

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN CHASE HIBBARD**, on March 14, 1995, at  
8:00 A.M.

#### **ROLL CALL**

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

Rep. Chase Hibbard, Chairman (R)  
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)  
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)  
Rep. Peggy Arnott (R)  
Rep. John C. Bohlinger (R)  
Rep. Jim Elliott (D)  
Rep. Daniel C. Fuchs (R)  
Rep. Hal Harper (D)  
Rep. Rick Jore (R)  
Rep. Judy Murdock (R)  
Rep. Thomas E. Nelson (R)  
Rep. Scott J. Orr (R)  
Rep. Bob Raney (D)  
Rep. John "Sam" Rose (R)  
Rep. William M. "Bill" Ryan (D)  
Rep. Roger Somerville (R)  
Rep. Robert R. Story, Jr. (R)  
Rep. Emily Swanson (D)  
Rep. Jack Wells (R)  
Rep. Kenneth Wennemar (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Council  
Donna Grace, Committee Secretary

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

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

Hearing:	HB 587
	SB 328
	SB 198
	SB 138
Executive Action:	SB 328 - Concurred In
	HB 587 - Do Pass as Amended
	HB 497 - Do Pass as Amended

{Tape: 1; Side: A.}

HEARING ON HB 587

Opening Statement by Sponsor:

REP. JOE QUILICI, House District 36, Butte, said he was bringing HB 587 to the Committee at the request of the Department of Revenue (DOR). The bill is a housekeeping and clarification bill. He asked representatives of the DOR to provide informational testimony.

Informational Testimony:

Bill Kloker, Tax Program Supervisor, DOR, outlined the changes the DOR is requesting in HB 587. A copy of his section by section analysis of the bill is attached. EXHIBIT 1.

Proponents' Testimony:

None.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. ROSE asked if the bill would affect the revenue the State of Montana receives from cigarette taxes. Mr. Kloker said it would not. He said the bill clarifies confusing language in the statute. In addition, issues which were dealt with by Administrative Rule have been added to the statutes at the request of the industry.

REP. ELLIOTT asked why Montana has set a minimum price for cigarettes. Char Maharg, DOR, said there has been a lot of discussion about whether the state should be in the business of setting minimum prices. The statute was adopted in 1965 and the intent was to prevent unfair competition, to prohibit sales below cost and stabilize the state's tax collection.

Closing by Sponsor:

REP. QUILICI said HB 587 is a "clean-up" bill and would make administration of the statute easier for the DOR.

HEARING ON SB 328

Opening Statement by Sponsor:

SEN. SUE BARTLETT, Senate District 27, Helena, said SB 328 would clarify that "personal property tax" is actually a "business equipment tax" and the correct term should be used by the DOR on

its reporting forms. She said her purpose in bringing the bill forward was to achieve clarity in the language in the statute. She said she had discussed the matter with the DOR and they agree the change should be made.

Proponents' Testimony:

Riley Johnson, National Federation of Independent Businesses, spoke in support of the bill.

David Owen, Montana Chamber of Commerce, said the Chamber would support the bill.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

None.

Closing by Sponsor:

SEN. BARTLETT said she hoped the bill would meet with the Committee's approval.

HEARING ON SB 198

Opening Statement by Sponsor:

SEN. GREG JERGESON, Senate District 46, Chinook, said that SB 168, passed in the 1993 session of the Legislature, changed the method of valuating agricultural land in the State of Montana for property tax purposes. As a result, a new formula was established based on productivity. However, there has been a concern about how SB 168 taxed irrigated agricultural land. The changes in land valuation on other classes were fairly modest; however, the changes on irrigated land were considerable and placed an unfair burden on the taxpayers. In 1993 the Legislature was unable to come up with an adjustment in the formula and, as a result, SB 168 was amended to phase in the changes in value and established an advisory committee to meet during the interim to consider possible changes which would moderate the impact on irrigated land. SB 198 is the result of the Advisory Committee's deliberations.

{Tape: 1; Side: B.}

Two factors identified by the Committee were that there was more irrigated agricultural land than previously estimated and, in addition to the energy deduction for irrigated land in the formula and the labor costs, a base water cost of \$5.50 should also have been included in the formula. SEN. JERGESON said that,

considering these two factors, the Committee had been able to keep the program revenue neutral. He explained that the fiscal note indicates a revenue loss because the Budget Office included income from the unanticipated increase of irrigated agricultural land and, for that reason, the Senate added a contingent voidness clause to the bill. **SEN. JERGESON** said the contingent voidness clause should not apply because the Advisory Committee had, as directed, made their decisions based on the information furnished during the 1993 session. He asked the Committee to consider removing the clause from the bill.

**Proponents' Testimony:**

**Judy Paynter, DOR,** explained how the base water cost concept for irrigated land was developed and also discussed the revenue neutrality issue. EXHIBIT 2.

**Mike Murphy, Executive Director, Montana Water Resources Association,** submitted written testimony in support of SB 198. EXHIBIT 3. He also distributed a chart illustrating the changes, by county, in irrigated taxable value per acre. EXHIBIT 4.

**Candace Torgesson, Montana Stockgrowers Association and Montana Cattlemens Association,** spoke in favor of the bill because it would help equalize agricultural land taxation.

**Jim Foster, Manager, Helena Valley Irrigation District,** presented written testimony in favor of the bill but expressed a concern about the addition of the contingent voidness amendment. EXHIBIT 5.

**Lorna Frank, Montana Farm Bureau,** testified in support of the bill. She said SB 168 was a very controversial bill and they appreciate the excellent work done by the Advisory Committee. She said the majority of the agricultural groups support the bill. She urged the Committee to vote in favor of the bill. She also expressed concern about the addition of the contingent voidness provision.

**Bob Stephens, Montana Graingrowers Association,** said he would support SB 198 and encouraged the Committee to remove the contingent voidness amendment.

**Larry Brown, Agricultural Preservation Association,** said he was a reluctant supporter of SB 198 because of the way irrigated agricultural land was identified.

**SEN. LARRY TVEIT, Senate District 50, Fairview,** said he had been involved with the first Advisory Committee and he represents a large amount of irrigated land in the Yellowstone Valley. He said the cost of water should be included in the formula and those owning irrigated land have not been treated fairly. He said he had voted for the bill with the contingent voidness amendment with hopes that the House would remove it.

Maureen Cleary-Schwinden, Women in Farm Economics (WIFE), spoke in support of the bill.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. ROSE asked why the study of soil capability for valuation of agricultural land by the Advisory Committee was removed from the bill. SEN. JERGESON said it was removed by the Senate Taxation Committee because there weren't enough resources available to do the study. He said there may be work done in this area using the geographic information system in the future.

{Tape: 2; Side: A.}

REP. HANSON said, referring to the county chart, it was interesting that three of the four counties she represents had dashed lines. She asked what that would mean. Mr. Murphy said he would assume that would mean that those counties had no irrigated agricultural land.

REP. MURDOCK asked where the DOR had obtained their statistics on the capability of the land. Ms. Paynter said SB 198 did not deal with that issue because the Advisory Committee, under SB 168, set up the formula based on the yield from the land. SB 198 deals specifically with water costs for irrigated land so there is no direct relationship to SB 168. REP. MURDOCK asked what the basis was for determine the capacity of irrigated land. Randy Wilke, Property Assessment Division, DOR, said it is based on the ground's ability to produce a certain number of tons of alfalfa or grain. The information is received from a number of sources such as information from the producer and soil survey information. REP. MURDOCK asked if they used USDA statistics. Mr. Wilke said they use every source they can get but they rely heavily on the producer.

REP. ELLIOTT noted that the fiscal note was not signed. REP. JERGESON said he had not signed it because it was based on the revenue change using 1995 information. The charge of the Advisory Committee was to use 1993 information as its base. REP. ELLIOTT asked if there would be an impact on local governments. REP. JERGESON said the counties where irrigated land exists are aware of the Committee's deliberations and therefore they were aware of the changes that would occur.

REP. ELLIOTT asked if revenue neutrality in HB 168 was achieved by raising the tax on farmsteads. Ms. Paynter said the increase of tax on farmsteads was over and above the revenue neutrality of HB 168.

REP. WENNEMAR said he understood the reason for the rapid increase in the taxable value was that the formula used had stagnated over the years. He asked if this could happen again. Ms. Paynter said that by striking the soil capability study, there will always be the unanswered question about whether they were valuing and taxing the land for its productive capacity versus how much management and technology should be taxed along with the land. The issue is not clear at this time. REP. WENNEMAR asked if it would be possible that the industrious farmer would be penalized. Ms. Paynter said the person who does a better job on the same quality land could pay higher land taxes.

REP. REAM said he was confused about why Section 4 was struck from the bill. SEN. JERGESON said the section would have created a new advisory committee to look at the concept of using a geographical information system (GIS) to develop a method to determine the value of land based on soil capabilities along with other meteorological data. The Senate Tax Committee was inclined to think the study would be too expensive at this time. REP. REAM said it seemed to him that a feasibility study prior to implementation would have been worthwhile. SEN. JERGESON said the study would be a long-term commitment and could not be implemented in a short period of time.

Closing by Sponsor:

SEN. JERGESON thanked the Committee for the good hearing and questions. He emphasized that the figures provided to the Committee in comparisons of cost under SB 168 and SB 198 were averages. For nearly all producers on irrigated land, there would be a moderation of the increase they would have experienced under SB 168. He urged the Committee to vote do pass on the bill.

{Tape: 2; Side: B.}

HEARING ON SB 138

Opening Statement by Sponsor:

SEN. KEN MESAROS, Senate District 25, Cascade, advised that SB 138 would amend Section 15-6-134 by deleting the provision that identifies the one-acre of land beneath a farmstead as residential for taxation purposes. He said the farmstead is a part of a bona fide farming or ranching operation and should be classified as agricultural. Taxation of the improvements on the land would not be changed. SEN. MESAROS said a residential tract can stand alone, can be developed and marketed. The one-acre on a farm or ranch is undefined because it is a part of the whole and cannot be isolated from the whole as long as it is a part of the agricultural operation. He said the provision had thrown the one-acre farmstead into the sub-division arena where it would not belong and the legislation should be repealed. The sponsor said

he had received between 200 and 300 calls on this issue during the interim. He said the contingent voidness amendment had been added in the Senate and he encouraged the Taxation Committee to remove it because the bill corrects an error in the statutes that occurred in the 1993 session.

Proponents' Testimony:

Candace Torgesson, Montana Cattlemans Association and Montana Stockgrowers Association, spoke strongly in support of the bill. She said it was a common sense approach.

Maureen Cleary-Schwinden, WIFE, testified in support of the bill.

