MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 13, 1985

The forty-eighth meeting of the Senate Taxation Committee was called to order by Chairman Thoms E. Towe at 7:39 am in Room 413-415 of the Capitol Building.

ROLL CALL: All members of the committee were present.

Chairman Towe addressed the possibility of the committee drafting a bill that would fund the Public Service Commission from the rate base of the utility companies. He said it would amount to a .003 percent increase and would raise $4.5 million to fund the PSC budget. After some discussion only two committee members, Senators Eck and Lybeck, evidenced interest in such a bill. Consensus was that it would be a wasted effort to draft the bill.

CONSIDERATION OF SB 234: Senator Smith, Senator Severson and Mr. Jess Munro of the Department of Revenue presented amendments in Exhibit 1. Senator Severson discussed the amendments.

Senator Towe asked why the loan value was used. Senator Severson explained that the way the books are computed the loan value of the Official Guidebook compares to the wholesale value used in other books. He said this would make the situation a more equitable one. The committee felt it was necessary to include the title of the book in the statute. They also agreed that language be drafted into the amendment that would clarify that it is not the intent of the committee to use loan value in other areas.

MOTION: Senator Severson moved that SB 234 be amended per Exhibit 1, inserting the name of the Official Guidebook, clarifying the intent of the committee regarding loan value and including reference to the effective date in the title.

In discussion of the committee it was agreed that the motion would include the deletion of "tools" as part of the amendment. Mr. Jim Lear, committee staff, was directed to do other technical work on the amendments. He explained the necessary technical details to bring the amendments into proper form as they appear in the Standing Committee Report attached here.

Question was called and the motion carried unanimously.

MOTION: Senator Severson then moved that SB 234 do pass as amended. The motion carried unanimously.

CONSIDERATION OF HB 339: Representative Jack Ramirez was recognized as chief sponsor of the bill. He explained that the bill extends the ability for tax increment financing. He said that this ability has allowed Billings to build three parking garages which have facilitated the building of other major buildings in downtown Billings. He said that some cities have not benefited by the 10-year provision and asked for a two year extension on the ability to create the districts which

would then run for the 10 year period.

PROPONENTS

Mr. Greg Jackson of the Urban Coalition said the bill had been initiated through the City of Billings and was supported by the coalition.

Mr. Geoff Badenoch, project manager for the City of Missoula, submitted written testimony (Exhibit 2). He said that the benefits of the tax increment financing allow local governments to leverage private investments. He said it is an efficient investment tool as the full valuation is paid and there is no commitment of state revenues.

Mr. Ed Gallagher of Kalispell also referred to Exhibit 2 which summarized projects already done in the state with this method. He had a letter from the Superintendent of Schools, School District 5, which endoresed HB 339. He said Kalispell had leveraged over 400 jobs and 28 new businesses in this way.

Mr. Tom McKerlic, Billings, submitted his testimony in writing (Exhibit 3).

Mr. Bill Verwolf, City of Helena, and also representing the Montana League of Cities and Towns said that the City of Helena has not yet been able to do a project like this, but forsees one in the immediate future.

Mr. Bob Goff, City of Great Falls, said this is critical to Great Falls. He said that it allows a blending of private borrowing and public funds to make projects practical and possible. He spoke of Railroad Square and Pennington Place in Great Falls as examples of what has been done there. He said the start-up time is necessary and that the two year extension would really help. He said that all individuals within the district benefit from increased tax base, and that only those individuals involved pay.

Mr. Robb McCracken, Montana Department of Commerce, submitted Exhibit 4 and supported the bill.

Ms. Nancy Stephenson, Director of Neighborhood House Program in Great Falls, addressed the concerns of areas that need sewer and water projects they could not otherwise pay for. She said tax increment financing allows these areas to become healthy neighborhoods again.

Mr. Dave Goss, Billings Area Chamber of Commerce, said they supported the bill for its ability to assist in economic development and redevelopment.

OPPONENTS

None were heard.

Questions from the committee were called for.

In response to a question from Senator Eck, Representative Ramirez clarified that the 10 year extension was for new districts and that

the existing districts would be extended for two years. Mr. Gallagher added that most projects didn't start until the late 1970s so that the total time of the district would not exceed the contemplated 10 years.

Senator Eck commented that her community had taken exception to the designation of "blighted" for certain of Bozeman's neighborhoods.

Senator Halligan asked if should be extended more than the bill's current form would allow. Representative Ramirez said that others may not want the funds tied up for that long and he did not want this extension jeopardized by lengthening it.

After further clarification of the time periods involved Representative Ramirez closed without comment.

MOTION: Senator Mazurek moved that HB 339 be concurred in. The motion carried unanimously. Senator Mazurek, as co-sponsor, said he would carry the bill on the Senate floor.

CONSIDERATION OF HB 346: Representative Bob Gilbert, House District 22, was recognized as chief sponsor of the bill. He said that the bill would redirect gasoline tax from the Department of Highways to the aviation people for gasoline burned in airplanes rather than in cars. He said it would generate about $120,000 annually that would be rebated from highways to aeronautics.

PROPONENTS

Mr. Michael D. Ferguson, Administrator of the Aeronautics Division, Department of Commerce, said they support the bill and pointed out that the money would be used for public areas and for safety concerns.

OPPONENTS

None were heard.

Questions from the committee were called for.

In response to a question from Senator Severson Representative Gilbert said that the money would be used for development and maintenance of public buildings. He said it would be dispersed in the form of loans and grants.

