to be researched to determine if there is a way to require non-residents to pay for services they receive. He said it represents fairness in taxation to the residents of Montana.

**HEARING ON HOUSE BILL 52**

**Opening Statement by Sponsor:** REP. BOB RANEY, HD 82, Livingston, said the recent reappraisal caused a great deal of animosity across the state. Other than the fact of increased taxes, a significant problem is the appraisal notices. The notices state "This is not a bill." For the most part, the notices are then ignored. However, from the time the appraisal notice is received, the taxpayer has only 15 days to appeal. Because the notice is not a bill, and because the dollar amount of the increase is not shown on the appraisal notice, taxpayers often do

not appeal until after the receipt of their tax bill. By that time the deadline for appeals has passed. HB 52 extends the appeal deadline to 60 days after the property tax notice is received by the taxpayer. The tax appeal boards have indicated that the bill would extend their duties by an extra two months. The tax appeal boards are composed of volunteers and it would not be fair to them to extend their duties. He said he will submit amendments to address the situation, possibly by including on the appraisal notice a means of indicating an increase in taxes due.

#### Proponents' Testimony:

**Wayne Hirst, CPA, Libby,** said the bill is a good concept. He pays no attention to his appraisal notice; his concern is with his tax notice. Generally, the public is not aware of the appeals system and how it is structured. He said people should be able to appeal at the time they find out how much they owe.

#### Informational Testimony:

**Pat McKelvey, Chairman, State Tax Appeals Board (STAB),** said there is a technical problem with the bill. He said statutes must be changed in both 15-7-102, MCA and 15-15-102, MCA regarding filing a appeal or an AB 26 (the request for an informal review by the Department of Revenue) in order to extend the appeals process. Taxpayers have legitimate concerns about their tax increases. They think STAB can deal with their tax increase. The only thing STAB can do is make decisions on the values assessed, not the mill levies, fees, or any other levy that might result in an increased tax bill. He said his budget appropriation of \$130,000 would have to double for the county appeal boards if the bill is adopted due to an extended appeal period. He also suggested including some sort of tax bill estimate with the appraisal notice.

#### Opponents' Testimony:

**Gordon Morris, MACO,** said taxpayers should receive an appraisal notice every year, regardless of whether there is a change in the appraisal status. In addition, the impact of the change could be included in the appraisal notice and directions for the appeal process could be included as well.

#### Questions From Committee Members and Responses:

**REP. ANDERSON** asked if changing the appeal deadline would disrupt county revenue receipts. He asked Rep. Raney if he would support including the tax estimate in the appraisal notice.

**REP. RANEY** indicated he would be open to any amendments that would be workable for the tax appeal boards and would inform the taxpayer that his taxes are increasing and that he has a specific amount of time to appeal the increase.

Mick Robinson, Director, Department of Revenue, (DOR), said, in answer to a question from REP. DOLEZAL, DOR can design a more comprehensive appraisal form but it would have to be carefully designed. This was tried in the past on one occasion, and the taxpayers just looked at the bottom line, assumed they had to pay the amount indicated and sent in their tax payments although what the appraisal notice contained was just an estimate of increase. He said it is very hard to estimate taxes in advance and he does not want to mislead the taxpayers if their taxes are higher than the estimate first led them to believe.

**Closing by Sponsor:** REP. RANEY said no one is opposed to the concept. He said there is a need to make the system more "user friendly" and he will have amendments prepared to address the situation.

#### HEARING ON HOUSE BILL 51 AND HOUSE BILL 62

**Opening Statement by Sponsor:** REP. BOB RANEY, HD 82, Livingston, said HB 51 is a constitutional amendment designed to freeze property tax appraisal levels. It provides that the basis for establishing the taxable value of residential property for taxation is the acquisition cost of the property. The property will then remain at the 1993 assessed value until one of several things happen: 1) an addition or outbuilding is assessed at current value at the time of the addition with the original property remaining at the 1993 value; 2) when the property is sold, the selling price becomes the new assessed value of the property. HB 51 addresses residential property only. The tax revolt in Montana is based on the increased taxes on residential property and the people of Montana expect the Legislature to take action and, at the least, freeze their property valuations. He said food and clothing are not taxed in Montana and wondered why we should tax shelter so heavily. He said shelter is a necessity and we cannot tax people out of their homes. It is not fair to tax based on age or income level. A man's home is his castle and he should be able to live in it without fear of losing it due to the increased value placed on it.

REP. RANEY said HB 51 also provides that if parents leave their home to their children, the value would remain the same. It becomes more expensive to live in Montana by the day, but wages are not increasing commensurately. The tax burden, in many cases, would be insurmountable for the children if new appraisal values are applied at the time of the parents' death.

#### Proponents' Testimony:

Wayne Hirst, CPA, Libby, expressed support for the bills. He noted the provision for inheriting family homes is most important as most heirs will not be able to pay the increased taxes if they are based on the current increased value of the home.

**Mick Robinson, Director, DOR,** said the administration supports the acquisition value concept. The public has questioned the comparable sale methodology and it has proven to be an unpredictable and uncontrollable method of valuation. He said he does oppose the 2% inflation factor in the bill, but thinks it needs to be discussed further. He also questioned the validity of having two different property tax value methods in Class 4 property.

**Greg Van Horsen, Income Property Managers and Montana Landlords Association,** expressed support for the acquisition value method. He asked for clarification of the renovation/new construction provision. He said it would be clearer and more enforceable if new rates were applied only to any renovation or new construction requiring a building permit

#### Opponents' Testimony:

**Tom Hopgood, Montana Association of Realtors,** said he is surprised at the lack of opposition to the acquisition based concept of valuation. It is self-evident that homes of a similar nature in a similar location can have widely differing tax values. He said HB 51 is similar to Proposition 13 in California. The U. S. Supreme Court has ruled that acquisition value is constitutional under the equal protection clause of the U. S. Constitution. The opinion did not rule on the fairness, equity, or wisdom of the method. He said this is a very complex and complicated issue and one of the most important in legislative history due to its potential to drastically impact the tax bases for local governments, schools, and the state. He cautioned the Committee that the acquisition method may ultimately be more inequitable than what is now in place.