Lorna Frank, Montana Farm Bureau, said they support the legislation.

Larry Brown, Agricultural Preservation Association, asked for the Committee's support of the bill.

Bob Stephens, Montana Graingrowers, spoke in support of the bill.

Mike Murphy, Montana Water Resources, said his organization would support the bill.

Dr. David Cameron, Rancher, Cascade & Meagher Counties, said he supports the bill because of his personal experience with the valuation of houses on his ranch. He said there was no adequate explanation for the method used in valuing the property. He said a house, which is furnished for a ranch manager, was taxed as though the ranch had been sub-divided. He said he had appealed to the state tax appeal board who had informed him that they couldn't do anything about it because they were taxed according to state law. He said "no one in their right mind" would purchase the piece of property and yet the one acre under the over-100-year-old house was valued at \$10,000. He said that if the state treats ranches as if they are subdivided, they probably will sub-divide. He asked the Committee to support SB 138.

REP. JIM ELLIOTT, House District 72, Trout Creek, said he would personally be affected by the bill. He said the reason he had originally voted against the agriculture bill was because it taxes agricultural property at a disproportionate rate. He said he would be in favor of the bill and also thought the improvements should be taxed at a lower rate. He supports the bill.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. HARPER asked if there is anything the state could do in addition to changing this law to discourage subdividing along the river. Dr. Cameron said he was reluctant to tell people how they should manage their personal property but he said he would resist that sort of activity as long as possible. When taxes are raised, it encourages people to sell. Taxes have consequences beyond their intent. For instance, nothing encourages the dewatering of streams more than raising the taxes on irrigated land and not forgiving people for using the water from the streams instead of leaving it for the trout. He said there should be tax relief for those individuals who choose not to irrigate. He said the same would apply to standing timber. As the taxes are raised, more timber is cut to pay them. He said the Legislature should try to avoid perverse incentives where it costs people additionally to do things which are socially undesirable.

REP. REAM asked how the value of the land under the farmstead had been arrived at. Mr. Wilke said that in areas that were developed, the values were determined by recently recorded sales in the area. It was more difficult in isolated areas. REP. ELLIOTT said the way the law stood prior to SB 168, any parcel of land 20 acres or greater could be classified as agricultural and one acre was classified as a farmstead. Both the land and farmstead classification have been changed and land between 20 and 160 acres is now classified as non-agricultural land or recreational land and is taxed at a higher agricultural rate. The tax on the one-acre and improvements for all farmsteads was 3.088 and a Senate Committee amendment to SB 168 eliminated farmsteads and they were reclassified as class 4 property and taxes were raised 25% to 3.86%. He said he had also received a number of telephone calls about the increase. SB 138 affects farmsteads on acreage over 160 acres. He said there were 900 farmsteads (between 20 and 160 acres) in his district and 100 ranches. SB 138 would lower the tax rate on the one acre of land under the improvements on a bona fide farm or ranch (over 160 acres).

REP. SWANSON asked if the residence would still be taxed at the residential rate. Dr. Cameron said that in the example he used, the tax on the home remained the same and he had no objection to that.

REP. SWANSON asked if it was the intention of SB 168 to try to make the tax rates more consistent. REP. ELLIOTT said the change was political, an effort to get the bill passed. He said Sen. Mesaros made an excellent point that on a bona fide farm or ranch, the a one-acre parcel is inseparable from the agricultural operation.



{Tape: 3; Side: A.}

REP. SWANSON asked how many properties would have property tax decreased by SB 138. SEN. MESAROS said he would judge by the number of phone calls he received from people in Cascade County that there is a tremendous amount in that area. In the counties bordering Cascade County, the increase did not seem to be as apparent and he questioned why a county line would make such a dramatic difference when the tax rate is statewide.

REP. ROSE said his understanding was that the 20-acre tracts were utilized for an agricultural base for taxes. He said they were after those who were building half million dollar homes on a 20-acre tract and they certainly weren't after the bona fide farms and ranches. REP. ELLIOTT said there were two bills that affected the taxation of land between 20 and 160 acres. SB 168 taxed the house and improvements at the same rate as all other homes and improvements in the state and the other bill took parcels between 20 and 160 acres and put them into a separate semi-agricultural class which was seven times the agricultural rate. The object was to exempt people who did not have productive agricultural property.

REP. ARNOTT asked how SB 138 would tie in with the Wennemar bill. Mr. Wilke explained that the Wennemar bill, as amended, would place nurserymen and greenhouse operators in the same category as all other agriculture. It would have no impact on SB 138 because it deals with land under residential property.

REP. ELLIOTT asked if it wouldn't be easier to classify the one acre the same as the land surrounding it rather than at the highest productive value and production capacity of agricultural land. Mr. Wilke agreed that there would not be a need to extract the one acre and it would be easier administratively.

CHAIRMAN HIBBARD asked if that was the way it was done previously. Mr. Wilke said it was the law prior to the introduction of the one-acre homesite.

Closing by Sponsor:

SEN. MESAROS said it was his intent when he originally introduced the bill to tax the land the same as the adjacent acreage but, after consideration, he decided that one classification would be more appropriate. He thanked the Committee for the good discussion. He encouraged the Committee to remove the contingent voidness amendment and pass the bill.

EXECUTIVE ACTION ON SB 328

Motion:

REP. RANEY MOVED THAT SB 328 BE CONCURRED IN.

Discussion:

None.

Vote:

On a voice vote, the motion passed, 19 - 1.

EXECUTIVE ACTION ON HB 587

Motion:

REP. RANEY MOVED THAT HB 587 DO PASS.

Discussion:

Mr. Heiman said there was a technical amendment to the bill which would strike a definition of "Department" which is included in another section of the bill. EXHIBIT 6.

Motion/Vote:

REP. RANEY MOVED THE AMENDMENT BE ADOPTED. On a voice vote, the amendment passed unanimously.

Motion/Vote:

REP. REAM MOVED THAT HB 587 AS AMENDED DO PASS. On a voice vote, the motion passed, 20 - 0.

EXECUTIVE ACTION ON HB 497

REP. BOHLINGER distributed copies of an unofficial gray bill and a description of what the bill would do. EXHIBITS 7 and 8. REP. BOHLINGER said the name of the program would be changed from "Low-Income Property Tax Program" to "Property Tax Assistance Program" because many people do not want to be referred to as "low income." He briefly reviewed the other aspects of the bill outlined in Exhibit 8. REP. BOHLINGER said the DOR furnished additional fiscal information. EXHIBIT 9. He asked the Committee to refer to Option 3 which illustrates how the costs were arrived at.

REP. BOHLINGER said the DOR had proposed technical amendments to the gray bill. EXHIBIT 10. The amendment would change the due date for applications for the low-income property tax to March 15. The amendment also eliminates the requirement that the classification and appraisal notice advise taxpayers of the low-income property tax reduction program.

{Tape: 3; Side: B.}

REP. SWANSON provided a "walk-through" of the financial impacts of the bill according to Option 3. She said the fiscal impact per year of the property tax assistance program would be \$2.3 million and the cost for the elderly homeowner/renter program would be \$660,000 for the first year of the biennium and \$715,000 for the second year of the biennium. The total additional fiscal impact would be approximately \$6 million for the biennium. REP. BOHLINGER said the total cost would be \$11,168,640.

REP. RANEY commented that the cost to local governments would be \$3.4 million. REP. BOHLINGER said there would also be a \$35,345 loss to the university system and a \$556,009 loss in school equalization aid.

REP. ORR asked if an increase in the participation rate was anticipated. REP. BOHLINGER said the 25% participation rate was projected by the DOR. He said he thought there could be an increase in participation. Currently, 23% of those eligible participate.

Motion:

REP. ORR PROPOSED A CONCEPTUAL AMENDMENT TO RETURN THE TITLE BACK TO "LOW INCOME PROPERTY TAX PROGRAM."

Discussion:

REP. ORR agreed that there is a stigma attached to the language "low income." Changing the title removes the goal of increasing income. The low income designation should remain.

REP. BOHLINGER said he thought the amendment was cruel, heartless, and missed the point completely. He said the elderly have no opportunities to increase income and this is the population group that needs help. He urged the Committee to reject any consideration of the conceptual amendment.

REP. ROSE said he was in complete agreement with Rep. Bohlinger. He said it was degrading to the elderly population who have a great deal of personal pride to have to declare that they are "low income."

REP. ARNOTT asked where the age stipulation occurred in the bill. REP. BOHLINGER said the language is not included in the bill because it is provided for in existing law.

Mr. Heiman explained that it is part of the elderly tax credit provision. Under that program, the person must have reached the age of 62 or older.

REP. ORR said he was mistaken because he thought it was for low income. He said that did not change his opinion that, stigma or not, the name of the program should not be changed.

REP. SWANSON clarified that two program are under discussion, one for low income that has no age stipulation and the elderly homeowner/renter program for people age 62 and over. The conceptual amendment would apply to the program that is not age related.

REP. WELLS said the Committee was not discussing older people necessarily and he agreed with Rep. Orr that it is not heartless to refer to low-income individuals because there are many in the state who think being low-income is good because they don't believe in capitalistic achievement as wealth and success.

REP. STORY said \$20,000 is not necessarily a low income. A lot of people make less than that and don't consider themselves low income so they don't apply for the program.

REP. RYAN said it could work exactly the opposite -- that a person might want to keep income low in order to qualify for the program.

Vote:

On a roll call vote, the conceptual amendment failed, 17 - 2.

{Tape: 4; Side: A.}

Discussion:

REP. SWANSON asked the Committee to consider the effective date of the bill. The way the bill is written, it would not apply until next year and the first application date would be March, 1996. This would mean the fiscal impact would be \$2.3 million less for the biennium. The elderly homeowner/renter credit would go into affect this year.

REP. RYAN said he would suggest leaving the bill the way it is.

REP. REAM agreed because there isn't adequate time to have it effective immediately. It would create tremendous problems for the DOR.

REP. SWANSON said she would also agree but it would defer a tax deduction to the next biennium.

REP. REAM asked if there would be any interaction between this bill and the Elliott bill. REP. ELLIOTT said there would be a coordinating amendment which would disallow computation of the low income and elderly homeowner/renter credit. The credit would be for taxes paid and not the amount of tax charged.

Mr. Heiman said no amendments had been drafted and he would have to take the two bills and decide how and where the amendments should be placed. He said the \$80,000 referenced in Elliott's bill is a new section used in the computation to determine the tax credit and it would have no affect on the \$100,000 referred to in HB 497.

REP. REAM said his concern was that it would have a \$4.7 million negative impact on local governments and schools and property taxes will have to be raised to compensate for the loss. REP. SWANSON said she had the same concerns. When the bill was originally introduced, they did not see the impact of all the other bills which have been and will be introduced. However, she said the bill will assist the population which is stressed over property taxes.

