

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 14, 1997, at 8:04 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 392; HB 532
Executive Action: None

HEARING ON SB 392

{Tape: 1; Side: A; Approx. Time Count: .4; Comments: None.}

Sponsor: SEN. BRUCE CRIPPEN, SD 10, BILLINGS

Proponents:

REP. VICKI COCCHIARELLA, HD 64, MISSOULA
SEN. MIKE HALLIGAN, SD 34, MISSOULA
Gordon Morris, Montana Association of Counties
Dennis Burr, Montana Taxpayers Association
David Owen, Montana Chamber of Commerce

Opponents:

Alex Hansen, Montana League of Cities and Towns

Opening Statement by Sponsor:

SEN. BRUCE CRIPPEN, SD 10, BILLINGS opens by referring to SB 195. That bill, which deals with the property tax freeze, has proposed amendments on it that would make 1992 the base year - the year of the last reappraisal. If that bill passes in that form, we have created a situation that needs to be addressed; that is what this bill does. Sections 1 and 5 of SB 392 provide a method for people to appeal their tax valuation for tax year 1997, even though SB 195 freezes those valuations. Every taxpayer will receive a notice of assessment from the Department of Revenue. Sections 3 and 4 contain language that would modify I-105 to allow local government to go to the people for a vote to increase the amount of revenue received by taxes by 2%. Sections 2, 3 and 4 move all the tax limits to 1996. Section 6 deals with calculation of unit value. Section 7 sets up a Property Tax Committee. The Albright Decision provided this legislative body a great opportunity to look at the problem of rapidly rising market values and increase in taxes; a great deal of latitude is given as well. We would like to consider the options, this being one of them. The fiscal note deals primarily with the costs of running the Property Tax Committee.

Proponents' Testimony:

REP. VICKI COCCHIARELLA, HD 64, MISSOULA is committed to working with the Senate on this problem. She likes **SEN. CRIPPEN'S** ideas. She objects to Section 7 as she believes we need to do the job now; we owe the public a solution.

SEN. MIKE HALLIGAN, SD 34, MISSOULA indicates interest in wanting to make an honest effort to deal with this problem. He encourages acceleration of Section 7: form the Property Tax Committee immediately.

Gordon Morris, Montana Association of Counties likes the bill. He points out a few issues: there is a contradiction of language between page 7, line 21 and page 8, line 24. The language on page 7 is sufficient; we don't need subsection 13. The effective date needs to be changed because we are significantly expanding the requirements for sending out tax assessment notices. He suggests the effective date be changed to December 31, 1996 to eliminate having to change the whole system. Further, he notes school districts continue to be an exemption. He doesn't think we can afford to wait for the Property Tax Committee to report back to the 1999 Legislature - we need property tax reform now; he suggests SB 258 is a good working document to begin the process immediately.

Dennis Burr, Montana Taxpayers Association supports the bill; he notes we don't need to strike cyclical reappraisal in this bill as an exception as it already covered in another bill. The provision for the 2% voted increase doesn't seem to be in

conflict with the emergency levy - it is not a problem as some seem to think.

David Owen, Montana Chamber of Commerce supports the bill; this is a good balance.

Opponents' Testimony:

Alex Hansen, Montana League of Cities and Towns would like to be listed as a "technical opponent." He would like to see the Legislature allow cities and counties to raise taxes 2% without a vote; the election would cost about 1/2 of what the 2% increase would raise in some counties. Many cities and towns have done a great job operating with little money; it's time to commend them for a job well done.

Questions from Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Count: .2; Comments: None.}

SEN. BARRY STANG asks SEN. CRIPPEN what has been done to SB 195 in the House. SEN. CRIPPEN indicates they've heard the bill and the amendments are being prepared.

SEN. DOROTHY ECK inquires regarding the interim study if legislators would be willing to spend 3 days a month on a committee such as this. SEN. CRIPPEN would prefer to do things now; with Corrections and the School Budget still on the plate there's too much to do now so we must address this after the session.