**Alec Hanson, Montana League of Cities and Towns,** said the acquisition value method is unfair and did not work well in California. He said he would present further comments in opposition to the acquisition value concept in his testimony on HB 55.

#### Questions From Committee Members and Responses:

**REP. DRISCOLL** asked how contract for deed sales would be checked to ascertain if the correct rates are being accurately applied.

**Mr. Robinson** said a realty transfer certificate is required when a transaction occurs. The information from the certificate is checked against the DOR data system and a reasonableness check is made between that transaction and other similar sales.

The Committee engaged in a discussion of property value levels for years prior to 1993 and examples of areas such as Livingston and Libby where property values plummeted when local industries either left the area or severely curtailed their operations.

REP. ELLIOTT asked what protection homeowners would have in severely depressed economic areas.

Mr. Robinson replied if there is a severe economic downturn in a specific area it would be the responsibility of DOR to extend some help to people in terms of declining values. He said the provision on page 5, line 4, allows the taxpayer to submit information to DOR requesting a lower value. If the information is documented and approved by DOR, the request would be granted. The appraisal required would be paid for by the taxpayer. Certified FHA and VA appraisals would be accepted.

REP. ELLIOTT said his major problem with HB 51 is the word "shall". He asked the sponsor if he would consider an amendment changing "shall" to "may".

REP. RANEY objected heartily and said "shall" is the key word that sets his proposal apart from other similar bills. He said he does not trust the Legislature and government to the extent of allowing them, constitutionally, the option of using or not using acquisition values.

REP. REAM, referring to page 2, line 10, asked if the sponsor would object to using the rate of inflation rather than a 2% figure.

REP. RANEY said he would not object if it were the only way to pass the bill. He worried that the effect of hyperinflation, should it occur, would impact the homeowner's ability to pay his taxes and stay in his home. He said he felt there needed to be a cap on the inflation factor.

REP. REAM felt a 2% factor was not realistic with inflation running at between 3% and 4% a year.

REP. BOHLINGER expressed concern that moving to acquisition values would preclude young families from buying homes due to high taxes.

Closing by Sponsor: REP. RANEY said there was not much discussion on HB 62 since it does not make much sense to delve too deeply into the implementation and operation of the acquisition value method until it is determined if HB 51 is going to pass. He agreed that renovation and new construction should not be assessed at new value unless the project is large enough to require a building permit. He deferred further discussion of the bills to executive session.



**HEARING ON HOUSE BILL 55**

**Opening Statement by Sponsor:** REP. MIKE FOSTER, HD 32, Townsend, said although HB 55 is similar to HB 51, the primary difference is HB 55 calls for applying acquisition costs for determining the value of all Class 4 properties which includes commercial property. He said this is a fairness issue. In a transaction between a willing seller and a willing buyer, the purchase price of the house will be set as the market value price for property tax purposes. Problems in the current system have people demanding a permanent change. Reappraisals, due to their cyclical nature, have a hit and miss nature resulting in some high values and some low values. It becomes difficult for local officials to set mill levies in an equitable manner.

The appeal process has been criticized. Local boards are composed of lay people who do not necessarily have any expertise in taxation. Certainly they do their best and endeavor to be as fair as possible, but decisions are made that may not be as fair to the taxpayer as possible. HB 55 does not try to eliminate the appeal process in any way, but it does limit and define the appeals process to a greater degree.

He said there is security for the purchaser in knowing that the acquisition cost of the house is the base on which he can depend for determination of property taxes. That is fairness. It is good for schools and local governments because the purchaser will begin paying based on the acquisition cost immediately rather than waiting for another appraisal cycle to come around.

Another advantage is the reduction in the state budget due to the much smaller system needed to appraise and determine property taxes. There will be permanently decreased costs to the state if the acquisition cost method is adopted.

The bill becomes effective January 1, 1995. It has no built in inflator. If the value of the home decreases the homeowner can provide an independent appraisal and ask that the market value be decreased for property tax purposes. The appraised market value applies to new construction. Acquisition price holds the same if the property is transferred from parent to children or spouse to spouse. The DOR may appraise the property and establish an acquisition value if a purchase price is not recorded or if the assessed value, upon appraisal by DOR is more than 20% of the recorded purchase price.

**Proponents' Testimony:**

Mick Robinson, Director, DOR, said the administration supports the acquisition concept. The bill language tries to anticipate any loopholes that might occur as a result of moving to the acquisition method. There is provision for a reasonableness test,

there are administrative savings connected to this method, and this concept provides a consistent growth factor for local governments.

**Greg Van Horsen, Montana Landlords Association and Income Property Managers**, said his organizations support the acquisition cost concept and have the same concerns as were expressed in testimony on HB 51.

**REP. EMILY SWANSON, HD 79, Bozeman**, said the concept has merit but she has concerns about tax shifting and caps. She submitted Exhibit #3 which shows tax shifting due to liming appraisal value increases.

**Dennis Burr, Montana Taxpayers Association**, expressed support for the acquisition method.

**Wayne Hirst, CPA, Libby**, expressed support for the bill. He felt including both residential and commercial properties is the fairest approach. Cities and towns want ever increasing amounts of money and the citizenry is concerned about that. This bill addresses their concerns and by putting the methodology into a constitutional amendment, puts the remedy into their hands.

#### Opponents' Testimony:

**Alec Hanson, Montana League of Cities and Towns**, said the most important thing this Legislature can do is enact property tax reform. The current system has resulted in drastic inequities. The acquisition value system is particularly damaging to cities and towns because a typical city or town consists of approximately 65% to 70% Class 4 property. There is not much growth outside of those properties. Cities and towns are also subject to I-105 restraints. HB 55 is an absolute lock on growth in Class 4 values and I-105 locks in all mill levies. He asked what cities and towns are supposed to do now. This is a serious problem and, if California is any example, the problems will compound quickly if this concept is adopted. He said putting commercial properties under the acquisition cost method is a big mistake and there will be lawsuits and criticisms if this method is adopted. Criticism of the reappraisal values currently in place is rampant. Locking those values into the Constitution is not a reasonable or responsible response to those concerns.

**Tom Hopgood, Montana Association of Realtors**, asked that his testimony on HB 51 be incorporated by reference into his testimony on HB 55. He said he hoped he would not be back in front of the Committee in January of 1995 saying, "I told you so."

