

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on February 14, 1997,
at 8:02 a.m., in Room 413.

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 237; SB 299
Executive Action: SB 272 (Discussion only)

HEARING ON SB 237

{Tape: 1; Side: A; Approx. Time Count: 1.4; Comments: None.}

Sponsor: SEN. GERRY DEVLIN, SD 2, TERRY

Proponents: None

Opponents: None

Opening Statement by Sponsor:

This bill was brought before the 1985 House Taxation Committee by **SEN. DEVLIN** when he was chairing that Committee. At that time it was to expand the reappraisal cycle from seven to ten years. This bill proposed expanding the reappraisal cycle from three to seven years. The fiscal note figures will need to be explained by someone from the Department of Revenue.

Proponents' Testimony: None

Opponents' Testimony: None

Informational Testimony:**Mary Bryson, Department of Revenue**

The Department of Revenue does not take a position on this bill. The bill delays the impact of the reappraisal for another seven years.

Greg Thornquist, State Tax Appeal Board

The State Tax Appeal Board has been hearing appeals on the last reappraisal cycle in 1993. Those values were determined as of 1992 values and put on the tax books in 1993. They've heard numerous concerns from taxpayers that what they've seen on their tax bills is a one-year increase when, in fact, that was essentially at ten-year increase. The prior value was a 1982 determination.

Questions From Committee Members and Responses:

SEN. MACK COLE: The proposal has no impact on the Department of Revenue, is that true? **Ms. Bryson:** We will continue in our ongoing operations, valuing new construction and so forth. The work that was done before the reappraisal is completed and there is no change in the next two years.

SEN. MIKE FOSTER: When you changed to 3 years on the reappraisal cycle did that have any impact on your operations? **Ms. Bryson:** No, it did not.

SEN. DOROTHY ECK: You said the '92 values were reflected in the valuations of 1993. Where do we get 1982; were the 1992 values the same as 1982? **Mr. Thornquist:** The '92 values were a determination of 1982. There was a ten-year span there and then the 1993 values were determined as of 1992. **SEN. ECK:** So the 1992 values were really 1982. **Mr. Thornquist:** That is correct. The 1982 values were actually put on the tax rolls in 1986. They carried through 1992. Studies were done, but were determined by the Court to be unconstitutional and were removed. That was prior to my being a member of the State Tax Appeal Board.

SEN MIKE SPRAGUE: I take this bill seriously. Do you think the reason you brought this bill forward is because in ten years in

our economy ten years is really more relevant than two to three years? **SEN. DEVLIN:** Relevant to what? **SEN. SPRAGUE:** Taxation. **SEN. DEVLIN:** Yes. Back in the '80's we had seven year cycles. They were supposed to be five-year cycles, but everytime we met they'd come in for a two-year extension. In the early '80's the Department of Revenue got into a jam using two books again; that got taken to court and that appraisal got thrown out. It took them another five years plus a two-year extension from the Legislature to come out with a new reappraisal. They did that a couple of times. **SEN. SPRAGUE:** There used to be a theory that if you buy real estate it never goes down in value; it's a good investment. Then in the '80's where it literally went down; it not only went down a little, it went down a lot in some places. It was a phenomenon. I see this reflecting the up-side. **SEN. DEVLIN:** It wouldn't reflect the up-side as much because the general trend across the State is up even though some portions of the State might go down. The only way you can get equalization is to have one person do all the appraisals in the State.

SEN. FRED VAN VALKENBURG: Does the Department of Revenue take the position that the only way you can get equalization is to have one person do all the appraisals? **Ms. Bryson:** No, we do not. **SEN. VAN VALKENBURG:** What does the Department do to try to put into place systems that will ensure fairness from one community to another? **Ms. Bryson:** We use a computer-assisted mass appraisal system that allows us to track various properties throughout the state; there is still subjective analysis done in the individual counties by the appraisers. **SEN. VAN VALKENBURG:** What is the Department's level of confidence in the computer assisted mass appraisal system today as compared with two years ago when the Legislature last met? **Ms. Bryson:** We're very comfortable; very confident in the system's ability to give us good data and good information. **SEN. VAN VALKENBURG:** Given current staffing levels and equipment technology, what is the maximum period of time necessary for the Department to complete a reappraisal cycle? **Ms. Bryson:** We're very comfortable with the three-year cycle that has been put in place. We believe we can continue to maintain that cycle. **SEN. VAN VALKENBURG:** To the extent that the Legislature might step in and try to extend that cycle, doesn't that make for inefficient use of the Department's resources? **Ms. Bryson:** That may not be the best use of resources. We have enough workload in our Property Assessment Division to keep an additional 60 people busy. **SEN. VAN VALKENBURG:** Doesn't extending the cycle cause greater disparity among property taxpayers? **Ms. Bryson:** Yes, it would cause greater disparity.