Senator Goodover commented that the bill should account for the fluctuation in gas tax per the Governor's request for additional gas tax.

CONSIDERATION OF SENATE BILL 373: Representative Dennis Nathe was recognized as chief sponsor of the bill. He said that the information on a computer should be used as a part of the assessment book definition. This would allow the county treasurers to pull up information on a computer rather than being delivered a hard copy which would be less useful.

PROPONENTS

Mr. Mike Stephens representing the Clerk and Recorders said this bill would allow a flexible system that would meet the requirements and needs.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Brown was reassured that hard copy is run to back up the computer. Senator Neuman explained that in Cascade County the computer information is kept on duplicate discs and can also be reconstructed from a hard copy if necessary. Senator Hirsch said that back-up was required by law.

Mr. Gregg Groepper said that the bill would allow a saving of time and duplication.

Representatiave Nathe closed.

MOTION: Senator Goodover moved that HB 373 be concurred in. The motion carried unanimously. Senator Brown agreed to carry the bill on the Senate floor.

CONSIDERATION OF SB 234: Mr. Lear noted to the committee that there were problems with the applicability date and effective date of the bill that required clarification by amendment.

MOTION: Senator Severson moved that the committee reconsider its action on SB 234 in order to make the necessary amendment. The motion carried unanimously.

MOTION: Senator Severson moved that SB 234 be amended to insert necessary language on applicability and effective dates. The motion carried unanimously.

MOTION: Senator Severson moved that SB 234 do pass as amended. The motion carried unanimously.

CONSIDERATION OF HB 346: Brief discussion did not reach consensus and the Chairman directed the attention of the committee to the transmittal deadline for senate revenue matters.

CONSIDERATION OF SB 455: Senator Hirsch was prepared with numbers showing the impact to counties after amendment, but did not have the necessary language to insert a hold harmless clause into the bill.

Senator Towe asked that the Department of Revenue deliver those amendments to the committee as soon as possible.

CONSIDERATION OF SB 462: Senator Halligan asked Mr. Lear if he could work on a definition of administrative cost that would be acceptable.

Senator Halligan said that some deductions ought to be allowed, but those in the nature of overhead should not be.

Senator Towe said that well head costs were the best because they were most easily defined. Senator Brown said that it pained him, but he had to agree with Senator Towe.

CONSIDERATION OF SB 367:

MOTION: Senator Halligan moved that SB 367 do pass. Senator Halligan said that the five percent rate is less than that of many states. He said that it would increase the average price of a room from $1.50 to $2.00. He said that no evidence had been presented that indicated this kind of legislation had a negative impact on the industry. He said local governments need the funding for basic necessities that are used by the folks who would be helping to pay the tax.

Senator Lybeck said that he agreed with what Senator Halligan was trying to do, but that the timing of this move was poor for the industry involved.

Senator Hirsch also spoke in opposition to the motion saying that if rooms were taxed for tourists the other parts of their dollar should also be tapped.

Senator McCallum expressed surprise at the amount of property tax paid by motels and hotels. Senator Halligan said those figures had be inflated by inclusion of all parts of a facility rather than separating out those taxes paid just on the rooms.

Senator Brown said that property taxes are too high and that local governments and school districts are dependent on those taxes. He said this bill, however, impacts his part of the state at the wrong time. He said go all the way with a sales tax, or let it go. In conclusion he said to Senator Halligan that he would reluctantly vote no on the motion realizing that a reluctant no counted as much as an enthusiastic one.

Senator Halligan closed saying that those who use services should help pay for them. He said this is no more than the cost of a drink. He said there would be no major impact on the budget of the industry as they are not going to pay the tax.

Question was called. Senators Hager, Halligan, Neuman and Towe voted yes. Senator Eck, who was absent at that time, asked to have her voted recorded as yes. Senators Brown, Goodover, Hirsch, McCallum, and Severson voted no. Senator Mazurek was excused for the vote. The motion failed.

MOTION: Senator Hager moved that SB 367 be tabled. The motion carried unanimously.

CONSIDERATION OF SB 455: Senator Hirsch presented the committee with numbers (Exhibit 5) that demonstrate the need for amendment to the bill. Exhibit 6 contains his proposed amendments as drafted by the Department of Revenue. Mr. Dave Woodgerd, Department of Revenue,

explained that the amendments would guarantee a county 90 percent of the amount received under the previous statutory formula during the next bienium.

MOTION: Senator Hirsch moved that SB 455 be amended per Exhibit 6. He said the total impact to 16 counties would be about $250,000, of a total of $5.5 million dispersed.

Senator Neuman clarified how the dollars would be distributed following fiscal year 1987.

Senator Hager asked if it was possible that there would not be enough money to pay the 90 percent. Mr. Dan Bucks of the Department of Revenue said that was unlikely as their projects were on the conservative side. He said that for fiscal year 1986 they project $51.3 million from corporate tax revenues, and $55.3 million for FY 87.

Senator Towe said the words "provided sufficient revenues exist" could be added to the amendment. The committee agreed.

Question was called and the motion carried unanimously.

Further amendment was discussed to piggyback Montana to the current federal statute rather than to the federal statute as it is on January 1, 1985, as the bill currently states.

MOTION: Senator Mazurek moved that SB 455 be amended to strike reference to January 1, 1985, thus coupling Montana to the federal law. Senator Mazurek's motion included those amendments appearing in Exhibit 7.

Question was called and the motion carried unanimously.