#### Questions From Committee Members and Responses:

**REP. DRISCOLL** questioned applying the acquisition cost to commercial property. He said he foresees complete reappraisals

resulting because so many businesses base a substantial amount of their worth on the intangible "blue sky" or "good will" aspects of their business.

**Mr. Robinson** replied that the problem could well be an overvaluing rather than an undervaluing if the "good will" value is no longer included in the overall value of a business. He explained that people who are buying businesses now are looking for property tax depreciation. By limiting what is allocated to "good will" and allocating more value to property taxes, values will increase.

There was discussion between **REP. ELLIOTT** and **Mr. Robinson** regarding material in a study prepared by DOR comparing the effects of Proposition 13 in California and what the effects would have been in Montana if it had been applied here since 1986.

**REP. BOHLINGER** wondered if there is conflict between acquisition cost and market value if a person builds his own home, buys his own materials, and uses his own labor for the most part.

**REP. FOSTER** said it would probably fall under acquisition cost due to the new construction aspect; however, he said he would be willing to discuss it further in executive session.

**Closing by Sponsor:** **REP. FOSTER** closed by saying the court challenges to the current system cannot be emphasized enough. The acquisition value is the most defensible argument for determining market value of a piece of property. He said, although lower price homes turn over more often than higher priced homes, they tend not to appreciate as much as the higher priced homes. One of the advantages of the bill is that one person's property tax valuation is not changed because someone buys the house next door at an inflated price. He said comparisons between Montana and California's Proposition 13 are not fair due to California's 1% limit and also the fact that they cannot raise mill levies. In Montana there are many exceptions to I-105, some of which are very substantial items that can be subject to mill levy raises, including education. He noted he continues to be confused by the priorities of the Realtors Association. He said it is important for the Legislature to address the concerns of the people. This bill addresses those concerns and should result in the avoidance of another petition drive.

**Recess and Reconvene:** **CHAIRMAN GILBERT** recessed the meeting at 11:05 a.m. for floor session. The meeting reconvened at 2:00 p.m. with all members present except **REP. HIBBARD** who was excused. Note that at different times during the following session, various committee members were excused for short periods to present bills in other committees.

EXECUTIVE ACTION ON HOUSE BILL 45

**Motion:** REP. FOSTER MOVED HB 45 DO PASS.

**Motion:** REP. FOSTER MOVED TO ADOPT THE AMENDMENTS AS PROPOSED IN EXHIBIT #4 WITH THE EXCEPTION OF AMENDMENTS #11 AND #12 WHICH WOULD BE STRICKEN IN ORDER TO CONFORM TO FLOOR ACTION CHANGING FROM AN APPROPRIATION TO A TAX CREDIT.

**Discussion:**

REP. DOLEZAL asked if the reference to Class 4 property has been stricken and changed to include all property.

REP. DRISCOLL said it has been changed to include all property because local governing bodies calculate their income based on the value of all property in the county but they get reimbursed only on personal property. This makes the process much fairer and spreads the impact across all property.

Mr. Robinson said the property inclusion is covered in amendment #8. He presented and reviewed the information in Exhibit #5 which explains how the provisions would be applied. He noted the figures used in Exhibit #5 are hypothetical figures.

REP. HARRINGTON asked if Guaranteed Tax Base (GTB) money, also referred to as HB 20 money, is reduced due to the rebates, and, if so, what is the impact on school funding.

Jim Standaert, Office of the Legislative Fiscal Analyst, replied that schools will have to raise their mills to make up for the loss. He said the impact would be about \$1.5 million.

CHAIRMAN GILBERT asked if schools could reduce their spending by that amount.

Mr. Standaert replied they could not in this case because non-levy revenue is applied to the schools' budget figures between 40% and 80%. If the schools are funded above the 80%, they can only reduce to 80%. If they are forced to spend in the 40%-80% area, they will have to impose more mills to get to the 80% level.

The total impact to schools would be \$3 million as the state share of GTB would also be \$1.5 million.

REP. FOSTER pointed out that in the case of underfunded schools, if they have imposed millage which brings them up to the 80% level and then exercised the option of imposing another 4% under the provisions of HB 667, the 4% would not have to be replaced. Only the cuts in the 40%-80% amount would have to be replaced.

**Vote:** Motion to adopt the amendments carried 18-2 with REPS. RANEY and McCARTHY voting no.

**Motion:** REP. FOSTER MOVED HB 45 DO PASS AS AMENDED.

**Motion:** REP. RANEY MOVED TO STRIKE THE LANGUAGE ON PAGE 1, LINE 9, FOLLOWING "FUND;" THROUGH "FUND;" ON LINE 12 AND ALL ASSOCIATED REFERENCES IN THE BILL. The amendment would strike all references to the cultural and aesthetic projects trust fund and the allocation of earnings from the coal severance tax trust fund. Funding for the bill would be provided by HB 20 revenue and general fund monies.

REP. HIBBARD asked if the money would come from the ending fund balance and inquired what the amount might be.

REP. RANEY replied the total would be approximately \$6.8 million and it would be funded by the ending fund balance.

REP. FOSTER said this would be an additional \$6.8 million taken from the general fund balance in addition to the previously committed \$3 million. He said he understands the concerns of the advocates of the cultural trust. He said he believes the provisions in the bill provide a better, safer, and more reliable funding source for cultural and aesthetic projects. He said a future Legislature will undoubtedly take that money to fund another pressing need and not offer any replacement provision at all.

**Vote:** Motion to adopt the Raney proposed amendments failed 12-8 on a roll call vote.

**Motion/Vote:** REP. FOSTER MOVED TO STRIKE SECTION 9, PAGE 9, LINES 15-19, RENUMBER SUBSEQUENT SUBSECTIONS, AND AMEND THE TITLE TO CONFORM. The amendment would strike the appropriation provision. The motion carried unanimously.

**Motion:** THE DISCUSSION REVERTED TO THE DO PASS AS AMENDED MOTION PREVIOUSLY MADE BY REP. FOSTER.

**Discussion:**

REP. HANSON asked how a retired person with a large income, but paying no income tax, would get a refund.