Closing by Sponsor:

SEN. GERRY DEVLIN: My idea is that there would probably be seven years out of the ten that the Department wouldn't have to touch anything except new and expanded property. It would be a terrific savings in manpower. There should be a reduction in force somewhere.

HEARING ON SB 299

{Tape: 1; Side: A; Approx. Time Count: 20.1; Comments: None.}

Sponsor: SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER

Proponents:

Ellen Engstedt, Don't Gamble with the Future
Julie Ippolito, Citizens Against Gambling Expansion

Opponents:

Alec Hansen, Montana League of Cities and Towns
Dave Brown, Montana Independent Machine Operators' Association

Opening Statement by Sponsor:

SB 299 is a relatively simple bill which provides for the deposit of the video gambling machine gross income tax in the General Fund. Right now, 2/3 of the gambling tax goes to the local areas from which it was derived and 1/3 goes to the State General Fund. The counties will be reimbursed at the level they received in 1996. The fiscal note shows a \$4 million hit on local government over the next two years based on Revenue Oversight Committee projections.

Proponents' Testimony:

Ellen Engstedt, Don't Gamble with the Future EXHIBIT 1
SB 299 stop the flow of increasing money into local govenrment with a cap to be received at the 1996 level. It doesn't stop the source of revenue for services for counties, but it puts them on notification not to count on more.

Julie Ippolito, Citizens Against Gambling Expansion EXHIBIT 2
We are concerned about the effects of gambling on Montana's communities. Gambling as a legitimized source of governmental revenue has resulted in an addition all its own. We strongly urge your support of this bill.

Opponents' Testimony:

Alec Hansen, Montana League of Cities and Towns
We rise in opposition to this bill. We have worked harder than probably any other organization in Montana to develop revenue source alternatives. We are creative and we are aggressive; the only problem is we are not abundantly successful. What we're left with is the property tax, which is frozen, and gambling money. Gambling money is the difference between a balanced budget and a financial catastrophe in virtually every municipal government in Montana. I see no compelling reason to take \$4 million away from Montana cities and towns at this time. We don't promote gambling, but we do depend on the revenue.

Dave Brown, Montana Independent Machine Operators' Association

I urge opposition to this legislation. Gambling provides a stable source of revenues the local governments are deserving of for local law enforcement, fire and safety protection.

Questions from Committee Members and Responses:

CHAIRMAN GERRY DEVLIN: With the State getting the extra gambling money, is the State addicted just as badly as the local governments? **Ms. Engstedt:** Yes.

SEN. DOROTHY ECK: I have mixed feelings about earmarking; but I recall the city of Billings putting some of their money away in a trust fund in order to wean themselves from dependency on this money. **SEN. GROSSFIELD:** I am not familiar with what you're talking about.

SEN. FRED VAN VALKENBURG: Would you support an amendment to this bill to repeal I-105? **SEN. GROSFIELD:** I have thought about that; I'm not sure this is the right vehicle for that. **SEN. VAN VALKENBURG:** Would you support an amendment to this bill that would provide a coordination clause with another bill that, in effect, repeals I-105 and that this bill is null and void unless that other bill passes? **SEN. GORSFIELD:** No. This bill has merit of it's own.

CHAIRMAN GERRY DEVLIN: Reference page 2, line 8: What you're saying here is the State Treasurer shall distribute from the pass-through account. **SEN. GROSFIELD:** That's correct; the intent is to prevent "creative" use of the funds. And, the purpose of the bill is to wean counties off this funding source.