Senator Towe said that an additional motion would be entertained to clarify effective and applicability dates. Mr. Bucks said that this was necessary to avoid any problems in distribution of the dollars to local governments.

MOTION: Senator Mazurek moved that SB 455 be amended on page 21, line 12 to insert "July 1, 1985". The motion carried unanimously.

MOTION: Senator Mazurek moved that SB 455 do pass as amended. The motion carried unanimously.

CONSIDERATION OF HB 317: Senator Hager asked what areas of taxation the bill referred to. Senator Towe said it covered those things in Class Six. Senator Mazurek pointed out the language that said "kept for gain or profit". Senator Severson said that included everything and Senator Eck said she objected to calling bees "livestock".

Senator Hager said that the Department of Livestock was funded by the livestock industry and he wondered if owners would now have to pay a per head fee for bees and chickens.

Mr. Gregg Groepper of the Department of Revenue said, no. He said this bill clearly puts all these things in Class Six rather than in

Class 10 which would be taxed at a higher rate.

Senator Mazurek asked what was the reason for the bill. Mr. Groepper said that the bill came in at the request of the elected assessors association to give clear legislative guidance to taxing these things at the lower Class Six rate rather than the 16 percent Class 10 rate.

Mr. Lear was directed to look into proper definition language to be used in the bill.

Chairman Towe adjourned the meeting at 10:03 am.

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 13, 1985

Location -- Room 413-415

Name	Present	Absent	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman			
Senator Severson	✓		
Senator Towe	✓		

DATE March 13, 1985

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Tom McKerlick	City of Billings	339	✓	
Greg Jackson	Urban Coalition	339	✓	
Bill Verwolf	City of Helena	339	✓	
Robb McCracken	Mt. Dept. of Commerce	339	✓	
G. Morris	MACo			
Don Cross	Billings Chamber of Commerce	339	✓	
Geoff Badenoch	Missoula City Redevelopment Agency	339	✓	
Randy Miller	MRA	339	✓	

(Please leave prepared statement with Secretary)

NAME: Tom McKerlick DATE: 3-13-85

ADDRESS: 1201 - 18th St. West Billings

PHONE: 245-4074

REPRESENTING WHOM? City of Billings

APPEARING ON WHICH PROPOSAL: # 339

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Ed Gallagher DATE: 3-13-85

ADDRESS: Drawer 1997 Kalispell City Hall, Kalispell

PHONE: 257-7491

REPRESENTING WHOM? City of Kalispell

APPEARING ON WHICH PROPOSAL: #339

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: BOB GOFF DATE: 3/13/85

ADDRESS: BOX 1645 GREAT FALLS, MT, 59403

PHONE: 761-3000

REPRESENTING WHOM? City of G.F.

APPEARING ON WHICH PROPOSAL: 339

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: Nancy Stephenson DATE: 3/13/01

ADDRESS: 615 3rd Ave S

PHONE: 761-5861

REPRESENTING WHOM? Neighborhood Housing Services

APPEARING ON WHICH PROPOSAL: 339

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: GEOFF BADENOCH DATE: 3/13/85

ADDRESS: 336 So. 5TH E MISSOULA, MT 59801

PHONE: 549-3719

REPRESENTING WHOM? CITY OF MISSOULA REDEVELOPMENT AGENCY

APPEARING ON WHICH PROPOSAL: HB 339

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

Amendments to SB 234

Exhibit 1 -- SB 234
March 13, 1985

1. Title, line 4.
Following: "TO"
Strike: "PROHIBIT"
Insert: "DIRECT"

2. Title, line 5.
Following: "REVENUE"
Strike: "FROM USING REPLACEMENT COST AS A"
Insert: "TO USE CERTAIN SUBSTITUTES"

3. Title, line 6.
Strike: "SUBSTITUTE"
Following: "APPRAISING"
Insert: "AND ASSESSING"

4. Title, line 7.
Following: "PURPOSES;"
Insert: "PROVIDING AN EXEMPTION FOR CERTAIN PROPERTIES;"
Following: "15-8-111,"
Insert: "15-6-201"

5. Page 2, lines 3 through 12.
Strike: subsection (a) in its entirety
Insert: "The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140; except
(i) the wholesale value for agricultural ~~tools~~, implements, and machinery will be the loan value as shown in the national appraisal guide; and
(ii) for agricultural ~~tools~~, implements, and machinery not listed in a national appraisal guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the national appraisal guide."

Not a copy guide

6. Page 3.
Following: line 14
Insert: "NEW SECTION. Section 2. 15-6-201. Exempt categories.
(1) The following categories of property are exempt from taxation:
(a) the property of:
(i) the United States, the state, counties, cities, towns, school districts, except property constructed, owned, or operated by a public agency created by the congress to transmit or distribute electric energy produced at privately owned generating facilities (not including rural electric cooperatives);
(ii) irrigation districts organized under the laws of Montana and not operating for profit;
(iii) municipal corporations; and

Exhibit 1--SB234.

(iv) public libraries;
(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of such buildings;
(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for hospitals;
(d) property that meets the following conditions:
(i) is owned and held by any association of corporation organized under Title 35, chapter 2,3,20,or21;
(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
(iii) is not maintained and operated for private or corporate profit;
(e) institutions of purely public charity;
(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;
(g) public art galleries and public observatories not used or held for private or corporate profit;
(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;
(i) a truck canopy over or topper weighing less than 300 pounds and having not accommodations attached. Such property is also exempt from the fee in lieu of tax.
(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;
(k) automobiles and trucks having a rated capacity of three-quarters of ton or less;
(l) fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;
(m) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals; and
(n) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit ~~.~~ ;
(o) all farm buildings with a market value of less than $500 and all agricultural ~~tools~~ implements and machinery with a market value of less than $100.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for grain or profit.
(b) The terms "public are galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.
(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:
(a) $20,000 in the case of a single-family residential dwelling;
(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

Renumber: subsequent sections

7. Page 3
Following line 18
Insert: "NEW SECTION. Section 4. Effective date. This act is effective for all tax years beginning after December 31, 1985."