Mr. Heiman said they would receive it through a refundable tax credit. Even though the person paid no taxes, they would be able to file for the refund and receive it.

REP. HARPER said there have been so many amendments and so much hypothetical information presented he felt this was the most confusing issue he had ever seen. He said he would vote no on the bill.

REP. DOLEZAL expressed concern about a lack of information in the fiscal note re administrative costs. He asked if there was any information regarding those costs relative to both HBs 29 and 45.

**Steve Bender, Office of Budget and Program Planning**, said HB 29 was changed extensively on the floor. As a result, DOR would have to print a supplemental to the tax booklet which is already being printed. With the appropriation provision being stricken, DOR has no way of estimating costs. When Finance and Claims reviews the two bills, the appropriation for administrative costs will be added. He said it is a temptation to offer a proposed high administrative cost because there has not been time to determine, in a reasonable manner, how the tax credit will work and what the associated costs will be. DOR is working on this and hopes to have an appropriation figure which will be a reasonable and fairly accurate amount.

**REP. REAM** expressed concerns about a lack of information re reimbursement portions of the bill. He said reimbursement is very unfair regardless of the levy impacts. He also objected to the method of funding the cultural trust.

**REP. ELLIOTT** said he does not object to the idea of refunding tax dollars to people who have increased taxes. He objects because this bill represents the epitome of the worst legislation that comes out of special sessions. A good idea is thrown together in such a haphazard way that even the people who understand these things have difficulty fully interpreting the ramifications. He said if there is a problem with the property tax system, then the Legislature should address that problem. He said if the state had excess money, he would have no problem giving it back to the taxpayers, but we are spending money we do not have to try to solve a deficit problem.

**REP. RANEY** said he agreed with the previous statements and added that the main problem, as he sees it, is using cultural arts trust money to fund school equalization.

**REP. BOHLINGER** applauded the administration for trying to provide some relief for taxpayers. He said he could not approve of the cultural arts trust funding mechanism. He said every community in the state benefits from the arts fund. He urged the members to vote against the bill.

**REP. HIBBARD** said there are many things he does not like about the bill and the methodology. The public has emphatically said they do not want increased taxes and they do not approve of a broad based tax structure. The concerns must be addressed, and although he said he did not particularly like the bill, he said he would vote for it.

**Vote:** Motion that HB 45 Do Pass As Amended carried 11-9 on a roll call vote.

EXECUTIVE ACTION ON HOUSE BILL 55

Motion: REP. FOSTER MOVED HB 55 DO PASS.

Motion/Vote: REP. FOSTER MOVED TO AMEND THE BILL AS PER AMENDMENTS #3 AND #4 ON THE ATTACHED STANDING COMMITTEE REPORT. The amendments tie the acquisition price to SB 17, the constitutional amendment bill in the Senate. The motion carried unanimously.

Motion: REP. FOSTER MOVED HB 55 DO PASS AS AMENDED.

Discussion:

REP. HARRINGTON said he fears the Legislature is moving in the direction of property taxes before the Constitutional Convention. He said he has serious problems with the bill and fears the same problems as California has experienced with Proposition 13.

Motion: REP. DRISCOLL MOVED TECHNICAL AMENDMENTS AS PER AMENDMENTS #1 AND #2 ON THE ATTACHED STANDING COMMITTEE REPORT. The amendments clarify the definition of new construction and new fixtures. He said the definition was entirely too broad and needed to be narrowed significantly to allow homeowners to do remodeling on their homes without having to incur a new appraisal rate.

Discussion:

REP. FOSTER agreed with the proposed amendments as did Mr. Robinson.

Vote: Motion to amend as per amendments #1 and #2 on the attached standing committee report carried unanimously.

Motion: REP. ELLIOTT MOVED TO AMEND PAGE 3, LINE 15, FOLLOWING (1), by inserting "unless the property owner chooses to have the Montana Department of Revenue assess the value of the property, then the assessed value of the property is the acquisition value of the property." He said in some parts of Montana it is beneficial for property owners to base the market value of their property on the acquired value or sales price. It is also beneficial for property owners in other areas of the state to be able to make a choice as to whether they would use the assessed value or the sales price.

Discussion:

REP. FOSTER opposed the amendment saying it is confusing and would make the bill much harder to administer.

The members discussed the proposed amendments citing the fact that taxpayers can appeal their assessed values to DOR.

**Vote:** Motion to amend as per REP. ELLIOTT'S proposed amendments failed on a voice vote.

**Discussion:**

REP. DRISCOLL objected to the language on page 3, line 2, which freezes the values at the 1993 level, the highest level to date. He suggested giving the option of using 1992 or 1993. He said he likes acquisition value because most areas are still using 1992 values and those figures are locked in for three years. Those figures are also low when compared the sales price.

REP. TUNBY asked what part of a farm or ranch sale would be applied to the Class 4 property on the ranch.

Mr. Robinson said the determination would be the same as it is now. There is an allocation for income tax purposes for the homestead in order to determine that price. There would also be an appraisal which would probably reflect what the acquisition cost of the farmstead would be.

REP. RANEY opposed the bill because there is no inflation factor. It should have a provision for passing of the acquisition value to all children in the family, not just minors or those who are incapacitated. He said the bill should apply just to residential property and not include commercial property. He would prefer freezing values at 1993 rather than 1995 levels.

In response to questions by REP. HANSON and REP. RANEY, Mr. Robinson said implementation of the bill would not take place until after the vote in November, 1994, hence the use of 1995 values. The 1995 and 1993 values would be the same with the exception of new construction.

There followed a wide-ranging discussion of moral and political decisions, language that is permissive, i.e. "may" as opposed to "shall", and other constitutional amendment proposals,

**Vote:** The motion that HB 55 Do Pass As Amended carried 12-8 on a roll call vote.

**EXECUTIVE ACTION ON HOUSE JOINT RESOLUTION 2**

**Motion:** REP. HARRINGTON MOVED HJR 2 DO PASS.

**Discussion:**

Terry Johnson, Principal Fiscal Analyst, Office of Legislative Fiscal Analyst, presented the Committee with information



regarding the fiscal impact of various oil price options  
(Exhibit #6).