SEN. MIKE SPRAGUE: We need to address the supply and demand factor. How does redistribution of the tax affect supply and demand? **SEN. GROSFIELD:** This bill does not result in a change in either supply or demand.

Closing by Sponsor:

SEN. GROSFIELD: This is a serious bill dealing with a serious issue. We should be concerned about the position we have put local governments into. We cannot continue to let local governments become dependent on revenue generated by the gambling losses of our citizens.

DISCUSSION OF SB 272

{Tape: 1; Side: B; Approx. Time Count: 15.7; Comments: None.}

DISCUSSION: Ideas?

SEN. WILLIAM GLASER: Except for a private bill the only way it could be done is to move the birthdays in line 20.

SEN. MIKE SPRAGUE: Why is it more ethical to raise it to 23 than it is to 18? If we're going to discriminate against step-children because they're 18 or they're 19 or because they're 23 it's not good policy or good legislation. If the tax policy is right, age should be irrelevant.

SEN. GLASER: The reason I offer "younger than 24 years" is because I got such a cold response to an offer similar to what **SEN. SPRAGUE** is describing.

SEN. COLE: Where are the other bills that deal with this subject? **Jeff Martin:** I haven't looked into that but will do so before the Committee meets again on this bill.

SEN. BOB DEPRATU: I would be more inclined to do away with the age discrimination; all children should be included.

SEN. SPRAGUE: I think we should do what we can to make this good legislation regardless of whatever else is out there.

CHAIRMAN DEVLIN: I think the Department opposed the bill; did they bring any amendments? **Ms. Bryson, Department of Revenue:** We worked with **SEN. AKLESTAD** on this. However, the amendments we proposed would not accomplish what he wanted in this bill. We could bring forward an amendment that might clarify a few things in the inheritance tax area, but again it doesn't accompoish what **SEN. AKLESTAD** wanted.

CHAIRMAN DEVLIN: How many cases do you have in the Department that would be affected if we took the age business off and just opened it up? **Ms. Bryson:** I don't know that we track that; I could look into it. **SEN. DEVLIN** requests some numbers: how many denials in the last two years. **Ms. Bryson:** We only have the one case as far as this particular issue where there's been an appeal.

SEN. DOROTHY ECK: I think this is a problem for this Committee; she doesn't like "special" legislation, but would be willing to accept an amendment that would waive that age through the child's 25th birthday or something like that; children are not usually self-sufficient at age 18.

CHAIRMAN DEVLIN: If we did something like that I would like to see a sunset on that part of the bill (if you took the age off). You'd get a picture in a hurry of how many others of them are out there. That's part of the problem - we don't know how many this affects.

SEN. SPRAGUE: I have no excuse for bad legislation after I've seen it; I'm not so sure we can help this situation.

SEN. FRED VAN VALKENBURG: Given the manner in which the Department opposed this bill there's a possibility there's a Gubernatorial Veto hanging over this thing. The more I think

about this thing the more I believe it needs to have an overall application rather than some kind of specific case application.

CHAIRMAN DEVLIN: I don't like the idea of this. We'll work with the Department on amendments.

SEN. VAN VALKENBURG: Let's do what **SEN. DEPRATU** suggested: let's say all step-children are equal; let's don't fiddle around with age or when they become more or less dependent. We are recognizing that there are a lot of step-children out there who are no different than natural children.

ADJOURNMENT

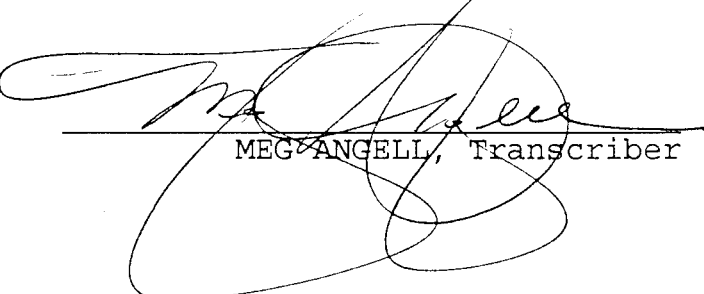
Adjournment: 9:20 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary



MEG ANGELL, Transcriber

GD/ma