TAX INCREMENT FINANCING

Tax Increment Financing (TIF)--What is it?

- TIF authorized pursuant to the Urban Renewal Law (7-15-42/43 MCA)
- Requires local governing bodies to declare a finding of blighted conditions.
- Urban Renewal District formed with local adoption of Urban Renewal Plan
- Base year establishes assessed valuation within the district.
- Subsequent increases in assessed valuation earmarked to local Urban Renewal Agencies as tax increment increases

What can Urban Renewal Agencies do?

- Land acquisition
- Demolition and removal of structures
- Relocation
- Public Improvements
- Other

Exhibit 2 -- HB 339
March 13, 1985

What are the benefits of TIF?

- Tax increment funds are used to leverage private investment
- Increased local employment and economic activity
- TIF is more efficient for local governments than tax abatements, developers and businesses pay full assessed valuation
- TIF represents no commitment of state revenue
- TIF increases revenues from business licenses and other revenue sources which reflect restored economic vitality in an area
- Communities benefit from decreased crime and health risks associated with blighted areas
- TIF is appropriate for nearly all sizes of communities, e.g. in Wisconsin, towns as small as 300 in population have established Tax Increment Districts

Richard Mitchell, in the Journal of Housing, states:

> " . . if government does not utilize the powers and skills it has at its disposal to arrest and reverse the spread of blight and deterioration, it is, by lack of act, adding to every tax bill a charge for this neglect, which is the product of decreased valuation and demand for increased governmental fire, police, health, and welfare services."

Exhibit 2 -- HB 339

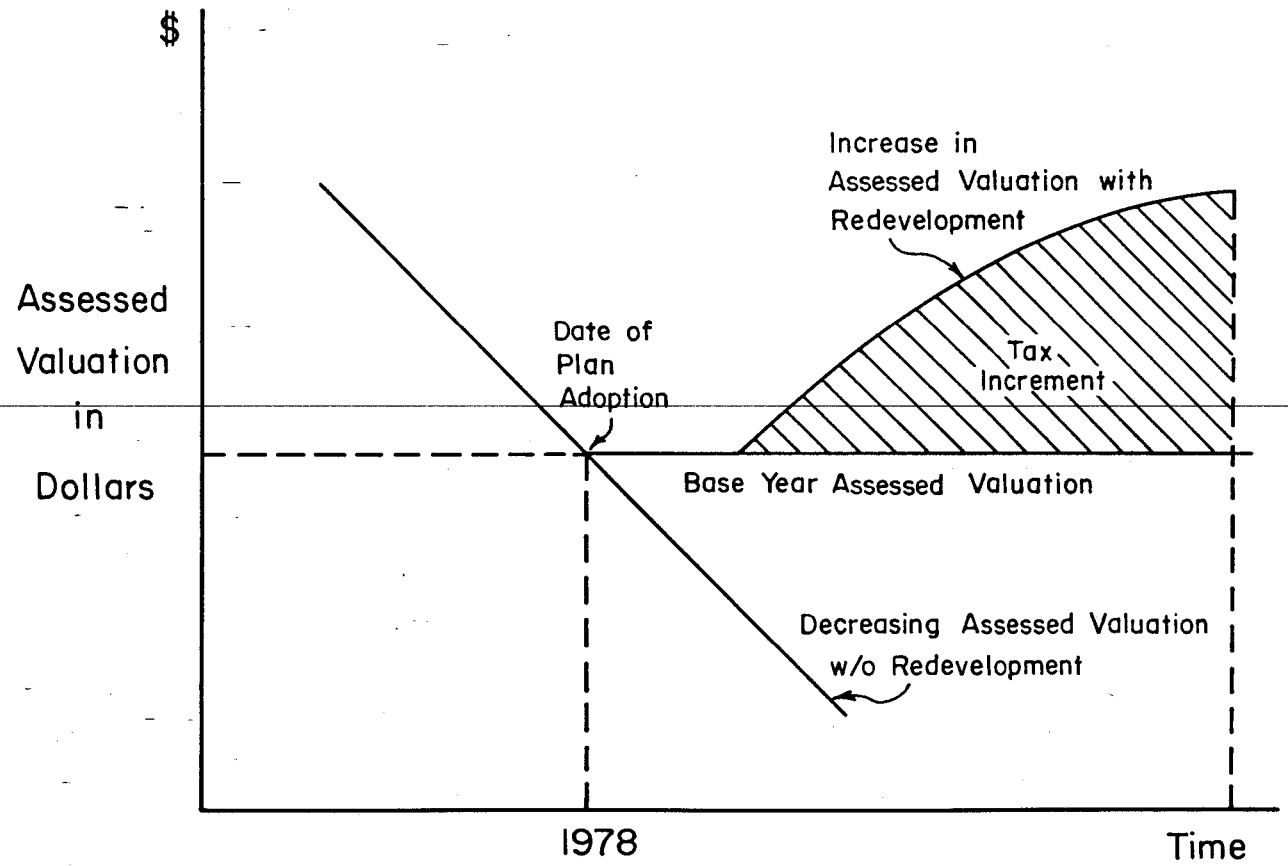

Figure I. Tax Increment Financing

RATIONALE FOR EXTENDING TAX INCREMENT PROVISIONS:

Tax Increment Financing Authority:

Under the current law, tax increment authority expires on the tenth year after the adoption of an urban renewal plan by a municipality. Because the state, through the County Assessors offices, was unable to effectively segregate tax increment during the first two years that it was available, the authority to use tax increment funds should be extended another two full years in order to allow urban renewal programs to realize the full ten year benefit of tax increment financing that the law intended them to have.