**Motion:** REP. ELLIOTT MOVED TO ACCEPT THE \$15-\$12-\$12 FIGURES. He said he is fiscally conservative and a pessimist and feels it is best to prepare for the worst even if it is incorrect. He said if the figures are wrong, there will be money available that has not been spent for the next session.

**Motion:** REP. HARRINGTON MADE A SUBSTITUTE MOTION TO ACCEPT THE FIGURES AT \$15-\$14-\$14.

**Discussion:**

REP. DRISCOLL said adopting the \$15-\$14-\$14 figures would require finding another \$7.5 million somewhere before the special session ends.

**Motion:** REP. DRISCOLL MADE A SUBSTITUTE MOTION FOR ALL MOTIONS PENDING TO ADOPT THE \$15-\$15-\$15 FIGURES.

**Discussion:**

CHAIRMAN GILBERT said he felt the \$15-\$15-\$15 figures would be the safest.

REP. FOSTER agreed saying he would hate to make a big mistake by over-reacting.

**VOTE:** Motion to adopt \$15-\$15-\$15 carried with REPS. REAM, ELLIOTT, RANEY, McCAFFREE, AND HARPER voting no.

**Motion/Vote:** REP. HARRINGTON MOVED HJR 2 DO PASS AS AMENDED. He noted these figures increase the budget deficit by \$4.9 million. The motion carried with REPS. McCAFFREE and ELLIOTT voting no.

**EXECUTIVE ACTION ON HOUSE BILL 51**

**Motion:** REP. RANEY MOVED HB 51 DO PASS.

**Discussion:**

REP. RANEY said this is an "unpartisan" bill, it is limited to residences only, it says value "shall" be based on acquisition cost rather than "may", and includes a 2% inflationary factor.

REP. McCAFFREE asked if the sponsor would entertain using a percentage of the CPI provision.

REP. RANEY said he would not support such a provision. He said property taxpayers need to have confidence in what the value of their property is and just how far it can be increased.

REP. REAM said it is not good constitutional law to include a percentage figure.

REP. RANEY said that was his first thought. Then he remembered what inflation does to taxes. After some research he decided to put in the 2% so people could have some faith in the what the value of their homes would be.

REP. ELLIOTT said he could not vote for the bill because it contains too much language for inclusion in the Constitution. The Constitution is not a place for law, rather it is a guide, a set of standards. He said he felt Sen. Crippen's bill is a better constitutional amendment bill.

REP. FOSTER said he is also opposed to the inflationary provision. He opposes applying acquisition value to residential property exclusively. He said it is important to include main street businesses.

Vote: Motion that HB 51 Do Pass failed with REPS. RANEY, HARPER, AND DRISCOLL VOTING YES.

#### ADJOURNMENT

**Adjournment:** The meeting adjourned at 5:10 p.m.

  
REP. BOB GILBERT, Chairman

  
JILL ROBYANS, Secretary

BG/jdr

# HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL

DATE

12/19/93 am.

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

5:00 pm mtg.

Killed out at 4:30

Harper & Bohlinger issued  
 statement here at 7:30 pm



## HOUSE STANDING COMMITTEE REPORT

December 9, 1993

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that House Bill 45 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert  
Bob Gilbert, Chair

And, that such amendments read:

1. Title, lines 5 and 6.  
Strike: "AN APPROPRIATION" on lines 5 and 6  
Insert: "FUNDING"  
Strike: "REBATES" on line 6  
Insert: "TAX CREDITS"
2. Title, line 7.  
Strike: "PROVIDING FUNDING FOR THE REBATES;"
3. Title, lines 8 and 9.  
Strike: "TRANSFERRING" on line 8 through "FUND;" on line 9
4. Title, lines 12 through 14.  
Strike: "REVISING" on line 12 through "RESERVES;" on line 14
5. Title, line 16.  
Strike: "20-9-104,"
6. Page 3, line 11.  
Strike: "Except as provided in subsection (5), the"  
Insert: "The"
7. Page 3, line 13.  
Following: "1991,"  
Insert: "and for fiscal year 1995 and thereafter, shall remit  
that amount as determined in subsection (5)"
8. Page 3, line 18.

Committee Vote:  
Yes 11, No 9.

100754SC.Hcr

Strike: "tax year 1994 and for each tax year thereafter"

Insert: "fiscal year 1995"

9. Page 3, lines 19 and 20.

Strike: "with a taxable value increase from 1992 to 1993"

10. Page 3, line 21 through page 4, line 1.

Strike: the remainder of subsection (5) in its entirety

Insert: "(a)(i) for those counties, schools districts (except state and county equalization mills), and cities and towns that had an increase, determine the increase in taxes assessed for all taxable property in the jurisdiction from 1992 to 1993;

(ii) for each county, school district (except state and county equalization mills), city, or town that had an increase, determine the increase in taxes assessed for all taxable property in the jurisdiction from 1992 to 1993;

(iii) for each jurisdiction in subsection (5)(a)(i), divide the amount determined in subsection (5)(a)(ii) by the amount determined in subsection (5)(a)(i) and multiply times \$4.5 million;

(iv) reduce the amount of reimbursement for each jurisdiction in subsection (5)(a)(i) by the amount determined in subsection (5)(a)(iii).

(b) No reduction may be more than the reimbursement calculated in subsections (2) through (4). Any undistributed amount of the \$4.5 million must be redistributed by making one recalculation of distribution pursuant to subsections (5)(a)(i) through (5)(a)(iv), using the undistributed amount as the base amount."

11. Page 5, lines 20 and 21.

Page 8, lines 5 and 6.

Strike: "The" through "fund."

12. Page 12, line 23 through page 15, line 7.

Strike: section 5 in its entirety

Renumber: subsequent sections

13. Page 16, lines 15 through 19.

Following: "Appropriations." on line 15

Strike: subsection (1) in its entirety

Renumber: subsequent subsections

14. Page 17, line 7.

Strike: "11"

Insert: "10"

-END-



## HOUSE STANDING COMMITTEE REPORT

December 9, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 55 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert  
Bob Gilbert, Chair

And, that such amendments read:

1. Page 3, lines 3 and 4.

Strike: "mean: (a) "

Insert: "means"

2. Page 3, lines 5 through 9.

Strike: ", including" on line 5 through "fixture" on line 9

3. Page 64, line 25.

Strike: first "\_\_\_"

Insert: "Senate"

Strike: second "\_\_\_"

Insert: "17"

4. Page 65, line 1.

Strike: "[LC 63]"

-END-

Committee Vote:

Yes 2, No 8.