CHAIRMAN HIBBARD noted that no action had been taken on the amendments proposed by the Department of Revenue. EXHIBIT 10.

Motion/Vote:

REP. BOHLINGER MOVED THAT THE AMENDMENTS BE ADOPTED. The motion passed unanimously.

Discussion:

CHAIRMAN HIBBARD said there still seemed to be a question on what the actual cost of the bill would be. He asked for one of the sponsors of the gray bill to review the figures. REP. BOHLINGER referred to page 2 of EXHIBIT 9 which outlined the costs of the bill under option 3. The total program cost of all aspects contained in the bill would be \$11,168,640. REP. SWANSON concurred with the figures.

REP. BOHLINGER said he hoped there would be growth within the economy to pay for the program.

REP. RYAN reminded the Committee that these are the people who are hit hard by property tax and are being forced from their homes. He strongly urged the Committee to vote in favor of the bill.

Motion/Vote:

REP. BOHLINGER AND REP. SWANSON MOVED THAT HB 497 AS AMENDED DO PASS. On a voice vote, the motion passed, 18 - 2.

Motion:

REP. HANSON MOVED TO PLACE THE CONTINGENT VOIDNESS AMENDMENT ON THE BILL.

Discussion:

REP. SWANSON asked why the amendment was not placed on Rep. Elliott's bill. She said this bill was as important, if not more so, than the Elliott bill and if it was not to be placed on that bill, it should not be placed on this bill.

REP. BOHLINGER reminded the Committee that they had passed on a tax break to all taxpayers and HB 497 would reduce taxes for those who can least afford to pay the increase. He urged the Committee to resist any attempt to place the contingent voidness amendment on the bill.

REP. WENNEMAR said if taxes are too high, homeowners will lose their homes and have to rent -- which is more expensive. He would not support the amendment.

REP. ELLIOTT spoke against addition of the amendment.

REP. STORY spoke in favor of adding the amendment because it could help keep the bill in the process. If there was not enough money, it might not clear the House floor.

Vote:

On a roll call vote, the motion to add the contingent voidness amendment passed, 11 - 9.

\* \* \* \* \*

REP. WENNEMAR said he would like to have a sub-committee appointed to reconsider action on HB 469, the Kitzenberg school-to-work bill. Without objection, Rep. Wennemar, Rep. Arnott and Rep. Nelson were named to the sub-committee by **CHAIRMAN HIBBARD**.

HOUSE TAXATION COMMITTEE

March 14, 1995

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ADJOURNMENT

Adjournment: 11:45 a.m.



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CHASE HIBBARD, Chairman



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Donna Grace, Secretary

CH/dg

# HOUSE OF REPRESENTATIVES

## Taxation

ROLL CALL

DATE March 14, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		



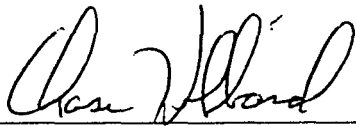


## HOUSE STANDING COMMITTEE REPORT

March 14, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 328 (third reading copy -- blue) be concurred in.

Signed:   
Chase Hibbard, Chair

Carried by: Rep. Elliott

Committee Vote:  
Yes 19, No 1.

591253SC.Hdh



## HOUSE STANDING COMMITTEE REPORT

March 14, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 587 (first reading copy -- white) do pass as amended.

Signed: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Chase Hibbard", is written over a horizontal line.

*Chase Hibbard, Chair*

And, that such amendments read:

1. Page 2, lines 26 through 28.  
Strike: "Department" means the"  
Strike: "department" on line 27 through "revenue" on line 27  
Strike: "provided for in 2-15-1301 and," on line 27  
Strike: "when the meaning of the context" on line 27  
Strike: "requires," on line 27  
Strike: "includes its employees"  
Strike: "."

-END-

Committee Vote:  
Yes 20, No 0.

591251SC.Hdh



## HOUSE STANDING COMMITTEE REPORT

March 15, 1995

Page 1 of 6

Mr. Speaker: We, the committee on Taxation report that House Bill 497 (first reading copy -- white) do pass as amended.

Signed: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Chase Hibbard", is written over a horizontal line.

*Chase Hibbard, Chair*

### And, that such amendments read:

1. Title, lines 4 through 6.

Strike: "PROVIDING" on line 4 through "PAYMENT;" on line 6

2. Title, line 7.

Strike: "LOW-INCOME"

Following: "TAX"

Insert: "ASSISTANCE"

3. Title, line 8.

Strike: "APRIL"

Insert: "MARCH"

Following: "15;"

Insert: "PROVIDING MORE INFORMATION IN THE DEPARTMENT'S NOTICE OF CLASSIFICATION, INCLUDING INFORMATION FOR COMPARISON OF MILLS AND TAXES FOR THE PRIOR YEAR; PROVIDING FOR THE PHASEIN OF CHANGES IN THE VALUE OF CLASS FOUR PROPERTY BECAUSE OF PERIODIC REVALUATION; ALLOWING A DECREASE IN MARKET VALUE TO BE EFFECTIVE WITHOUT A PHASEIN;"

4. Title, line 9.

Strike: "AND"

5. Title, line 10.

Strike: "15-16-101, 15-16-102"

Insert: "15-7-102"

Following: "MCA"

Committee Vote:

Yes 18, No 2.

601457SC.Hbk

Insert: "; PROVIDING AN IMMEDIATE EFFECTIVE DATE, APPLICABILITY  
DATES, AND A COORDINATION PROVISION"

6. Page 1, line 14 through page 3 line 16.

Strike: sections 1 and 2 in their entirety

Renumber: subsequent sections

7. Page 3, line 29.

Strike: "\$10,000"

Insert: "\$15,000"

Strike: "\$12,000"

Insert: "\$20,000"

8. Page 4, line 10.

Strike: "described"

Insert: "qualifying under the property tax assistance program"

9. Page 4, line 15.

Strike: "0%"

Insert: "20%"

10. Page 4, line 16.

Strike: "\$1,500"

Insert: "\$6,000"

Strike: "\$2,000"

Insert: "\$8,000"

11. Page 4, line 17.

Strike: "10%"

Insert: "50%"

12. Page 4, line 18.

Strike: "1,501 - 3,000"

Insert: "6,001 - 9,200"

Strike: "2,001 - 4,000"

Insert: "8,001 - 14,000"

13. Page 4, line 19.

Strike: "20%"

Insert: "70%"

14. Page 4, line 20.

Strike: "3,001 - 4,500"

Insert: "9,201 - 15,000"

Strike: "4,001 - 6,000"

Insert: "14,001 - 20,000"

15. Page 4, line 21.

Strike: "30%"

16. Page 4, line 22.  
Strike: "4,501 - 6,000"  
Strike: "6,001 - 8,000"

17. Page 4, line 23.  
Strike: "40%"

18. Page 4, line 24.  
Strike: "6,001 - 7,500"  
Strike: "8,001 - 10,000"

19. Page 4, line 25.  
Strike: "50%"

20. Page 4, line 26.  
Strike: "7,501 - 9,000"  
Strike: "10,001 - 12,000"

21. Page 4, line 27.  
Strike: "60%"

22. Page 4, line 28.  
Strike: "9,001 - 10,500"  
Strike: "12,001 - 14,000"

23. Page 4, line 29.  
Strike: "70%"

24. Page 4, line 30.  
Strike: "10,501 - 12,000"  
Strike: "14,001 - 16,000"

25. Page 5, line 1.  
Strike: "80%"

26. Page 5, line 2.  
Strike: "12,001 - 13,500"  
Strike: "16,001 - 18,000"

27. Page 5, line 3.  
Strike: "90%"

28. Page 5, line 4.  
Strike: "13,501 - 15,000"  
Strike: "18,001 - 20,000"

29. Page 5, line 25.  
Following: "property"

Insert: "under the property tax assistance program"

30. Page 5, line 27.  
Strike: "his"

31. Page 6, line 1.  
Strike: "April"  
Insert: "March"

32. Page 6, line 11.  
Insert: "Section 3. Section 15-7-102, MCA, is amended to read:  
    **"15-7-102. Notice of classification and appraisal to owners  
    -- appeals. (1) (a)** The department shall mail to each owner or  
purchaser under contract for deed a notice of the classification  
of the land owned or being purchased and the appraisal of the  
improvements on the land only if one or more of the following  
changes pertaining to the land or improvements have been made  
since the last notice:  
    ~~(a)(i)~~ change in ownership;  
    ~~(b)(ii)~~ change in classification;  
    ~~(c)(iii)~~ change in valuation; or  
    ~~(d)(iv)~~ addition or subtraction of personal property affixed  
to the land.  
    **(b)** The notice must include the following for the  
taxpayer's informational purposes :  
    (i) the total amount of mills levied against the property  
in the prior year;  
    (ii) the amount of the prior year's taxes resulting from  
levied mills;  
    (iii) an estimate of the current year's taxes based on the  
prior year's mills; and  
    (iv) a statement that the notice is not a tax bill.  
    (c) Any misinformation provided in the information required  
by subsection (1)(b) does not affect the validity of the notice  
and may not be used as a basis for a challenge of the legality of  
the notice.  
    **(2) (a)** The department shall assign each assessment to the  
correct owner or purchaser under contract for deed and mail the  
notice of classification and appraisal on a standardized form,  
adopted by the department, containing sufficient information in a  
comprehensible manner designed to fully inform the taxpayer as to  
the classification and appraisal of the property and of changes  
over the prior tax year.  
    **(b)** The notice must advise the taxpayer that in order to be  
eligible for a refund of taxes from an appeal of the  
classification or appraisal, the taxpayer is required to pay the  
taxes under protest as provided in 15-1-402.  
    **(3)** If the owner of any land and improvements is

dissatisfied with the appraisal as it reflects the market value of the property as determined by the department or with the classification of the land or improvements, the owner may request an assessment review by submitting an objection in writing to the department, on forms provided by the department for that purpose, within 15 days after receiving the notice of classification and appraisal from the department. The review must be conducted informally and is not subject to the contested case procedures of the Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review. After the review, the department shall determine the ~~true and~~ correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an appraisal or classification upon the taxpayer's objection unless:

- (a) the taxpayer has submitted an objection in writing; and
- (b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 15 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's

order."

NEW SECTION. Section 4. Phasein of revaluation of land. (1) An increase in the appraised value of class four property resulting from a revaluation cycle under 15-7-111 must be phased in. Each year following a revaluation cycle, the value of the property must be increased annually by one-third of the difference between the phased-in value from the previous appraised value and the new appraised value.

(2) If the appraised value of property decreases because of a revaluation cycle, the decreased value is the assessed value and is not phased in."