Tax Increment Bonding Authority:

The Urban Renewal Law prohibits the issuance of tax increment bonds after April 1987. This means that any Montana community currently considering adopting an Urban Renewal Plan will not have this financing tool available to them after this date . Bonding authority is an important redevelopment tool. The benefits accruing from TIF bonding are critical to the overall and lasting success of an Urban Renewal Plan. TIF bonding enables pivotal capital intensive projects to be undertaken while only encumbering existing revenue; it does not levy any new taxes. Often these "pivotal" projects stimulate long and short term job opportunities while adding security and value to previous efforts. Because of the time necessary to develop TIF Bond capacity, communities are not ready to effectively utilize this mechanism until near the end of an Urban Renewal Plan. Thus, it is logical that TIF bonding authority run concurrently with tax increment authority.

TAX INCREMENT PROGRAMS IN MONTANA

To date, several cities have adopted Urban Renewal Plans and several are currently considering instituting Urban Renewal Programs. The cities which have taken the lead in this area are Billings, Butte, Great Falls, Kalispell and Missoula.

Missoula: In recent times Missoula has seen significant disinvestment in the downtown area. 1979 saw 22 downtown establishments close their doors. Currently there are few storefronts vacant on Higgins Avenue, the principal downtown street. In response to the deterioration of the downtown and the associated drop in taxable valuation the Missoula City Council adopted an Urban Renewal Plan and formed an Urban Renewal Agency which was subsequently renamed the Missoula Redevelopment Agency (MRA). While not all of the activity downtown is attributable to MRA, a substantial portion is "spin-off" and may not have occurred without the impetus of tax increment supported development.

Program adopted:	1978
Private dollars leveraged:	$28,640,213
"Spin-off" Private Investment:	$55,100,000
Estimated jobs created:	
Construction	846
New	518
Retained	606

Major Projects:

Riverfront Improvements-Many projects are completed or underway along the Clark Fork River to preserve and upgrade the river corridor. The river corridor has been identified as a priority consideration by the citizens of Missoula who wish to see the river become a source of community pride. Because the Clark Fork runs through the Urban Renewal District, it is anticipated that the increased utilization of the river corridor will have a corresponding increase in economic activity in the downtown.

Commercial Development--The opening of the 200-room Sheraton Hotel with convention/banquet facilities for 800 people was made possible by the award of a UDAG grant from the federal government. MRA is administering the UDAG grant as well as tax increment funded improvements. This facility has expanded the community's ability to host major conventions and has brought increased economic activity to the downtown

Construction of a new building for Missoula's local paper, the Missoulian has begun. This project which leveraged approximately $3,500,000 in private investment will retain 109 jobs for the community.

Other Major Commercial Projects:

- Central Square--a three story professional office building
- The Milwaukee Depot--a restaurant and office project
- Comfort Inn--a new major motel facility
- The Higgins Building--renovation of a historic building

Commercial Rehabilitation Loan Program (CRLP)--The CRLP program has been established to rehabilitate blighted areas through the encouragement of private enterprise. Working in cooperation with local lending institutions, MRA will subsidize market interest rates available to eligible applicants as an incentive to upgrade the exterior appearance of their commercial structures. The applicant has sole responsibility to repay the rehabilitation loan while participating lenders approve the loans to which the interest subsidy is applied, and provide loan administration and collection utilizing their existing procedures

Butte-Silverbow: With the well publicized closure of copper-producing facilities it is small wonder that Butte's CBD has suffered hard times. However, the efforts of the Butte-Silverbow Urban Revitalization Agency (URA) have attempted to mitigate this trend.

Major Projects:

Facade Improvement Program: The URA provides interest subsidies, matching grants, sign grants and design assistance for building facade improvement. This promotes good urban design while making use of an important resource--Butte's historic architecture. The program provides direct assistance to businesses and Uptown property owners.

Parking SID: The URA, through tax increment financing, has provided the "up-front" funds for development of off-street parking in the CBD. Property owners provide only a portion of the cost through an annual assessment. New businesses and residential activity may locate in the CBD without first having to provide off-street parking. Prior to establishment of the SID, parking requirements were a major obstacle to new development.

Cultural Events Program: The URA has used a portion of tax increment to promote an annual arts festival, traveling theater groups, public art projects (murals and student arts) and various concerts. These programs bring people and vitality to Uptown Butte, extend the hours of activity and improve the area's image in the region.

Great Falls: Like other cities, Great Falls witnessed a reduction in property values in the downtown area as economic conditions caused businesses to close their doors. In response to this trend, Great Falls adopted an Urban Renewal Plan and embarked upon a program to mitigate economic reversals.

Major Projects:

A waterline extension ($9,444) facilitated a $2,000,000 Montana Farmers Union Insurance Company office building.