100748SC.Hcr



## HOUSE STANDING COMMITTEE REPORT

December 9, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Joint Resolution 2 (first reading copy -- white) do pass as amended.

Signed: Bob Gilbert  
Bob Gilbert, Chair

And, that such amendments read:

1. Page 7, line 23.

Strike: "\$15.830	\$16.419	\$16.419"
Insert: "\$15.00	\$15.00	\$15.00"

2. Page 11, line 23.

Strike: "\$467.385	\$614.536	\$1,081.921"
Insert: "\$465.582	\$612.403	\$1,077.985"

3. Page 12, line 22.  
Page 13, line 12.

Strike: "\$405.336	\$286.255	\$691.591"
Insert: "\$404.875	\$285.690	\$690.565"

4. Page 13, line 14.

Strike: "\$872.721	\$900.791	\$1,773.512"
Insert: "\$870.457	\$898.093	\$1,768.550"

-END-

Committee Vote:  
Yes 18, No 2.

100751SC.Hcr

# HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

## ROLL CALL VOTE

DATE 12/7/93 BILL NO. 45 NUMBER 1

MOTION: by Rep. Foster to amend HB 45  
as per amendments (#4 Exhibit)

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



# HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

## ROLL CALL VOTE

DATE 12/8/93 BILL NO. HB 95 NUMBER 2

MOTION: Rep Raney move strike p 1  
lines 9-12 and all references  
to them in the bill

2:40 pm

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

## HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

## ROLL CALL VOTE

DATE 12/7/93 BILL NO. HB 45 NUMBER 3MOTION: by Rep. Foster that HB 45  
Do Pass As Amended

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

# HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

## ROLL CALL VOTE

DATE 12/8/93 BILL NO. 55 NUMBER 4

MOTION: by Rep. Foster that HB 55  
Do Pass As Amended

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

PROPOSED AMENDMENTS TO SB 8  
PROPOSED BY THE MONTANA COUNTY TREASURERS ASSOCIATION

1. Title line 13  
Following: "17-4-105,"  
Insert: "AND"  
Following: "17-4-106"  
Strike ", 15-16-133 AND 15-16-301"

2. Page 9 following line 14  
Strike through page 12 line 11  
Insert: "New Section Section 6 Collection of delinquent taxes by state auditor (1) The board of county commissioners may utilize the debt collection services of the state auditor (title 17, chapter 4) to collect delinquent taxes that would otherwise be collected by the county treasurer.  
(2) Before utilizing the debt collection services, the board of county commissioners must:  
(a) find that the county treasurer has made a reasonable effort to collect the delinquent taxes; and  
(b) attempt to notify the delinquent taxpayer of the board of county commissioner's intent to utilize the state auditor's debt collection services. The notification may be made by first class mail addressed to the taxpayer's last known address.  
(3) If 30 days have passed since attempting to notify the delinquent taxpayer and the taxes remain delinquent, the board of county commissioners shall certify to the state auditor the amount of the delinquent tax including penalty, interest, and cost as accurately as can be determined.  
(4) The debt collection services may be used even if the delinquent taxes have been suspended, canceled, declared to be uncollectable, or stricken from the tax records."

Renumber subsequent sections.

(Note- section 6 could be codified in title 7 chapter 6 part 21)

Amendments to House Bill No. 53  
First Reading Copy

Requested by Rep. Raney  
For the Committee on Taxation

Prepared by Lee Heiman  
December 7, 1993

1. Title, lines 5 and 6.  
Strike: "DIRECTOR OF REVENUE"  
Insert: "THE LEGISLATIVE AUDITOR, LEGISLATIVE FISCAL ANALYST, AND  
LEGISLATIVE COUNCIL STAFF"  
Following: "REGARDING" on line 6  
Insert: "PROJECTED"
2. Title, line 9.  
Strike: "QUANTIFY"  
Insert: "PROJECT"
3. Title, line 11.  
Following: "LANDOWNERS;"  
Insert: "REQUIRING RESEARCH OF LEGAL ISSUES INVOLVED;"
4. Page 1, line 24.  
Strike: "director of revenue"  
Insert: "following"  
Following: "shall"  
Insert: "prepare a combined"
5. Page 2, line 1.  
Following: "the"  
Insert: "legislative auditor shall report on the projected"
6. Page 2, line 4.  
Strike: "and"
7. Page 2, line 5.  
Following: "the"  
Insert: "legislative fiscal analyst shall report on the"
8. Page 2, line 10.  
Following: "taxes"  
Insert: "; and  
( ) the staff of the legislative council, using the  
information obtained in subsections (2)(a) and (2)(b), shall  
prepare materials analyzing the legal issues involved in  
taxation of nonresidents"

	Market Value	Assessed Value	Loan	Equity	Base Year Taxes	Year Taxes	
Property A							
Base Year	\$120,000	\$120,000	\$108,000	\$12,000	\$1,800	\$1,500	\$1,637.55
Reappraisal	\$100,000	\$100,000	\$106,000	\$-6,000			
Property B							
Base Year	\$80,000	\$80,000	\$72,000	\$8,000	\$1,200	\$1,500	\$1,362.45
Reappraisal	\$100,000	\$83,200	\$71,000	\$29,000			
			TOTAL	TAXES	\$3,000	\$3,000	\$3,000

Property A has negative equity, may be out of a job as evidenced by declining market but is paying higher taxes than Property owner B who has a property of equal value and a \$29,000 equity.

Conclusion: You cannot limit one taxpayer's increase in taxes without negatively impacting other taxpayers.

12/8/93  
 from Eric Dalton

Show tax shifting due to limiting appraisal value increases.