Renumber: subsequent sections

33. Page 7, line 11.

Insert: "NEW SECTION. Section 6. Coordination. In order to maintain a balanced budget, because [this act] reduces revenue, it is void unless House Bill No. 293 is passed and approved containing an estimated revenue increase of at least \$2,200,000.

NEW SECTION. Section 7 Effective date -- applicability.

(1) [This act] is effective on passage and approval.

(2)(a) Except as provided in subsection (2)(b), [this act] applies to tax years beginning after December 31, 1995.

(b) [Section 5] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1994."

-END-



# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 3/14/95 BILL NO. 497 NUMBER       

MOTION: Conceptual Amendment (over)

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Hairman Bob Ream		✓
Rep. Peggy Arnott	✓	
Rep. John Bohlinger		✓
Rep. Jim Elliott		✓
Rep. Daniel Fuchs		✓
Rep. Hal Harper		✓
Rep. Rick Jore		
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson		✓
Rep. Scott Orr	✓	
Rep. Bob Raney		✓
Rep. Sam Rose		✓
Rep. Bill Ryan		✓
Rep. Roger Somerville		✓
Rep. Robert Story		✓
Rep. Emily Swanson		✓
Rep. Jack Wells		✓
Rep. Ken Wennemar		✓
Chairman Chase Hibbard		✓

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 3/14/95 BILL NO. 497 NUMBER       

MOTION: Do Pass as Amended

NAME	YES	NO
Vice Chairman Marian Hanson		
Vice Hairman Bob Ream		
Rep. Peggy Arnott		
Rep. John Bohlinger		
Rep. Jim Elliott		
Rep. Daniel Fuchs		
Rep. Hal Harper		
Rep. Rick Jore		
Rep. Judy Rice Murdock		
Rep. Tom Nelson		
Rep. Scott Orr		
Rep. Bob Raney		
Rep. Sam Rose		
Rep. Bill Ryan		
Rep. Roger Somerville		
Rep. Robert Story		
Rep. Emily Swanson		
Rep. Jack Wells		
Rep. Ken Wennemar		
Chairman Chase Hibbard		

# HOUSE OF REPRESENTATIVES

## ROLL CALL VOTE

DATE 3/14/79 BILL NO. 497 NUMBER       

MOTION: Amend Cont void

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Chairman Bob Ream		✓
Rep. Peggy Arnott	✓	
Rep. John Bohlinger		✓
Rep. Jim Elliott		✓
Rep. Daniel Fuchs	✓	
Rep. Hal Harper		✓
Rep. Rick Jore	✓	
Rep. Judy Rice Murdock	✓	
Rep. Tom Nelson	✓	
Rep. Scott Orr	✓	
Rep. Bob Raney		✓
Rep. Sam Rose	✓	
Rep. Bill Ryan		✓
Rep. Roger Somerville		✓
Rep. Robert Story	✓	
Rep. Emily Swanson		✓
Rep. Jack Wells	✓	
Rep. Ken Wennemar		✓
Chairman Chase Hibbard	✓	

3/14/95 Proxy

HB 497

Do Pass as Amended - Yes

Sam Wilson

3/14/95

TAXATION

HB 497

I LEAVE MY PROXY WITH

VICE CHAIR HANSON ON

HB 497

AMENDMENTS - WITH REP. HANSON

BILL

- NO

SfM

HOUSE BILL 587

Title 16, Chapters 10 and 11

Cigarette Marketing and Taxation/Licensing and Minor Law

House Bill 587 is a housekeeping and clarification bill addressing the following:

- \*Simplifying language and format changes suggested by the Department of Revenue and industry and changes made by the Legislative Council
- \*Clarifying language to reflect current administration and industry practices
- \*Aligning definitions in both sections where appropriate to eliminate confusion
- \*Aligning current law with recent litigation--eliminating the wholesaler residency requirement
- \*Repealing 16-10-401 and proposing a new section to replace the criminal penalty with a civil penalty for violations of minimum price
- \*Clarifying the penalty language related to the Minor Law (16-11-308)

**SECTION BY SECTION ANALYSIS**

**SECTION 1**

Stores like Price/Costco and Sam's Club operate as both a wholesale and retail outlet. The change clarifies that stores may operate as both a licensed wholesaler and a licensed retailer. Removed language found in a definition statute (16-10-103(12)(b)) and provided a new section applicable to both chapters.

**SECTION 2**

The 1993 Legislature passed the Youth Access to Tobacco Products Control Act - The Minor Law. This change will clarify that violations of the Act are subject to civil penalties and are handled in justice court.

**SECTION 3**

Selling cigarettes below the state minimum price is a violation of the minimum price law. The reason a person sold cigarettes below the state minimum price is not the violation, the violation is that he/she sold the cigarettes below the state minimum price. The requirement to prove intent makes the statute impossible to enforce.

## SECTION 4 - Definitions

### (1)(4)AND (5)

The department is responsible for setting and enforcing the minimum price of cigarettes. The proposed changes will clear up the language necessary to set one minimum price for each kind of cigarette sold in Montana and will clarify the accounting practices used for a "cost showing" to change the statutory presumption of the cost of doing business(wholesaler 5% retailer 10%). The department has historically set the minimum price using the manufacturers base cost of cigarettes. Montana does not allow any discounts off the manufacturer's invoice. Other states allow discounts off the manufacturers invoice. Montana has no control over the invoice price paid by out-of-state wholesalers. Therefore, out-of-state wholesalers could show that their invoice cost or replacement cost is lower than the price used by Montana in setting the minimum price. Replacement or invoice cost could be higher or lower than the minimum price set by the department depending on if there is an increase or decrease to the manufacturers basic cost.

In setting the minimum price we begin with the base cost of cigarettes then add the statutory presumed cost of doing business by the wholesaler (5%), cartage (.75%) and the statutory presumed cost of doing business by the retailer (10%). Any wholesaler or retailer can request a "cost showing" before the department to prove that they can do business lower than the presumed cost of doing business. If they prove their cost is less than the presumed cost, the department would change the minimum price to the lower cost. This would be the new state minimum price of cigarettes.

### (6)

Changes the wording, not the meaning, by cleaning up sentence structure to make law more readable.

### (7)

The term manufacturer is used in both chapters and was never defined. The term should be defined.

### (8),(9),(10)AND (14)

Each chapter has it's own definitions. The proposed changes would make the definitions the same in both chapters.

### (11)

Changes the wording, not the meaning, by cleaning up sentence structure to make the law more readable.

EXHIBIT 1  
3-14-95  
HB 587

(13)

This change is necessary because the industry has changed the way it does business over the years. A distributor may approach a manufacturer and request the manufacturer to make a special cigarette for the distributor. The distributor is the only one that can sell the special cigarettes to licensed wholesalers in Montana.

## SECTION 5

This change is necessary because we propose to repeal 16-10-401.

## SECTIONS 6 & 7

Change the wording, not the meaning, by cleaning up sentence structure to make the law more readable.

## SECTION 8

Selling cigarettes below the statutory minimum is a minimum price violation. The reason why a person sold cigarettes below the statutory minimum is not a violation, the violation is that he/she sold the cigarettes below the statutory minimum.

## SECTION 9

The proposed changes will clear up the language and will clarify the accounting practices used for a "cost survey".

## SECTIONS 10

This change is necessary because we propose to repeal 16-10-401.

## SECTIONS 11

We propose to repeal 16-10-401. Section 16-10-401 addresses the penalty for selling below the statutory minimum as a misdemeanor. This means that we need to treat the person as a criminal because it was a misdemeanor. By repealing 16-10-401, if someone is selling below the statutory minimum we can penalize them by imposing a civil penalty or revoke/suspend their cigarette license. Sometimes it is just a mistake with no intention of violating the statute. We moved the penalty of not more than \$500 from section 16-10-401 to this section. We also change the wording, not the meaning, by cleaning up sentence structure to make sentences more readable and deleting words that do not apply.

## SECTION 12 - Definitions

### (1) (c); (2)(g)(j),(k)(l) AND (n)

Each chapter has its own definitions. The proposed changes would make the definitions the same in both chapters.



(2)(n)

The proposed change to the definition of wholesaler is necessary because of a stipulated judgement handed down by the court. McLean Western, INC., McLean Company, INC and Coremark INC. versus Montana Department of Revenue. These companies wanted to stamp Montana cigarettes at their out of state warehouse but the department would not license them as a Montana wholesaler . By the definition of wholesaler (16-11-102(l)) they must be a resident in this state. They prevailed in court showing that we were causing them financial harm and hardship by not licensing them as a wholesaler. The stipulated judgement required us to license them as a wholesaler and let them stamp at their out-of-state warehouse. Therefore, the present statute must be changed to conform to the court decision by eliminating the residency requirement for stamping cigarettes. Today we have 8 out-of-state wholesalers.

#### **SECTIONS 13 and 14**

The 1993 Legislature changed the cigarette statutes by establishing a reservation quota system for all Montana reservations. Only quota cigarettes are exempt from state taxation. The current wording of this section suggests that all cigarettes shipped to reservations smokshops are exempt. House Bill 283 (1993) also required all cigarettes sold in Montana to be stamped except for sales made on a military reservation or on an Indian reservations that has a cooperative agreement with the state to stamp their quota cigarettes. Therefore it is necessary to delete and change the meaning of these sections.

#### **SECTIONS 15, 16, 17, 18, 19 AND 20**

Change the wording, not the meaning, by cleaning up sentence structure to make the law more readable and deleting words that do not apply .

#### **SECTION 21**

The 1993 Legislature changed the cigarette statutes by establishing a reservation quota system for all Montana reservations. Only quota cigarettes are exempt from state taxation. The current wording of this section suggests that all cigarettes shipped to reservations smokshops are exempt. House Bill 283 (1993) also required all cigarettes sold in Montana to be stamped except for sales made on a military reservation or on an Indian reservations that have a cooperative agreement with the state to stamp their quota cigarettes.. Therefore it is necessary to delete and change the meaning of this section.

#### **SECTION 22**

The proposed change to the definition of Wholesaler (16-11-102(l)) and this Section (16-11-132) are necessary because of a stipulated judgement handed down by the court. McLean Western, INC., McLean Company, INC and Coremark INC. versus Montana Department of Revenue. The department would not license them as a Montana wholesaler because they wanted to stamp Montana cigarettes at their out of state warehouse. By the definition of wholesaler (16-11-102(l)) they must be a

resident in this state. They prevailed in court showing that we were causing them financial harm and hardship by not licensing them as a wholesaler. The stipulated judgement required us to license them as a wholesaler and let them stamp at their out-of-state warehouse. Therefore, the present statute must be changed to conform to the court decision by eliminating the residency requirement. Today we have 8 out-of-state wholesalers.