Utility improvements ($54,017) made possible the renovation of the former Great Northern Depot for the offices of the Great Falls Gas Company. Private sector investment in the project was approximately $1,270,000.

A $350,000 low interest loan leveraged an additional $925,000 private investment for renovation of the former Russell Building for retail, restaurant and office space.

The Southside Storm Drainage project is scheduled for construction this spring. Great Falls anticipates bonding approximately $2,000,000 of the total $3,500,000 project cost with tax increment funds. The project will alleviate periodic flooding in a major portion of the CBD and the adjoining neighborhood.

Kalispell: Downtown efforts in Kalispell have been very successful. The public/private partnership has gained two national awards for the City of Kalispell. The city's current budget has $800,000 set aside for tax increment financed projects.

Major Projects:

Resolution #3547 pledges $578,925 of the city's TIF funds for the design, construction and installation of designated public utilities necessary for the construction of the "Kalispell Center." The Kalispell Center is an $18,000,000+ project funded with public/private investments. It is anticipated that 475 new jobs will be created and additional $250,000 will be added to local tax base.

Kalispell has a loan leveraging agreement in housing with First Federal Savings Bank and a similar agreement with Norwest Bank in the commercial area. 102 commercial loans have closed with 27 new businesses located in the project area. The total capital leveraged is $2,877,444 and 190 jobs have been created.

Because of Kalispell's leveraging programs, a significant beautification has occurred with private dollars in the planting and maintenance of sidewalk trees and the private landscaping and maintenance of a major CBD off-street parking lot.

TIF IN OTHER STATES

TIF is a widespread mechanism to achieve economic development. Well over one-half of the states currently authorize TIF. The geographic distribution of TIF states is well balanced, however, the south does appear somewhat underrepresented.

Of the Western and Rocky Mountain states only Idaho, Nevada, New Mexico and Washington have no TIF legislation. Research indicates that all Western and Rocky Mountain states authorizing TIF, except Montana, have no sunset attached specifically to TIF statutes.

STATES WITH TIF STATUTES

Arizona	Kentucky	Iowa
California	South Dakota	Ohio
Colorado	Maryland	Maine
Connecticut	Massachussetts	Oregon
Florida	Michigan	Tennessee
Georgia	Minnesota	Texas
Illinois	Missouri	Utah
North Dakota	Nebraska	Wisconsin
Kansas	New York	Wyoming

THE CHAMBER.

P.O. BOX 7577 • MISSOULA, MONTANA 59807

(406) 543-6623

January 29, 1985

Les Prentice
Missoula Redevelopment Agency
201 W. Spruce
Missoula, MT 59802

Dear Les:

The Chamber's Board of Directors gave unanimous support to HB339 which extends tax increment financing for two years.

The Chamber salutes the work of the Redevelopment Agency and appreciates the close working relationship which we have developed with you and your staff.

Should anyone have questions about The Chamber's support for HB339 or our support of the overall redevelopment program, please encourage them to call me at 543-6623.

Good luck with HB339, your agency is deserving of community wide support.

With warm and personal regards,
THE CHAMBER.

David Owen, Executive Vice President

DO/cs

RECEIVED

FEB 1 1985

MISSOULA REDEVELOPMENT AGENCY
MISSOULA, MONTANA

BILL COOPER
Superintendent
KEN SIDERIUS
Asst. Superintendent

TOM TRUMBULL
Business Manager
GARY ROSE
Administrative Asst.

SCHOOL DISTRICT NO. 5

PHONE 755-5015 - 233 1ST AVE. EAST - KALISPELL, MONTANA 59901

FLATHEAD HIGH SCHOOL
Principal, William Vogt
KALISPELL JUNIOR HIGH
Principal, Larry Schulz
LINDERMAN SCHOOL
Principal, Joseph Super
ELROD SCHOOL
Principal, Russell Winters
RUSSELL SCHOOL
Principal, Leanna Isaacson
PETERSON SCHOOL
Principal, Charles Hideman
HEDGES SCHOOL
Principal, Karla Jones
EDGERTON SCHOOL
Principal, Rick Davis

March 12, 1985

Mr. Edward J. Gallagher, Director
City of Kalispell
Community Development Department
Drawer 1997
Kalispell, Montana 59901

Dear Ed:

Please be assured of our support of your projects in the Kalispell Downtown Redevelopment Project Area. The tax increment financing that is presently generated will, in time, benefit the entire community.

In future planning for School District #5, we know that the present construction now underway and other development that is in the planning stages will greatly complement our current plan for the School District. We will be submitting a plan as soon as possible to the City of Kalispell for a proposed increment project.

May I state that it has been a pleasure working with your office and Councilman Wayne Saverud, Chairman of the City Development Committee. Looking forward to working with you for the betterment of our schools and community.

Sincerely,

Bill Cooper

Bill Cooper
Superintendent

SENATE TAXATION COMMITTEE HEARING ON HB 339

TESTIMONY FROM CITY OF BILLINGS STAFF

DT Redevelopment

The history of most Montana cities is 100 years.

A redevelopment district lasts 10 years.

Most districts are in downtown areas - areas that from 1885 to 1955 or 65 were the primary tax generator for their communities. They were the engine that pulled the train for many years.

A study that was done in Billings at the time of the creation of this redevelopment district showed that the redevelopment district comprised .6% of the city's area and over 16% of the city's property tax base.

Even though the district may have consumed more services per square foot than the rest of the city, it most certainly did not consume 25 times the services than the rest of the city.