Amendments to House Bill No. 45  
First Reading Copy

Requested by Rep. Foster  
For the Committee on Taxation

Prepared by Lee Heiman  
December 8, 1993

Corrected Version #2

1. Title, lines 8 and 9.

Strike: "TRANSFERRING" on line 8 through "FUND;" on line 9

2. Title, lines 12 through 14.

Strike: "REVISING" on line 12 through "RESERVES;" on line 14

3. Title, line 16.

Strike: "20-9-104,"

4. Page 3, line 11.

Strike: "Except as provided in subsection (5), the"

Insert: "The"

5. Page 3, line 13.

Following: "1991,"

Insert: "and for fiscal year 1995 and thereafter, that amount as  
determined in subsection (5) "

6. Page 3, line 18.

Strike: "tax year 1994 and for each tax year thereafter"

Insert: "fiscal year 1995"

7. Page 3, lines 19 and 20.

Strike: "with a taxable value increase from 1992 to 1993"

8. Page 3, line 21 through page 4, line 1.

Strike: the remainder of subsection (5) in its entirety

Insert: "(a)(i) determine the increase in taxes assessed by  
those counties, schools districts (except state and county  
equalization mills), and cities and towns that had increase,  
for all taxable property in the jurisdiction from 1992 to  
1993;

(ii) determine the increase in taxes assessed by each  
county, school district (except state and county  
equalization mills), city, or town that had an increase, for  
all taxable property in the jurisdiction from 1992 to 1993;

(iii) for each jurisdiction in subsection (5)(a)(i),  
divide the amount determined in subsection (5)(a)(ii) by the  
amount determined in subsection (5)(a)(i) and multiply times  
\$4.5 million;

(iv) reduce the amount of reimbursement for each  
jurisdiction in subsection (5)(a)(i) by the amount  
determined in subsection (5)(a)(iii).

## Example of House Tax Amendment to HB-45

(a)(i) determine the increase in taxes collected by all counties, schools (except state and county equalization mills), and cities and towns for all taxable property in the state from 1992 to 1993;

**EXAMPLE:**

	1992 <u>Property Taxes</u>	1993 <u>Property Taxes</u>	<u>Increase</u>
Total Counties	\$40,000,000	\$50,000,000	\$10,000,000
Total Cities/Towns	30,000,000	35,000,000	5,000,000
<u>Total (Local) Schools</u>	<u>140,000,000</u>	<u>160,000,000</u>	<u>20,000,000</u>
Total	\$210,000,000	\$245,000,000	<b>\$35,000,000</b>

(a)(ii) determine the increase in taxes collected by each county, school district (except state and county equalization mills), and city and town for all taxable property in the jurisdiction from 1992 to 1993;

**EXAMPLE:**

<u>Taxing Jurisdiction</u>	1992 <u>Property Taxes</u>	1993 <u>Property Taxes</u>	<u>Increase</u>
County A	20,000,000	23,000,000	3,000,000
County B	10,000,000	17,000,000	7,000,000
County C	10,000,000	10,000,000	0
City 1	15,000,000	16,000,000	1,000,000
City 2	7,500,000	11,500,000	4,000,000
City 3	7,500,000	6,000,000	0
School A	70,000,000	73,000,000	3,000,000
School B	40,000,000	57,000,000	17,000,000
<u>School C</u>	<u>30,000,000</u>	<u>30,000,000</u>	<u>0</u>
Total	210,000,000	243,500,000	<b>35,000,000</b>



**Example of House Tax Amendment to HB-45 (Cont'd)**

(a)(iii) for each jurisdiction in subsection (ii), divide the amount determined in subsection (ii) by the amount determined in subsection (i) and multiply times \$4.5 million;

**EXAMPLE:**

<u>Taxing Jurisdiction</u>	<u>Jurisdiction Increase</u>	<u>Statewide Increase</u>	<u>Percent Increase</u>		<u>Total HB20 Reduction</u>	<u>HB-20 Reduction</u>
County A	3,000,000	35,000,000	8.57%	X	4,500,000 =	386,000
County B	7,000,000	35,000,000	20.00%	X	4,500,000 =	900,000
County C	0	35,000,000	0.00%	X	4,500,000 =	0
City 1	1,000,000	35,000,000	2.86%	X	4,500,000 =	129,000
City 2	4,000,000	35,000,000	11.43%	X	4,500,000 =	514,000
City 3	0	35,000,000	0.00%	X	4,500,000 =	0
School A	3,000,000	35,000,000	8.57%	X	4,500,000 =	386,000
School B	17,000,000	35,000,000	48.57%	X	4,500,000 =	2,186,000
School C	0	35,000,000	0.00%	X	4,500,000 =	0
Total	35,000,000	35,000,000	100.00%	X	4,500,000 =	4,500,000

(a)(iv) reduce the amount of reimbursement for each jurisdiction in subsection (ii) by the amount determined in subsection (iii).

(b) No reduction may be more than the reimbursement calculated in subsection (3). Any undistributed amount of the \$4.5 million shall be redistributed by making one recalculation of distribution pursuant to subsections (i) through (iv) using the undistributed amount as the base amount.

**EXAMPLE:**

<u>Taxing Jurisdiction</u>	<u>HB-20 Reimbursement</u>	<u>Amount of Reduction</u>	<u>Remaining HB20 Reimbursement</u>
County A	1,500,000	386,000	1,114,000
County B	800,000	800,000	0
County C	750,000	0	750,000
City 1	500,000	129,000	371,000
City 2	350,000	350,000	0
City 3	400,000	0	400,000
School A	2,500,000	386,000	2,114,000
School B	2,000,000	2,000,000	0
School C	1,750,000	0	1,750,000
Total	10,550,000	4,050,000	6,499,000

HB20 Reduction	\$4,500,000
First Calculation	4,050,000
Amount for Redistribution	\$450,000

**NOTE: All figures are hypothetical.**

Legislative Fiscal Analyst  
CLAYTON SCHENCK



Room 105 - State Capitol  
P.O. Box 201711  
Helena, Montana 59620-1711  
(406) 444-2986  
FAX (406) 444-3036

STATE OF MONTANA  
Office of the Legislative Fiscal Analyst

December 8, 1993

TO: Chairman Bob Gilbert  
House Taxation Committee

FROM: Terry W. Johnson, Principal Fiscal Analyst *TWJ*  
Office of Legislative Fiscal Analyst

RE: Fiscal Impact of Oil Price Options

Table 1 shows the 1995 biennium impact to the general fund and school equalization aid account at different oil price assumptions. The price options listed are Montana wellhead prices for calendar 1993, 1994, and 1995.