#### SECTION 23

The 1993 Legislature changed the cigarette statutes by establishing a reservation quota system for all Montana reservations. House Bill 283 (1993) also required all cigarettes sold in Montana to be stamped except for sales made on a military reservation or on an Indian reservations that have a cooperative agreement with the state to stamp their quota cigarettes.

#### SECTION 24

The section aligns the penalties for unpaid cigarette tax with the other taxes we administer.

#### SECTIONS 25, 26, 27

Change the wording, not the meaning, by cleaning up sentence structure to make the law more readable.

#### SECTION 28

If the department revokes or suspends a license the person is entitled to a hearing before the department. If the person wants to appeal the department's decision they can appeal it to district court. The appeal will not go to the State Tax Appeal Board because this is not a hearing on a tax.

#### SECTIONS 29

The term tobacco product is the central focus of Chapter 11, Part 2. It is never defined in the definition section. The term should be defined and will eliminate needless wording throughout Part 2.

#### SECTIONS 30, 31 AND 32

Change the wording, not the meaning, by cleaning up sentence structure to make the law more readable, deleting words that do not apply and deleting phrases used over and over in the same sentence.

#### SECTION 33

The 1993 Legislature passed the Youth Access to Tobacco Products Control Act - The Minor Law. This change will clarify that violations of the Act are subject to civil penalties and are handled in justice court. Other legislation is also clarifying this

section. Therefore, this section may be need to be coordinated with other legislation.

#### **SECTION 34**

Codification

#### **SECTION 35**

We propose to repeal section 16-10-401 - Criminal penalty for selling cigarettes below minimum price.

#### **SECTION 36**

The effective date of this bill is July 1, 1995

STATE OF MONTANA  
MINIMUM CIGARETTE COSTS

EXHIBIT 1  
3-14-95  
HB 587

13-Mar-95

FULL PRICE BRANDS

85mm's  
100mm's  
120mm's

MANUFACTURER'S LIST COST-----

\$8.7900

(No cash, trade or any discounts of any type are allowed)

FEDERAL TAX PER CARTON-----

\$2.4000

STATE TAX PER CARTON-----

\$1.8000

-----  
\$12.9900

5% PRESUMED COST OF DOING BUSINESS-----

\$0.6495 (5% of \$12.9900)

0075 CARTAGE-----

\$0.0974 (.0075 of \$12.9900)

Addition of \$12.99 + \$0.6495 + \$0.0974 = \$13.7369)

COST TO WHOLESALER-----

\$13.74

(10% \* \$13.74 = \$1.38)

10% PRESUMED COST OF DOING BUSINESS-----

\$1.38

COST TO RETAILER-----

\$15.12

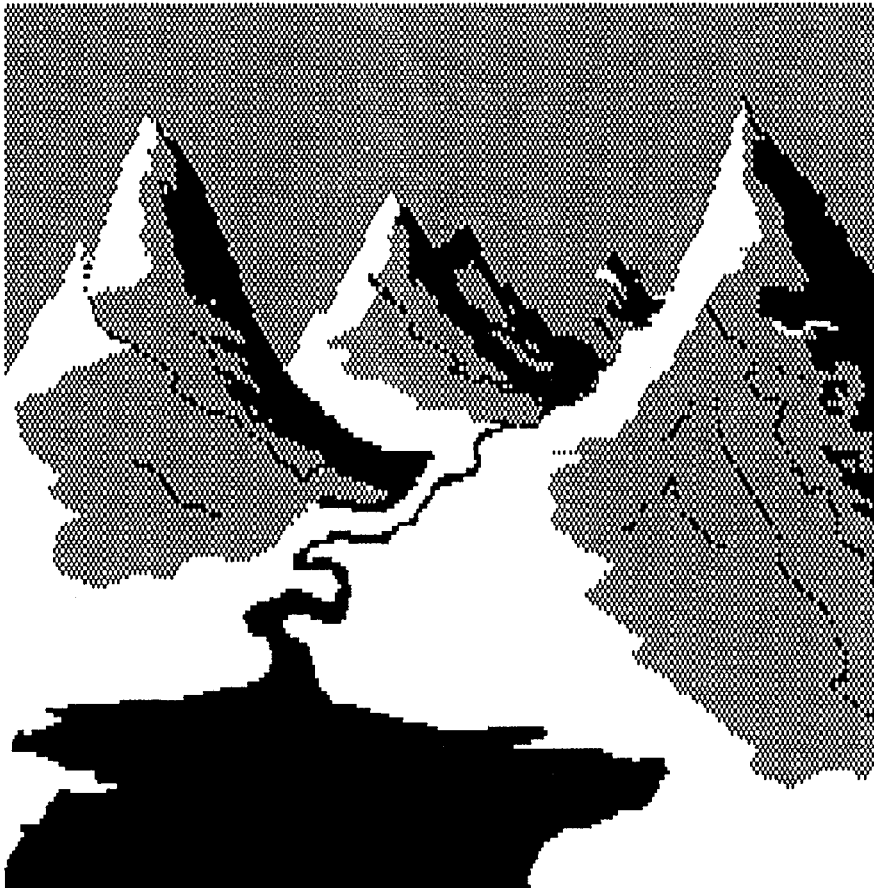
PER PACK-----

\$1.52

THE ORIGINAL OF THIS DOCUMENT  
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SOCIETY AT 225 NORTH ROBERTS  
STREET, HELENA, MT 59620-1201.  
THE PHONE NUMBER IS 444-2694.

EXHIBIT 2  
DATE 3/14/95  
SB 198

# **PRESENTATION BEFORE THE HOUSE TAXATION COMMITTEE ON SENATE BILL 198**



*Recommendations Made by the  
Agricultural Land Valuation  
Advisory Committee*

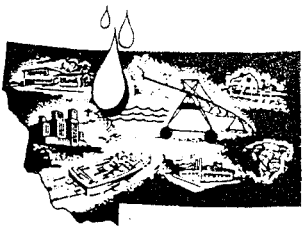


EXHIBIT 3

EXHIBIT 3  
DATE 3/14/95

501 N. Sanders, Suite #4 • Helena, Montana 59601 • (406) 442-9666

**TESTIMONY OF THE MONTANA WATER RESOURCES ASSOCIATION  
REGARDING SENATE BILL 198  
Presented to: HOUSE TAXATION COMMITTEE  
March 14, 1995**

Chairman Hibbard, Members of the Committee. For the record I'm Mike Murphy, Executive Director of the Montana Water Resources Association. The Association supports Senate Bill 198. However, we are concerned that the increased tax on irrigated land, even after the reduction provided under Senate Bill 198 is a substantial transfer of the agricultural land tax liability, and particularly onerous in some areas of the state where increases may exceed 100 percent. Bare in mind, that the average increase in irrigated agricultural land taxes as established during the 1993 legislative session under then Senate Bill 168, is just over 50 percent. If Senate Bill 198 is passed the average increase is still approximately 32 percent. (Pass out county info.) Please note that although the average increase is 32 percent, some areas of the state will experience an approximate 134 percent increase. For those producers who are heavily or totally dependent upon irrigated land, the increase, even though spread over several years is an extreme economic impact on an agricultural operation and difficult to adjust for. In some cases the added financial burden may be the straw that breaks the horses back.

It also seems unlikely that irrigated acreage would have enjoyed the implicit prior tax advantage that the final results would indicate. However, two Governor appointed committees concluded that such adjustments are appropriate based on our current land valuation process. The most recent committee effort analyzed numerous formulas that would impact the final result and disposition of taxes and concluded with the results as presented in Senate Bill 198. As introduced, Senate Bill 198 provided for establishment of another committee to evaluate the appropriateness of the current Ag land valuation process. This portion of the bill was amended out in the Senate Taxation Committee. Without this study the only possible relief and certainly modest level of reduction from these staggering tax increases, is found in the remaining provisions of SB 198. After nearly two years of study by the most recent Irrigated Ag Land Taxation Committee and the Dept. of Revenue it was concluded

**"Montana's Voice for Montana's Water"**

March 14, 1995

Page 2

that the large tax increase on irrigated land probably was unfair. However, the Committee found it difficult to determine a means by which to provide a fair level of reduction. In its assessment of irrigated acreage in the state, the Dept. of Revenue found that there were actually more irrigated acres and associated revenue than previously estimated. It is the projected unexpected revenues from these additional identified irrigated acres that was then determined by the committee to provide an appropriate means of addressing 1993 legislative intent. These unexpected revenues were then used to provide for the addition of a \$5.50 factor into the formula that accounts for the very real cost associated with the delivery of water to irrigated acres (A factor that is actually far below the actual average cost of such delivery). This is a factor that certainly should have been included in the formula when the previous committee made its recommendation to the 1993 legislature.

Senate Bill 198 and modest level of tax reduction from the huge increase, may however, be in jeopardy as a result of the Contingent Voidness clause amended on to the bill in the Senate. It seems inherently wrong that this Bill and the related issue which the past legislature intended to be resolved last session may not pass due to this clause. It is particularly discouraging in light of the fact that the tax reduction is recommended on the basis of revenue neutrality and through funds that the State probably would not have realized, if it were not for the hard work and persistence of the most recent committee and a commitment and intention of the previous legislature to provide overall fairness in agricultural land taxation. It is for that matter, legitimate to contend that the requirements of the Contingent Voidness clause have been met as a result of the actions of the Irrigated Ag Land Taxation Committee, which resulted in the identification of the necessary revenue to provide for the provisions of SB 198.

Therefore, Mr Chairman, the Montana Water Resources Association, respectfully requests that the committee amend Senate Bill 198 to strike Section 5 or the Contingent Voidness Clause from the bill.

Thank you Mr. Chairman, and Members of the Committee.