It can be argued, therefore, that in 1976, and certainly for the 90 years before 1976 - that the district subsidized the development of the services for the rest of the community (city, county, school district, and university system). It continues to do so.

Also, it can be argued that without the contribution of taxes generated over services used that property taxes of properties outside the redevelopment districts would be higher. In fact, opponents of redevelopment districts make as their major claim, that taxes rise because of redevelopment districts.

Imagine what would happen if no redevelopment districts ever were established to insure that property values remained high - and that property valuations decreased in the redevelopment districts rather than increase. Property taxes outside the districts would skyrocket or services would suffer.

Attached please find a summary of our Tax Increment Expenditures over the past 7 years. This summary points out the major areas of expenditure. Please notice the amounts of money spent on infrastructure which I'm sure you are aware is a problem both nationally and in this state in older CBD's. We are addressing these needs with Tax Increment dollars before they become major blight in our City.

I urge your support of HB 339 - an investment in the future of our cities, school districts, counties, and other property tax supported services.

Attachment

TM/pt

Exhibit 3 -- HB 339
March 13, 1985

February 1, 1985 - R

CITY OF BILLINGS
TAX INCREMENT DISTRICT
HISTORY

The City of Billings will have injected approximately $19 Million back into its 90 block Tax Increment District as of the end of this fiscal year. This represents 7 years of experience from annual revenues ranging from $715,000 in 1978 to $2,594,000 in 1985 and bond issues exceeding $7,000,000. The primary thrust of our programs have been in the areas of parking structures, infrastructure improvements and development assistance as follows:

Parking Structures	$ 11,250,019
Infrastructure	1,515,278
Development Assistance	3,257,995
Planning	110,000

The above expenditures total 86% of total investment and will have contributed directly to at least $75 Million of new development. (Market Value) This development includes the Sheraton Hotel Building, the Norwest Bank Building, the 18 story 1st Interstate Building, a new 88 unit apartment building and several historic building renovations including The Fox Theatre for Performing Arts.

We strongly believe that the use of Tax Increment Financing, both in the public and private sector, has significantly impacted the growth of downtown Billings. This area was in a dormant condition at the initiation of the district in 1976 with many older functionally obsolescant buildings, severe parking problems and an eroding retail environment. We were also looking at the advent of shopping malls at either end of our City. Since the initiation of the district, we have seen the Central Business District make a comeback to where it has been able to compete with the new malls and generally perform better than the rest of the City.

	City Taxable Valuation	District Taxable Valuation	Net City Taxable Valuation
1975-76	$ 80,941,905	(1) $ 6,109,487 - 8%	$ 74,832,418
1984-85	109,243,008	15,217,539 - 14% (2)	94,025,469
Increase	$ 28,301,103 - 35%	$ 9,108,052 - 149%	$ 19,193,051 - 26%
		32% (3)	

(1) Base year adjusted from $9,396,438 to $6,109,487 as a result of loss of Business Inventory Tax - $3,286,951

(2) Taxable value of the District has gone from 8% to 14% of Total City valuation

(3) 32% of increase in City Taxable Valuation occurred in Tax Increment District the past eight years

The City of Billings completed a planning study of their Tax Increment District in 1984 resulting in recommendations for further improvements to the district addressing anticipated needs over the next 10-15 years. We feel that much of this work could be accomplished in the next 3 years, if the district could be extended 2 years. There is no other alternate form of funding available at this time, nor anticipated over the next few years.

DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT DIVISION

TED SCHWINDEN, GOVERNOR

COGSWELL BUILDING—ROOM C 211
CAPITOL STATION

STATE OF MONTANA

(406) 444-3757

HELENA, MONTANA 59620

March 12, 1985

Honorable Tom Towe, Chairman
Senate Taxation Committee
Capitol Building
Helena, MT 59620

Dear Chairman Towe and Members of the Committee:

As the representative of the Montana Department of Commerce, I urge you to support HB 339.

The bill reauthorizes the use of tax increment financing (TIF) for municipal governments. Tax increment financing is a real success story for Montana municipal governments and for downtown businesses. Municipalities have generated thousands of dollars through TIF which has been reinvested in downtown areas to revitalize the community business core and the physical environment. Tax increment monies have been used to leverage private dollars for downtown projects, thus, increasing the results of public investment.

The role of the Department of Commerce is, in part, to promote business expansion and to assist communities in financing public facilities. Tax increment financing is a local method which communities use for both of these purposes.

The Department's Business Assistance Division has worked "on site" with 23 local development organizations which have expressed a keen interest in utilizing TIF. The Community Development Division has also worked with several different communities on TIF. There are municipal governments which to date have not adopted TIF but which are actively considering doing so. Passage of HB 339 will allow these communities the option to adopt TIF as part of their local downtown redevelopment, economic development, and infrastructure financing programs.

Thank you for the opportunity to address the Committee.