TEMPORARY SUSPENSION OF BUSINESS: CHAIRMAN GERRY DEVLIN suspended the Committee's business temporarily to allow children from the Montana Children's Alliance to bring in cookies.

SEN. STANG asks REP. EMILY SWANSON, HD 30, BOZEMAN what has been done to SB 195 in the House. REP. SWANSON indicates the House is looking strongly at various proposals. They will be taking one of these bills as a "vehicle" with a route to go for the short-term solutions. They are also looking at the long-term via the study, the committee and so forth. They are looking strongly at SB 195 as the "vehicle." They have been looking at three basic scenarios: 1) Full freeze; 2) Modified freeze; 3) Allow reappraisal to go into effect with some way to reduce the impact.

SEN. STANG queries Randy Wilke, Department of Revenue regarding the tax appeal process. Mr. Wilke explains notices will be sent out and appointments made for hearing appeals. The rights to appeal are available pretty much any time, regardless of type of property.

SEN. ECK requests information from SEN. CRIPPEN regarding the costs for the study. SEN. CRIPPEN indicates this would be a comprehensive study; the costs would be high. SEN. ECK asks for

clarification regarding an alternative system to the reappraisal system. SEN. CRIPPEN indicates there could be study of a system which goes away from the market value approach as a result of the Albright Decision.

SEN. STANG asks Madalyn Quinlan, OPI if she has looked at this bill. Ms. Quinlan says she has not.

Close by Sponsor:

SEN. CRIPPEN closes by stating he appreciates all the hard work and concern regarding this important issue. He agrees we "owe the taxpayers a solution" but he does not agree we owe them a quick decision. We are dealing with methodology and need time to look at the options. He asks for an effective date of upon passage and approval.

HEARING ON HB 532

{Tape: 1; Side: B; Approx. Time Count: 28.0; Comments: None.}

Sponsor: REP. JOE BARNETT, HD 32, BELGRADE

Proponents:

Don Cape, Ponderosa Homes
Stuart Doggett, Montana Manufactured Housing
Bud Schoen, Deer Lodge
Cort Harrington, Montana County Treasurers' Association

Opponents: None

Opening Statement by Sponsor:

REP. JOE BARNETT, HD 32, BELGRADE: EXHIBIT 1
This bill was requested by the Montana Manufactured Housing and RV Association (MMHRVA). It has been worked on over the past several months by the County Treasurers Association, the Department of Justice Motor Vehicle Division, the Department of Revenue and members of the MMHRVA. The bill provides a clear definition of what is a manufactured home is in the taxation and motor vehicle laws of the State of Montana. It does not apply to the zoning laws. The bill allows manufactured homes located on a permanent site to be declared as "real property."

Proponents' Testimony:

Don Cape, Ponderosa Homes supports the bill.

Stuart Doggett, Montana Manufactured Housing indicates this is a

"housekeeping" bill. We are one of the few states that doesn't have a standard definition in our tax laws.

Bud Schoen, Motor Vehicle Division, Deer Lodge states a benefit of this bill is that FHA financing will now be available for these types of homes. The Division supports the bill with the proposed amendments.

Cort Harrington, Montana County Treasurers' Association believes this is a step toward equity. The Association urges support of the bill.

Opponents' Testimony: None

Questions From Committee Members and Responses:

SEN. MACK COLE inquires regarding permanent foundations. Mr. Doggett responds the site has a poured concrete foundation. The detailed specifications are set forth by the FHA.

Closing by Sponsor:

REP. BARNETT closes by stating this bill appeared in House Business and Labor Committee. It will encourage people to make improvements on their homes once they're on permanent sites and will then be taxed as real property. He urges support of the bill.

HEARING ON HB 444

{Tape: 1; Side: B; Approx. Time Count: 45.8; Comments: None.}

Sponsor: REP. JACK WELLS, HD 27, BOZEMAN

Proponents:

Ken Hoovestol, Montana Snowmobile Association; Montana Boating Association; Walleyes Unlimited
Bob Gilbert, Montana Aviation Trades Association
Brenda Nordlund, Department of Justice

Opponents:

Cort Harrington, Montana County Treasurers' Association

Opening Statement by Sponsor:

REP. JACK WELLS, HD 27, BOZEMAN.