# Change in Irrigated Taxable Value Per Acre

## 1993 Taxable Value with SB 198 1997 Taxable Value

	Change in Taxable Value Per Acre - Irrigated Ag Land			
	1993	1997 (SB198)	Change	Percent Change
Beaverhead	8.78	9.18	0.37	4.3%
Big Horn	13.48	18.80	5.34	39.7%
Blaine	7.48	8.88	1.41	18.8%
Broadwater	9.48	11.47	1.99	21.0%
Carbon	14.08	16.89	2.21	15.1%
Carter	--	--	--	--
Cascade	7.51	10.43	2.92	39.0%
Chouteau	8.38	8.73	0.37	4.4%
Custer	12.22	16.74	4.52	36.9%
Daniels	8.04	9.94	1.90	23.7%
Dawson	10.96	15.80	4.84	44.2%
Deer Lodge	6.75	12.82	6.07	89.9%
Fallon	--	--	--	--
Fergus	9.58	11.16	1.59	16.6%
Flathead	15.70	13.09	-2.61	-16.6%
Gallatin	9.46	11.35	1.89	20.0%
Garfield	3.42	7.77	4.38	127.5%
Glacier	11.21	11.99	0.77	8.9%
Golden Valley	6.86	9.97	3.11	45.3%
Granite	10.75	11.92	1.17	10.8%
Hill	6.78	7.57	0.81	12.0%
Jefferson	7.69	10.38	2.69	34.9%
Judith Basin	10.27	17.05	6.78	66.1%
Lake	5.87	9.29	3.43	58.4%
Lewis And Clark	7.49	8.55	1.07	14.2%
Liberty	5.74	9.24	3.50	61.1%
Lincoln	5.29	7.08	1.77	33.6%
Madison	11.14	11.56	0.42	3.8%
McCone	6.48	9.95	3.49	54.1%
Meagher	5.83	8.11	2.28	39.2%
Mineral	10.05	11.32	1.28	12.7%
Missoula	10.47	10.58	0.09	0.8%
Musselshell	9.79	14.10	4.31	44.1%
Park	7.94	8.46	0.53	6.6%
Petroleum	9.85	17.09	7.24	73.4%
Phillips	6.28	7.91	2.63	49.9%
Pondera	4.98	9.38	4.38	88.0%
Powder River	4.21	8.67	4.46	106.0%
Powell	4.88	11.47	6.59	134.9%
Prairie	14.95	20.40	5.45	36.4%
Ravalli	10.57	12.45	1.88	17.8%
Richland	13.61	23.44	9.83	72.2%
Roosevelt	8.12	10.98	2.86	35.2%
Rosebud	12.30	15.98	3.68	29.7%
Sanders	7.34	9.98	2.62	35.7%
Sheridan	--	--	--	--
Silver Bow	9.70	13.88	4.18	43.1%
Stillwater	13.20	14.92	1.72	13.0%
Sweet Grass	9.52	9.58	0.04	0.5%
Teton	8.00	10.00	4.00	68.8%
Toole	7.07	7.11	0.04	0.6%
Treasure	13.80	19.44	5.64	43.0%
Valley	10.11	11.62	1.52	15.0%
Wheatland	7.85	8.13	0.48	6.3%
Wibaux	--	--	--	--
Yellowstone	15.61	20.15	4.54	29.1%
Statewide Total	9.11	12.08	2.95	32.4%



TESTIMONY OF THE HELENA VALLEY IRRIGATION DISTRICT  
REGARDING SENATE BILL 198

Presented to: HOUSE TAXATION COMMITTEE  
March 14, 1995

EXHIBIT 5  
DATE 3/14/95  
SB 198

Mr. Chairman, Members of the Committee. For the record, my name is Jim Foster, Manager of the Helena Valley Irrigation District. The District represents approximately 15000 irrigated acres in the Helena valley.

The Helena Valley Irrigation District supports Senate Bill 198, but has a concern of the **Contingent Voidness Clause** amended on to the bill in the Senate. The clause could jeopardize the passing of SB 198 if it has to compete for money to make up for the projected revenue shortfall.

There was a substantial transfer of the agricultural land tax liability to the irrigated agricultural lands from the 1993 legislative session under then Senate Bill 168. The average increase across the State was just over 50% and in some areas well over 100%. Irrigated agriculture did not feel that their unique production expenses were adequately considered in the original Governor appointed Agricultural Land Advisory Committee and resulting SB 168. The 1993 Legislative intent was to readdress the irrigated land rate and at the same time, to keep it revenue neutral. The Governor then appointed the recent Irrigated Ag Land Valuation Advisory Committee that resulted in this sessions SB 198.

The Committee's efforts resulted in the development of factors to compensate for water delivery, energy, labor and other costs. We feel that these factors are conservative in nature. For example, in SB 198, the base water cost is set at \$5.50 and in our HVID, The assessment charge per acre is \$17.96.

In its review of total irrigated acres, the Dept. of Revenue found that there were more irrigated acres than previously estimated. The revenue from the discovered acres made up for the credits given to irrigated land, thus keeping the taxation of the entire agricultural land class revenue neutral. Evidently, the Dept. of Revenue included this unexpected windfall in its revenue projections forwarded to the Executive budget. ~~This action resulted in the Contingent Voidness.~~ *The windfall was eliminated by SB 198*  
*resulted in the amendment of the Contingent Voidness Clause.*

The intent of the 1993 Legislative session was to form a diverse advisory committee to study irrigation expenses and propose a solution. At the direction of SB 168, the Irrigated Ag Land Valuation Advisory Committee was formed and made a compromised conclusion. If this bill fails because of the Contingent Voidness Clause, it would nullify the efforts of the committee and the 1993 Legislative intent. This would bring us back to square one and would undoubtedly result in revisiting the issue at further tax payer expense. Therefore, Mr. Chairman, the Helena Valley Irrigation District respectfully requests that the Committee amend Senate Bill 198 to strike Section 5 or the Contingent Voidness Clause from the bill.

Thank you.

EXHIBIT 6  
DATE 3/14/95  
HB 587

Amendments to House Bill No. 587  
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman  
March 13, 1995

Technical Amendment:

1. Page 2, lines 26 through 28.  
Strike: "Department" means the"  
Strike: "department" on line 27 through "revenue" on line 27  
Strike: "provided for in 2-15-1301 and," on line 27  
Strike: "when the meaning of the context" on line 27  
Strike: "requires," on line 27  
Strike: "includes its employees"  
Strike: "."

# UNOFFICIAL

## GRAY BILL

March 13, 1995  
House Bill No. 497

Introduced By \_\_\_\_\_

EXHIBIT 7  
DATE 3/14/97  
HB 497

A Bill for an Act entitled: "An Act relating to property taxes; ~~providing that the payment of an increase in property taxes on residential property is deferred until the May payment;~~ increasing the exempt value of residential property and the income eligibility schedule under the low income property tax ASSISTANCE program; changing the application date for the program from March 1 to April 15; PROVIDING MORE INFORMATION IN THE DEPARTMENT'S NOTICE OF CLASSIFICATION INCLUDING NOTICE OF THE LOW-INCOME PROPERTY TAX REDUCTION; PROVIDING FOR THE PHASEIN OF CHANGES IN THE VALUE OF CLASS FOUR PROPERTY BECAUSE OF PERIODIC REVALUATION; ALLOWING A DECREASE IN MARKET VALUE TO BE EFFECTIVE WITHOUT A PHASEIN; increasing the maximum property tax credit for the elderly to \$1,000 from \$400; and amending sections 15-6-134, 15-6-151, ~~15-16-101, 15-16-102,~~ and 15-30-176, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

Be it enacted by the Legislature of the State of Montana:

~~Section 1. Section 15-16-101, MCA, is amended to read:~~

~~"15-16-101. Treasurer to publish notice manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:~~

~~(a) that one half the first installment of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that, unless paid prior to that time, the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% per month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;~~

~~(b) that one half the second installment of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that, unless paid prior to that time, the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% per month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and~~

~~(c) the time and place at which payment of taxes may be made.~~

~~(2) The county treasurer shall send to the last known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:~~

~~(a) the taxable value of the property;~~

1           ~~(b) the total mill levy applied to that taxable value;~~  
2           ~~(c) the value of each mill in that county;~~  
3           ~~(d) itemized city services and special improvement district assessments collected by the~~  
4 ~~county, with appropriate subtotals;~~  
5           ~~(e) the number of the school district in which the property is located; and~~  
6           ~~(f) the amount of the total tax due that is levied as city tax, county tax, state tax, school~~  
7 ~~district tax, and other tax.~~

8           ~~(3) The municipality shall, upon request of the county treasurer, provide the information to~~  
9 ~~be included under subsection (2)(d) in a form ready for mailing.~~

10           ~~(4) The notice in every each case must be published once a week for 2 weeks in a weekly~~  
11 ~~or daily newspaper published in the county, if there is one a newspaper, or, if there is not, then by~~  
12 ~~posting it the notice in three public places. Failure to publish or post notices does not relieve the~~  
13 ~~taxpayer from any tax liability. Any failure to give notice of the tax due for the current year or of~~  
14 ~~delinquent tax will not affect the legality of the tax."~~

15  
16           ~~Section 2. Section 15-16-102, MCA, is amended to read:~~

17           ~~"15-16-102. Time for payment — penalty for delinquency. Except as provided in~~  
18 ~~15-16-802 and 15-16-803 and unless suspended or canceled under the provisions of Title 15,~~  
19 ~~chapter 24, part 17, all taxes levied and assessed in the state of Montana, except assessments~~  
20 ~~made for special improvements in cities and towns payable under 15-16-103 and assessments~~  
21 ~~made on interim production and new production as provided in Title 15, chapter 23, part 6, and~~  
22 ~~payable under 15-16-121, shall be are payable as follows:~~

23           ~~(1) (a) One half The first installment of the taxes are is payable on or before 5 p.m. on~~  
24 ~~November 30 of each year or within 30 days after the tax notice is postmarked, whichever is later,~~  
25 ~~and one half the second installment is payable on or before 5 p.m. on May 31 of each year.~~

26           ~~(b) If the property is residential property, the first installment of taxes is an amount equal~~  
27 ~~to one half of the taxes due on the property the prior tax year and the second installment is the~~  
28 ~~balance of the taxes due. If the property is not residential property or if it is residential property~~  
29 ~~but its description or character has changed because of subdivision, consolidation, construction, or~~  
30 ~~similar factors, the first installment of taxes is one half of the taxes due.~~

31           ~~(2) Unless one half the first installment of the taxes are is paid on or before 5 p.m. on~~  
32 ~~November 30 of each year or within 30 days after the tax notice is postmarked, whichever is later,~~  
33 ~~then the amount so payable shall become is delinquent and shall draw draws interest at the rate of~~  
34 ~~5/6 of 1% per month from and after the delinquency until paid and 2% shall must be added to the~~  
35 ~~delinquent taxes as a penalty.~~

36           ~~(3) All taxes due and not paid on or before 5 p.m. on May 31 of each year shall be are~~  
37 ~~delinquent and shall draw interest at the rate of 5/6 of 1% per month from and after the~~  
38 ~~delinquency until paid, and 2% shall must be added to the delinquent taxes as a penalty.~~

~~(4) If the date on which taxes are due falls on a holiday or Saturday, taxes may be paid without penalty or interest on or before 5 p.m. of the next business day in accordance with 1-1-307.~~

~~(5) A taxpayer may pay his current year taxes without paying delinquent taxes. The county treasurer must accept a partial payment equal to the delinquent taxes, including penalty and interest, for one or more full taxable tax years, provided both halves of the current tax year have been paid. Payment of delinquent taxes must be applied to the taxes that have been delinquent the longest. The payment of the current tax year is not a redemption of the property tax lien for any delinquent tax year.~~

~~(6) The penalty and interest on delinquent assessment payments for specific parcels of land may be waived by resolution of the city council. A copy of the resolution must be certified to the county treasurer."~~

Section 1. Section 15-6-134, MCA, is amended to read:

"15-6-134. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land, except that specifically included in another class;

(b) all improvements, including trailers or mobile homes used as a residence, except those specifically included in another class;

(c) the first ~~\$80,000~~ \$100,000 or less of the market value of any improvement on real property, including trailers or mobile homes, and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of any person whose total income from all sources, including net business income and otherwise tax-exempt income of all types but not including social security income paid directly to a nursing home, is not more than ~~\$10,000~~ \$15,000 for a single person or ~~\$12,000~~ \$20,000 for a married couple or a head of household, as adjusted according to subsection (2)(b)(ii). For the purposes of this subsection (c), net business income is gross income less ordinary operating expenses but before deducting depreciation or depletion allowance, or both.