Table 1 1995 Biennium Fiscal Impact Oil Price Options					
Oil Price Options	Estimated Fiscal 1994	Estimated Fiscal 1995	Difference Fiscal 1994	Difference Fiscal 1995	Difference Fiscal 94-95
<b>Oil Prices at \$15:\$15:\$15</b>					
General Fund	465.582	612.403	(1.803)	(2.133)	(3.936)
School Equalization Aid	404.875	285.690	(0.461)	(0.565)	(1.026)
Totals	\$870.457	\$898.093	(\$2.264)	(\$2.698)	(\$4.962)
<b>Oil Prices at \$15:\$14:\$14</b>					
General Fund	464.952	610.851	(2.433)	(3.685)	(6.118)
School Equalization Aid	404.681	285.429	(0.655)	(0.826)	(1.481)
Totals	\$869.633	\$896.280	(\$3.088)	(\$4.511)	(\$7.599)
<b>Oil Prices at \$15:\$13:\$13</b>					
General Fund	464.308	609.257	(3.077)	(5.279)	(8.356)
School Equalization Aid	404.482	285.168	(0.854)	(1.087)	(1.941)
Totals	\$868.790	\$894.425	(\$3.931)	(\$6.366)	(\$10.297)
<b>Oil Prices at \$15:\$12:\$12</b>					
General Fund	463.650	607.613	(3.735)	(6.923)	(10.658)
School Equalization Aid	404.276	284.907	(1.060)	(1.348)	(2.408)
Totals	\$867.926	\$892.520	(\$4.795)	(\$8.271)	(\$13.066)

Amendments to House Bill No. 45  
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman  
December 8, 1993

Adopted by Committee

1. Title, lines 5 and 6.

Strike: "AN APPROPRIATION" on lines 5 and 6

Insert: "FUNDING"

Strike: "REBATES" on line 6

Insert: "TAX CREDITS"

2. Title, line 7.

Strike: "PROVIDING FUNDING FOR THE REBATES;"

3. Title, lines 8 and 9.

Strike: "TRANSFERRING" on line 8 through "FUND;" on line 9

4. Title, lines 12 through 14.

Strike: "REVISING" on line 12 through "RESERVES;" on line 14

5. Title, line 16.

Strike: "20-9-104,"

6. Page 3, line 11.

Strike: "Except as provided in subsection (5), the"

Insert: "The"

7. Page 3, line 13.

Following: "1991,"

Insert: "and for fiscal year 1995 and thereafter, shall remit  
that amount as determined in subsection (5)"

8. Page 3, line 18.

Strike: "tax year 1994 and for each tax year thereafter"

Insert: "fiscal year 1995"

9. Page 3, lines 19 and 20.

Strike: "with a taxable value increase from 1992 to 1993"

10. Page 3, line 21 through page 4, line 1.

Strike: the remainder of subsection (5) in its entirety

Insert: "(a) (i) for those counties, schools districts (except  
state and county equalization mills), and cities and towns  
that had an increase, determine the increase in taxes  
assessed for all taxable property in the jurisdiction from  
1992 to 1993;

(ii) for each county, school district (except state  
and county equalization mills), city, or town that had an  
increase, determine the increase in taxes assessed for all  
taxable property in the jurisdiction from 1992 to 1993;

(iii) for each jurisdiction in subsection (5)(a)(i), divide the amount determined in subsection (5)(a)(ii) by the amount determined in subsection (5)(a)(i) and multiply times \$4.5 million;

(iv) reduce the amount of reimbursement for each jurisdiction in subsection (5)(a)(i) by the amount determined in subsection (5)(a)(iii).

(b) No reduction may be more than the reimbursement calculated in subsections (2) through (4). Any undistributed amount of the \$4.5 million must be redistributed by making one recalculation of distribution pursuant to subsections (5)(a)(i) through (5)(a)(iv), using the undistributed amount as the base amount."

11. Page 5, lines 20 and 21.

Page 8, lines 5 and 6.

Strike: "The" through "fund."

12. Page 12, line 23 through page 15, line 7.

Strike: section 5 in its entirety

Renumber: subsequent sections

13. Page 16, lines 15 through 19.

Following: "Appropriations." on line 15

Strike: subsection (1) in its entirety

Renumber: subsequent subsections

14. Page 17, line 7.

Strike: "11"

Insert: "10"

Amendments to House Bill No. 55  
First Reading Copy

Requested by  
For the Committee on Taxation

Prepared by Lee Heiman  
December 8, 1993

1. Page 3, lines 3 and 4.

Strike: "mean: (a) "

Insert: "means"

2. Page 3, lines 5 through 9.

Strike: ", including" on line 5 through "fixture" on line 9

3. Page 64, line 25.

Strike: first "\_\_\_\_"

Insert: "Senate"

Strike: second "\_\_\_\_"

Insert: "17"

4. Page 65, line 1.

Strike: "[LC 63]"

Amendments to House Joint Resolution No. 2  
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman  
December 9, 1993

1. Page 7, line 23.

Strike: "\$15.830	\$16.419	\$16.419"
Insert: "\$15.00	\$15.00	\$15.00"

2. Page 11, line 23.

Strike: "\$467.385	\$614.536	\$1,081.921"
Insert: "\$465.582	\$612.403	\$1,077.985"

3. Page 12, line 22.

Page 13, line 12.

Strike: "\$405.336	\$286.255	\$691.591"
Insert: "\$404.875	\$285.690	\$690.565"

4. Page 13, line 14.

Strike: "\$872.721	\$900.791	\$1,773.512"
Insert: "\$870.457	\$898.093	\$1,768.550"

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

SB8  
HB 53  
51  
52  
62  
59

House Taxation COMMITTEE BILL NO. \_\_\_\_\_  
DATE 12/8/95 SPONSOR(S) Raney Bartlett, Fenton

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Tom Crosser	STATE AUD.	SB8		✓
Wayne Airst	Self	Raney's		✓
Patrick McElroy	STAB	HB 52	X	X
Gordon Morris	MACU	SB8		✓
Tom Hopgood	Mt. Assoc. Realtors		SS, SI, 62	

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