EXHIBIT 2

REP. WELLS presented a chart showing fees for various vehicles and trailers (Exhibit 2). The purpose of the bill is to clarify how the fees are calculated, the question being the purchase year

of the vehicle or trailer. This bill applies to newly purchased vehicles/trailers as specified in the bill. The fiscal note is not substantial. The impact on county taxes over a 10 year span works out to about \$4,000 per county over that period.

Proponents' Testimony:

Ken Hoovestol, Montana Snowmobile Association; Montana Boating Association; Walleyes Unlimited indicates those associations support the bill.

Bob Gilbert, Montana Aviation Trades Association says they are in support of the bill. This corrects an error in the law; it's good for the people of Montana.

Brenda Nordlund, Department of Justice

EXHIBIT 3

EXPLANATION OF AMENDMENTS (Exhibit 3). The amendments specify the vehicles/trailers that are affected by this bill and clarifies this applies only to those originally titled in Montana. The law becomes effective on January 1, 1998.

Opponents' Testimony:

Cort Harrington, Montana County Treasurers' Association states the Association opposes this bill for a number of reasons: The effective date as written is July 1 which would require programming changes, creating significant work and technical difficulties; there will be a burden on the County Treasurer to determine when an out-of-state vehicle was purchased; there will be a loss of revenue to local governments.

Questions From Committee Members and Responses:

CHAIRMAN GERRY DEVLIN asks **Mr. Harrington** if the amendments offered by the Department of Justice won't address his concerns. **Mr. Harrington** agrees the amendments would address the effective date and the issue of determining when out-of-state vehicles were purchased.

SEN. MIKE SPRAGUE asks if **Mr. Harrington** was aware of the amendments prior to his testimony. **Mr. Harrington** says he was aware of them but was testifying as requested by the people he is representing.

SEN. BOB DEPRATU queried **Mr. Schoen** regarding a brand new 1995 vehicle that had been sitting on a dealer's lot and then purchased in 1997 - how would that be taxed. **Mr. Schoen** responded it would be considered a 1995 vehicle for tax purposes.

SEN. SPRAGUE comments the problem arose in the 1970's when manufacturers began coming out earlier with the next year's

models.

SEN. DOROTHY ECK asks **Mr. Schoen** how many other types of vehicles are assessed without regard to value. **Mr. Schoen** states motor vehicles registered for highway use - motor homes, travel trailers, campers, trailers and motorcycles; off-highway vehicles such as snowmobiles, boats and ATV's. He doesn't know about airplanes. These fees were put in effect in 1979.

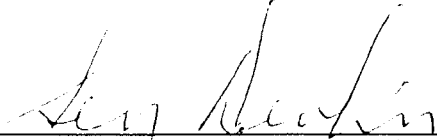
CHAIRMAN DEVLIN requests **REP. WELLS** provide the Committee with the impact on local government. **REP. WELLS** will provide copies of the information to the Committee prior to Executive Action.

Closing by Sponsor:

REP. WELLS closes reminding the Committee this only applies to those people buying next year's models. This does not apply to pickups and automobiles; those are taxed in a different nature. **SEN. MIKE SPRAGUE** will carry the bill.

ADJOURNMENT

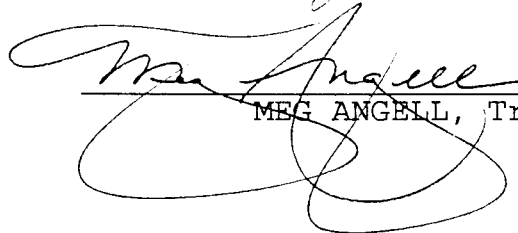
Adjournment: 10:05 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary



MEG ANGELL, Transcriber

GD/rp