(d) all golf courses, including land and improvements actually and necessarily used for that purpose, that consist of at least ~~9~~ nine holes and not less than 3,000 lineal yards; and

(e) all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land under 15-7-202(2), including 1 acre of real property beneath the agricultural improvements. The 1 acre must be valued at market value.

(2) Class four property is taxed as follows:

(a) Except as provided in 15-24-1402 or 15-24-1501, property described in subsections (1)(a), (1)(b), and (1)(e) is taxed at 3.86% of its market value.

(b) (i) Property ~~described~~ QUALIFYING UNDER THE PROPERTY TAX ASSISTANCE PROGRAM in subsection (1)(c), is taxed at 3.86% of its market value multiplied by a percentage

figure based on income and determined from the following table:

Income	Income	Percentage
Single Person	Married Couple Head of Household	Multiplier
<del>\$ 0 - \$ 1,000</del>	<del>\$ 0 - \$ 1,200</del>	0%
<del>\$ 0 - \$ 1,500</del>	<del>\$ 0 - \$ 2,000</del>	
<del>\$ 0 - \$ 6,000</del> \$ 8,000	20%	
<del>1,001 - 1,200</del> 2,400	10%	
<del>1,501 - 3,000</del>	<del>2,001 - 4,000</del>	
6,001 - 9,200	8,001 - 14,000	50%
<del>2,001 - 3,000</del>	<del>2,401 - 3,600</del>	20%
<del>3,001 - 4,500</del>	<del>4,001 - 6,000</del>	
9,201 - 15,000	14,001 - 20,000	70%
<del>3,001 - 4,000</del>	<del>3,601 - 4,800</del>	30%
<del>4,501 - 6,000</del>	<del>6,001 - 8,000</del>	
<del>4,001 - 5,000</del>	<del>4,801 - 6,000</del>	40%
<del>6,001 - 7,500</del>	<del>8,001 - 10,000</del>	
<del>5,001 - 6,000</del>	<del>6,001 - 7,200</del>	50%
<del>7,501 - 9,000</del>	<del>10,001 - 12,000</del>	
<del>6,001 - 7,000</del>	<del>7,201 - 8,400</del>	60%
<del>9,001 - 10,500</del>	<del>12,001 - 14,000</del>	
<del>7,001 - 8,000</del>	<del>8,401 - 9,600</del>	70%
<del>10,501 - 12,000</del>	<del>14,001 - 16,000</del>	
<del>8,001 - 9,000</del>	<del>9,601 - 10,800</del>	80%
<del>12,001 - 13,500</del>	<del>16,001 - 18,000</del>	
<del>9,001 - 10,000</del>	<del>10,801 - 12,000</del>	90%
<del>13,501 - 15,000</del>	<del>18,001 - 20,000</del>	

(ii) The income levels contained in the table in subsection (2)(b)(i) must be adjusted for inflation annually by the department of revenue. The adjustment to the income levels is determined by:

(A) multiplying the appropriate dollar amount from the table in subsection (2)(b)(i) by the ratio of the PCE for the second quarter of the year prior to the year of application to the PCE for the second quarter of 1986 1995; and

(B) rounding the product thus obtained to the nearest whole dollar amount.

(iii) "PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the U.S. department of commerce.

(c) Property described in subsection (1)(d) is taxed at one-half the taxable percentage rate

established in subsection (2)(a).

(3) ~~After July 1, 1986, an adjustment may not be made by the department to the taxable percentage rate for class four property until a revaluation has been made as provided in 15-7-111.~~

(4) Within the meaning of comparable property, as defined in 15-1-101, property assessed as commercial property is comparable only to other property assessed as commercial property, and property assessed as other than commercial property is comparable only to other property assessed as other than commercial property."

**Section 2.** Section 15-6-151, MCA, is amended to read:

**"15-6-151. Application for certain class four classifications.** (1) A person applying for classification of property UNDER THE PROPERTY TAX ASSISTANCE PROGRAM described in ~~subsection (1)(c) of 15-6-134~~ (1)(c) shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(a) his the person's income;

(b) the fact that ~~he~~ the person maintains the land and improvements as ~~his~~ the person's primary residential dwelling, ~~where~~ when applicable; and

(c) ~~such~~ other information as that is relevant to the applicant's eligibility.

(2) This application must be made before ~~March 1~~ April 15 of the year after the applicant becomes eligible. The application remains in effect in subsequent years unless there is a change in the applicant's eligibility. The taxpayer shall inform the department of any change in eligibility. The department may inquire by mail whether any change in eligibility has taken place and may require a new statement of eligibility at any time that it considers necessary.

(3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the application and statement to the department ~~of revenue~~. This signed statement ~~shall~~ must be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing."

**SECTION 3. SECTION 15-7-102, MCA, IS AMENDED TO READ:**

**"15-7-102. Notice of classification and appraisal to owners -- appeals.** (1) (a) The department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(a)(i) change in ownership;

(b)(ii) change in classification;

(c)(iii) change in valuation; or

(d)(iv) addition or subtraction of personal property affixed to the land.

1           (b) The notice must include for informational purposes for the taxpayer the following:  
2           (i) the total amount of mills levied against the property in the prior year;  
3           (ii) the amount of the prior year's taxes resulting from levied mills;  
4           (iii) an estimate of the current year's taxes based upon the prior year's mills; and  
5           (iv) a statement that the notice is not a tax bill.  
6           (c) Any misinformation erroneously provided in the information required by subsection (b)  
7           does not affect the validity of the notice and cannot be used as a basis for a challenge of the  
8           legality of the notice.  
9           (d) When the notice required in subsection (1)(a) is mailed, information must be included  
10           informing the taxpayer that the taxpayer may be eligible for a reduced property tax rate under  
11           15-6-134.  
12           (2) (a) The department shall assign each assessment to the correct owner or purchaser  
13           under contract for deed and mail the notice of classification and appraisal on a standardized form,  
14           adopted by the department, containing sufficient information in a comprehensible manner designed  
15           to fully inform the taxpayer as to the classification and appraisal of the property and of changes  
16           over the prior tax year.  
17           (b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes  
18           from an appeal of the classification or appraisal, the taxpayer is required to pay the taxes under  
19           protest as provided in 15-1-402.  
20           (3) If the owner of any land and improvements is dissatisfied with the appraisal as it  
21           reflects the market value of the property as determined by the department or with the classification  
22           of the land or improvements, the owner may request an assessment review by submitting an  
23           objection in writing to the department, on forms provided by the department for that purpose,  
24           within 15 days after receiving the notice of classification and appraisal from the department. The  
25           review must be conducted informally and is not subject to the contested case procedures of the  
26           Montana Administrative Procedure Act. As a part of the review, the department may consider the  
27           actual selling price of the property, independent appraisals of the property, and other relevant  
28           information presented by the taxpayer in support of the taxpayer's opinion as to the market value  
29           of the property. The department shall give reasonable notice to the taxpayer of the time and place  
30           of the review. After the review, the department shall determine the ~~true and~~ correct appraisal and  
31           classification of the land or improvements and notify the taxpayer of its determination. In the  
32           notification, the department shall state its reasons for revising the classification or appraisal. When  
33           the proper appraisal and classification have been determined, the land must be classified and the  
34           improvements appraised in the manner ordered by the department.  
35           (4) Whether a review as provided in subsection (3) is held or not, the department may not  
36           adjust an appraisal or classification upon the taxpayer's objection unless:  
37           (a) the taxpayer has submitted an objection in writing; and  
38           (b) the department has stated its reason in writing for making the adjustment.



1 (5) A taxpayer's written objection to a classification or appraisal and the department's  
2 notification to the taxpayer of its determination and the reason for that determination are public  
3 records. The department shall make the records available for inspection during regular office hours.

4 (6) If any property owner feels aggrieved by the classification or appraisal made by the  
5 department after the review provided for in subsection (3), the property owner has the right to first  
6 appeal to the county tax appeal board and then to the state tax appeal board, whose findings are  
7 final subject to the right of review in the courts. The appeal to the county tax appeal board must  
8 be filed within 15 days after notice of the department's determination is mailed to the taxpayer. A  
9 county tax appeal board or the state tax appeal board may consider the actual selling price of the  
10 property, independent appraisals of the property, and other relevant information presented by the  
11 taxpayer as evidence of the market value of the property. If the county tax appeal board or the  
12 state tax appeal board determines that an adjustment should be made, the department shall adjust  
13 the base value of the property in accordance with the board's order."

14  
15 **NEW SECTION. SECTION 4. PHASEIN OF REVALUATION OF LAND.** (1) AN INCREASE  
16 IN THE APPRAISED VALUE OF CLASS FOUR PROPERTY RESULTING FROM A REVALUATION  
17 CYCLE UNDER 15-7-111 MUST BE PHASED IN. EACH YEAR FOLLOWING A REVALUATION  
18 CYCLE, THE VALUE OF THE PROPERTY MUST BE INCREASED ANNUALLY BY ONE-THIRD OF THE  
19 DIFFERENCE BETWEEN THE PHASED-IN VALUE FROM THE PREVIOUS APPRAISED VALUE AND  
20 THE NEW APPRAISED VALUE.

21 (2) IF THE APPRAISED VALUE OF PROPERTY DECREASES BECAUSE OF A REVALUATION  
22 CYCLE, THE DECREASED VALUE IS THE ASSESSED VALUE AND IS NOT PHASED IN.

