

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By VICE CHAIRMAN MIKE FOSTER, on February 5, 1997, at 8:00 a.m., in Room 415.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 211, 1/28/97
Executive Action: None

HEARING ON SB 211

Sponsor: SEN. GERRY DEVLIN, SD 2, TERRY

Proponents: Dennis Burr, Montana Taxpayers Association
(MONTAX)
Ernie Dutton, Montana Association of Realtors

Opponents: None

Opening Statement by Sponsor:

SEN. GERRY DEVLIN, SD 2, TERRY, states SB 211 allows the legislature the freedom to address the reappraisal cycle problems. He reports it is his opinion there will never be any significant tax reform in the State of Montana without a sales

tax. Montanans have always refused a sales tax and he isn't sure they are ready even yet to accept a sales tax. He says SB 211 gives the legislature the flexibility and power to limit to 2% the amount of increase in any one year and allows a phase-in of those values. SEN. DEVLIN presents amendments (EXHIBIT #1) stating the amendments cover acquisition costs. (EXHIBIT #2) was presented by SEN. DEVLIN and he explains the handout is from the Department of Revenue outlining taxable value of Class 4 property.

Proponents' Testimony:

Dennis Burr, MONTAX, endorses SB 211 with the amendments presented by SEN. DEVLIN which take out the acquisition concept.

Ernie Dutton, Montana Association of Realtors, supports this legislation with the amendments.

{Tape: 1; Side: A; Approx. Time Count: 11.6; Comments: None.}

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. MIKE SPRAGUE asks Mr. Dutton if there is more predictability in the acquisition limitations. Mr. Dutton responds that the 2% limitation will accomplish the same thing.

SEN. BOB DEPRATU questions Mary Bryson (DOR) in regard to how the building of a new home effects the tax system. Ms. Bryson states new construction is based on the value of the new construction as to the final determination.

SEN. BARRY "SPOOK" STANG asks Mary Bryson if the department has the break-down of reappraisals versus the number of dollars that are from new construction from each county. Ms. Bryson says she will obtain the data for him.

SEN. FRED VAN VALKENBURG comments he signed onto the bill before the amendment was added to it. He states that he thought acquisition value was going to be part of the bill. He questions SEN. DEVLIN in regard to growth being choked off in the property tax system by virtue of the 2% limitation on valuation. SEN. DEVLIN conveys if this bill is to have any success on the ballot the acquisition must be eliminated or suffer the death of the bill. SEN. VAN VALKENBURG maintains SEN. DEVLIN is looking at a particular element of the state and saying this is going to make or break the bill, however, there are a lot of people who believe very strongly in their schools, cities, county governments, etc., and all of these entities are dependent for all practical purposes on property tax for their operation. He asks SEN. DEVLIN if he acknowledges that 2% growth would put local governments in a real bind. SEN. DEVLIN affirms 2% a year over an extended amount of time amounts to a lot of money and it's a

lot of increase on property. **SEN. VAN VALKENBURG** recounts that the Constitutional amendment would limit the growth to 2% a year, however, the handout **SEN. DEVLIN** presents shows the value of property in Golden Valley County increased during the three year reappraisal cycle from 1993 to 1997 by 272%. He summarizes that if this limit was in place during this timeframe it would take approximately 135 years to phase that in. **SEN. VAN VALKENBURG** asks **SEN. DEVLIN** if it is his intent not to phase-in the increase for 135 years. **SEN. DEVLIN** defines his intent as allowing the legislature to have some flexibility along those lines. **SEN. VAN VALKENBURG** argues that the Constitution would limit the legislature to phasing-in at no more than 2%. **SEN. DEVLIN** says the two don't have to go together. He explains in this reappraisal cycle there is a 24% increase in agricultural land evaluations and the committee which put the increase together came up with the recommendation to the department that the increase be phased-in. The department won't allow this because their lawyers say it is unconstitutional.

SEN. VAN VALKENBURG asks **Ms. Bryson** if the administration is neutral on this bill. **Ms. Bryson** comments that the administration is generally supportive of the concepts associated with this bill, however, there was confusion as to who would testify noting that **Mick Robinson** wasn't in attendance at the time of the hearing. **SEN. VAN VALKENBURG** asks **Mick Robinson** if he has testimony on the bill. **Mr. Robinson** comments his position towards the issue to freeze appraisal is to prefer a reduction in mills in order to address a reappraisal issue. He remarks that the department campaigned for a Constitutional amendment almost identical to this following the 1993 Special Session, however, they were not successful. **Mr. Robinson** contends there should be flexibility in the Constitution to allow the legislature and the governor's office to look at a different structure in our property tax system. He explains the Constitutional amendment voted on in 1994, unfortunately got pigeon-holed as only a acquisition value issue when it did in fact allow flexibility in terms of phase-in. **Mr. Robinson** confirms the department is neutral on this particular piece of legislation. He says there is a 2% cap, however, he isn't sure if 2% is the right cap. He alleges he personally likes the concept of acquisition. **Mr. Robinson** maintains one of the big faults with the property tax system is a significant lack of trust in the valuation system.

{Tape: 1; Side: A; Approx. Time Count: 37.5; Comments: None.}

VICE CHAIRMAN MIKE FOSTER asks **SEN. DEVLIN** if there is economic growth and if there are new home owners, then schools and local governments will be receiving additional money from that marginal activity. **SEN. DEVLIN** states they will be the benefactors of it.

SEN. SPRAGUE states if this was a perfect world and we had the ability to predict what the voters would do and **SEN. DEVLIN** had to take the moral high ground would he prefer the bill in the original form without the amendment. **SEN. DEVLIN** responds he

prefers two parts to the bill which might pass, especially, giving the legislature the authority/flexibility, rather than have the whole package go down.

SEN. DOROTHY ECK comments she really likes SEN. DEVLIN'S amendment. She says she would like to see it be as properly drafted as can be. SEN. ECK asks Mr. Woodgerd (Attorney, DOR) to look at what kind of ballot language would be used. VICE CHAIRMAN FOSTER asks Jeff Martin to follow up on this request.

{Tape: 1; Side: B; Approx. Time Count: 0.0; Comments: None.}

SEN. ECK questions Mr. Robinson on how this effects our equalization system if based on classification. Mr. Robinson comments the original draft of the Constitutional amendment that this came out of in 1993 basically points the use of acquisition value not to all classes of property but to perhaps Class 4. He says the wording allows acquisition value to be used for one class or two classes but perhaps not all classes.

Closing by the Sponsor:

SEN. DEVLIN announces he has a copy of the ballot language question used in 1994 which allowed the legislature to limit increases in property values for property tax purposes. He notes there was no percentage in it. SEN. DEVLIN states there are several proposals coming to this committee. He believes this bill will pass on the vote of the people.

ADJOURNMENT

Adjournment: 8:55 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary

GD/rp