23  
24 **Section 5.** Section 15-30-176, MCA, is amended to read:

25 **"15-30-176. Residential property tax credit for elderly -- computation of relief.** The  
26 amount of the tax credit granted under the provisions of 15-30-171 through 15-30-179 is  
27 computed as follows:

28 (1) In the case of a claimant who owns the homestead for which a claim is made, the  
29 credit is the amount of property tax paid less the deduction specified in subsection (4).

30 (2) In the case of a claimant who rents the homestead for which a claim is made, the  
31 credit is the amount of rent-equivalent tax paid less the deduction specified in subsection (4).

32 (3) In the case of a claimant who both owns and rents the homestead for which a claim is  
33 made, the credit is:

34 (a) the amount of property tax paid on the owned portion of the homestead less the  
35 deduction specified in subsection (4); plus

36 (b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the  
37 deduction specified in subsection (4).

38 (4) Property tax paid and rent-equivalent tax paid are reduced according to the following

1 schedule:

2 Household income

Amount of reduction

3 \$ 0-999

\$0

4 1,000-1,999

\$0

5 2,000-2,999

the product of .006 times the household income

6 3,000-3,999

the product of .016 times the household income

7 4,000-4,999

the product of .024 times the household income

8 5,000-5,999

the product of .028 times the household income

9 6,000-6,999

the product of .032 times the household income

10 7,000-7,999

the product of .035 times the household income

11 8,000-8,999

the product of .039 times the household income

12 9,000-9,999

the product of .042 times the household income

13 10,000-10,999

the product of .045 times the household income

14 11,000-11,999

the product of .048 times the household income

15 12,000 & over

the product of .050 times the household income

16 (5) In no case may the credit granted exceed ~~\$400~~ \$1,000."

17  
18 NEW SECTION. SECTION 6. {STANDARD} EFFECTIVE DATE -- RETROACTIVE

19 APPLICABILITY. (1) [THIS ACT] IS EFFECTIVE ON PASSAGE AND APPROVAL.

20 (2)(B) EXCEPT AS PROVIDED IN SUBSECTION (B), [THIS ACT] APPLIES TO TAX YEARS  
21 BEGINNING AFTER DECEMBER 31, 1995.

22 (B) [SECTION 5] APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO TAX  
23 YEARS BEGINNING AFTER DECEMBER 31, 1994.

24  
25 -END-

EXHIBIT 8  
DATE 4/13/95  
HB 497

**HB 497-265 BOHLINGER/SWANSON**

## PROPERTY TAX RELIEF - WHAT THE BILL DOES!

1. CHANGES THE NAME OF THE PROGRAM FROM "LOW-INCOME PROPERTY TAX PROGRAM" TO "PROPERTY TAX ASSISTANCE PROGRAM."
2. INCREASES THE MARKET VALUE ELIGIBILITY LIMITS FOR HOMES FROM \$80,000 TO \$100,000.
3. INCREASES THE INCOME ELIGIBILITY LIMITS FROM \$13,512 FOR A SINGLE PERSON TO \$15,000; AND FROM \$16,214 TO \$20,000 FOR A MARRIED PERSON OR HEAD OF HOUSEHOLD.
4. CHANGES LOW INCOME PROGRAM -PROPERTY TAX ASSISTANCE PROGRAM TABLES TO: INCOME FROM \$0 TO \$8,000 20% MULTIPLIER, INCOME \$8,000 TO \$14,000 50% MULTIPLIER, INCOME \$14,000 TO \$20,000 70% MULTIPLIER.
5. EXTENDS THE DATE FOR APPLYING FOR THIS PROGRAM FROM MARCH 1ST TO ~~APRIL~~ 15TH.  
MARCH
6. REDESIGNS THE PROPERTY ASSESSMENT NOTICE TO STATE LAST YEAR VS. THIS YEARS MARKET VALUE, MILLS AND TAXES.
7. PROVIDES FOR A PHASE IN OF INCREASED VALUATION OVER A 3 YEAR PERIOD.
8. CHANGES THE ELDERLY HOMEOWNER/RENTER CIRCUIT BREAKER TAX CREDIT LIMIT FROM \$400.00 TO \$1,000.00.

## COSTS

	<u>PRESENT COST</u>	<u>COST WITH HB 497</u>	<u>INCR. COST</u>
1) PROPERTY TAX ASSISTANCE PROGRAM (LOW INCOME ABSTENTION PROGRAM)	\$ 2,152,290	<del>\$ 3,913,750</del> 5,248,500	<del>\$ 1,761,460</del> 3.096%
	<u>6,000,000</u>	<u>6,660,000</u>	<u>660</u>
2) CLUSTER HOMEOWNERS/RENTAL ZEC PROGRAM	\$ 8,152,290	<del>\$ 10,513,750</del> 10 11,908,500	<del>\$ 2,361,460</del> 3.756%

OPTION 1 INCOME TABLES		
Single Person	Married Couple	Percentage Multiplier
0 - 1,500	0 - 2,000	0%
1,501 - 3,000	1,201 - 4,000	10%
3,001 - 4,500	2,401 - 6,000	20%
4,501 - 6,000	3,601 - 8,000	30%
6,001 - 7,500	4,801 - 10,000	40%
7,501 - 9,000	6,001 - 12,000	50%
9,001 - 10,500	7,201 - 14,000	60%
10,501 - 12,000	8,401 - 16,000	70%
12,001 - 13,500	9,601 - 18,000	80%
13,501 - 15,000	10,801 - 20,000	90%

OPTION 2 INCOME TABLES		
		Percentage Multiplier
All Claimants		
0	- 8,000	20%
8,001	- 14,000	50%
14,001	- 20,000	70%

OPTION 3 INCOME TABLES		
Single Person	Married Couple	Percentage Multiplier
0 - 6,000	0 - 8,000	20%
6,001 - 9,200	1,201 - 14,000	50%
9,201 - 15,000	2,401 - 20,000	70%

OPTION 4 INCOME TABLES		
Single Person	Married Couple	Percentage Multiplier
0 - 3,750	0 - 5,000	0%
3,751 - 7,500	1,201 - 10,000	25%
7,501 - 12,250	2,401 - 15,000	50%
12,251 - 15,000	3,601 - 20,000	75%

OPTION 5 INCOME TABLES		
		Percentage Multiplier
All Claimants		
0	- 5,000	0%
5,001	- 10,000	25%
10,001	- 15,000	50%
15,001	20,000	75%

# Impact of Alternative Low-Income Abatement Program Tables

Program Parameters	OPTION 1 (HB497 - Orig.)	OPTION 2 (HB497-A1)	OPTION 3 (HB497-A2)	OPTION 4 (HB265-Orig.)	OPTION 5 (HB265-A1)
Eligible Households	62,621	69,982	62,621	69,982	62,621
Participation Rate	25%	25%	25%	25%	25%
Participating Households	15,655	17,495	15,655	17,495	15,655
Average Benefit	\$250	\$300	\$288	\$320	\$305
PL Program Cost	\$3,913,750	\$5,248,500	\$4,508,640	\$5,598,400	\$4,774,775
CL Program Cost	\$2,152,290	\$2,152,290	\$2,152,290	\$2,152,290	\$2,152,290
Increase in Cost	\$1,761,460	\$3,096,210	\$2,356,350	\$3,446,110	\$2,622,485

## Allocation of Cost

Universities	\$26,422	\$46,443	\$35,345	\$51,692	\$39,337
School Equalization Aid	\$415,705	\$730,706	\$556,099	\$813,282	\$618,906
Counties	\$354,053	\$622,338	\$473,626	\$692,668	\$527,119
Local Schools	\$732,767	\$1,288,023	\$980,242	\$1,433,582	\$1,090,954
Cities/Towns	\$232,513	\$408,700	\$311,038	\$454,887	\$346,168
TOTAL	\$1,761,460	\$3,096,210	\$2,356,350	\$3,446,110	\$2,622,485

ORI/MDOR  
09-Mar-95

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# Impact of Increasing the Elderly Homeowner/Renter Credit Maximum

Credit Maximum	Total Cost			Increase in Cost		
	FY1996	FY1997	Biennium	FY1996	FY1997	Biennium
\$400	6,000,000	6,500,000	12,500,000	0	0	0
\$500	6,372,000	6,903,000	13,275,000	372,000	403,000	775,000
\$600	6,534,000	7,078,500	13,612,500	534,000	578,500	1,112,500
\$700	6,612,000	7,163,000	13,775,000	612,000	663,000	1,275,000
\$800	6,654,000	7,208,500	13,862,500	654,000	708,500	1,362,500
\$900	6,660,000	7,215,000	13,875,000	660,000	715,000	1,375,000
\$1,000	6,660,000	7,215,000	13,875,000	660,000	715,000	1,375,000

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ORI/MDOR  
09-Mar-95

Amendments to House Bill 497  
Unofficial Gray Bill

Prepared by Department of Revenue  
3/13/95 4:42pm

REASON FOR AMENDMENT: This amendment changes the due date for applications for the low-income property tax to March 15. The amendment also eliminates the requirement that the classification and appraisal notice advise taxpayers of the low-income property tax reduction program.

---

1. Title.

Following: "1 to"

Strike: "April"

Insert: "March"

2. Title.

Following: "CLASSIFICATION INCLUDING "

Strike: "NOTICE OF THE LOW-INCOME PROPERTY TAX REDUCTION"

Insert: "INFORMATION FOR COMPARISON OF MILLS AND TAXES FOR PRIOR YEAR"

3. Page 9, Section 2. 15-6-151(1)(a).

Following: "(a)"

Strike: "his"

4. Page 9, Section 2. 15-6-151(2).

Following: "~~March 1~~"

Strike: "April"

Insert: "March"

5. Page 11, SECTION 3. 15-7-102(1)(d).

Following: 15-7-102(1)(c)

Strike: subsection (d) in its entirety

## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 587  
DATE 3/14/95 SPONSOR(S) Rep. Iuliano

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
<i>Chas T Mahary</i>	<i>DOR</i>	<i>587</i>		<input checked="" type="checkbox"/>

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ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.



## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

vacation COMMITTEE BILL NO. SB 328  
DATE 3/14/95 SPONSOR(S) Sen. Bartlett

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Riley Johnson	NFIB	SB 328		X
David Owen	mt chamber	SB 328		✓

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## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Lexation COMMITTEE BILL NO. SB 138  
 DATE 3/14/95 SPONSOR(S) Rep. Masaros

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Lorna Frank	MT. Farm Bureau	138		X
MIKE MURPHY	MT. WATER RES. ASSN	138		X
Jim Foster	MT WATER RES. ASSN	138		X
Bob Stephens	MT Grain Growers	138		X
Candace Torgerson	MSGA & MCWA	138		X
Larry Brown	Az Pres. Assoc	138		X
Maureen Clay-Schwindler	WIFE	138		X

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