Sincerely,

Robb McCracken

Robb McCracken
Legislative Representative
DOC/Community Development Division

Exhibit 4 -- HB 339
March 13, 1985

publications & graphics

AN EQUAL OPPORTUNITY EMPLOYER

COMPARISON OF SB455 DISTRIBUTION

250000

	AVG FY83-84 DISTRIBUTION	FY86 ¡10%	DIFF.	FY87 ¡10%	DIFF.
BEAVERHEAD	34964	49794	14830	53548	18584
BIG HORN	60805	66731	5926	71763	10958
BLAINE	38534	40635	2101	43699	5165
BROADWATER	2734	19570	16836	21045	18311
CARBON	35002	49219	14217	52930	17928
CARTER	21641	9997	-11644	10751	-10890
CASCADE	330141	469073	138932	504440	174299
CHOUTEAU	60750	35695	-25055	38387	-22363
CUSTER	101031	78073	-22958	83959	-17072
DANIELS	17644	16277	-1367	17504	-140
DAWSON	72648	72603	-45	78077	5429
DEER LODGE	34790	66459	31669	71469	36679
FALLON	48824	22352	-26472	24037	-24787
FERGUS	68380	75432	7052	81119	12739
FLATHEAD	210442	307963	97521	331182	120740
GALLATIN	111849	266123	154274	286188	174339
GARFIELD	12180	9898	-2282	10644	-1536
GLACIER	44480	64836	20356	69725	25245
GOLDEN VALLEY	0	6322	6322	6799	6799
GRANITE	13200	15656	2456	16837	3637
HILL	75690	107693	32003	115813	40123
JEFFERSON	5667	45463	39796	48891	43224
JUDITH BASIN	25688	15787	-9901	16977	-8711
LAKE	53529	114933	61404	123598	70069
LEWIS AND CLARK	134573	260614	126041	280264	145691
LIBERTY	20	13793	13773	14833	14813
LINCOLN	11295	104719	93424	112615	101320
MADISON	22386	15752	-6634	16940	-5446
MCCONE	11238	33452	22214	35974	24736
MEAGHER	16519	13392	-3127	14401	-2118
MINERAL	8530	20205	11675	21729	13199
MISSOULA	107889	435627	327738	468473	360584
MUSSELSHELL	46331	27498	-18833	29572	-16759
PARK	77161	78972	1811	84927	7766
PETROLEUM	0	4023	4023	4326	4326
PHILLIPS	43029	32636	-10393	35096	-7933
PONDERA	79816	41068	-38748	44164	-35652
POWDER RIVER	40	14369	14329	15452	15412
POWELL	8617	38597	29980	41508	32891
PRAIRIE	36880	11306	-25574	12159	-24721
RAVALLI	64358	138613	74255	149064	84706
RICHLAND	86029	85387	-642	91825	5796
ROOSEVELT	88403	67021	-21382	72074	-16329
ROSEBUD	65319	78849	13530	84794	19475
SANDERS	30639	52621	21982	56589	25950
SHERIDAN	46907	34975	-11932	37612	-9295
SILVER BOW	125219	209365	84146	225151	99932
STILLWATER	34755	34848	93	37476	2721
SWEET GRASS	8535	19055	10520	20492	11957
TETON	24700	37617	12917	40453	15753
TOOLE	73349	34103	-39246	36675	-36674
TREASURE	2548	5774	3226	6210	3662
VALLEY	18595	57093	38498	61398	42803
WHEATLAND	17777	13405	-4372	14416	-3361
WIBAUX	6670	8691	2021	9346	2676
YELLOWSTONE	583805	677405	93600	728479	144674
	3362545	4727430		5083868	

Exhibit 5 -- SB 455
March 13, 1985

COMPARISON OF SB455 DISTRIBUTION

8.86 %

	AVG FY83-84 DISTRIBUTION	FY86 110%	DIFF.		FY87 110%	DIFF.
BEAVERHEAD	34964	49794	14830		53548	18584
BIG HORN	60805	66731	5926		71763	10958
BLAINE	38534	40635	2101		43699	5165
BROADWATER	2734	19570	16836		21045	18311
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FLATHEAD	210442	307963	97521		331182	120740
GALLATIN	111849	266123	154274		286188	174339
GARFIELD	12180	9898	-2282	7	10644	-1536
GLACIER	44480	64836	20356		69725	25245
GOLDEN VALLEY	0	6322	6322		6799	6799
GRANITE	13200	15656	2456		16837	3637
HILL	75690	107693	32003		115813	40123
JEFFERSON	5667	45463	39796		48891	43224
~~JUDITH BASIN~~	~~25688~~	~~15787~~	~~-9901~~	~~8~~	~~16977~~	~~-8711~~
LAKE	53529	114933	61404		123598	70069
LEWIS AND CLARK	134573	260614	126041		280264	145691
LIBERTY	20	13793	13773		14833	14813
LINCOLN	11295	104719	93424		112615	101320
MADISON	22386	15752	-6634	9	16940	-5446
MCCONE	11238	33452	22214		35974	24736
MEAGHER	16519	13392	-3127	10	14401	-2118
MINERAL	8530	20205	11675		21729	13199
MISSOULA	107889	435627	327738		468473	360584
MUSSELSHELL	46331	27498	-18833	11	29572	-16759
PARK	77161	78972	1811		84927	7766
PETROLEUM	0	4023	4023		4326	4326
PHILLIPS	43029	32636	-10393	12	35096	-7933
PONDERA	79816	41068	-38748	13	44164	-35652
POWDER RIVER	40	14369	14329		15452	15412
POWELL	8617	38597	29980		41508	32891
PRAIRIE	36880	11306	-25574	14	12159	-24721
RAVALLI	64358	138613	74255		149064	84706
RICHLAND	86029	85387	-642		91825	5796
ROOSEVELT	88403	67021	-21382	15	72074	-16329
ROSEBUD	65319	78849	13530		84794	19475
SANDERS	30639	52621	21982		56589	25950
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SILVER BOW	125219	209365	84146		225151	99932
STILLWATER	34755	34848	93		37476	2721
SWEET GRASS	8535	19055	10520		20492	11957
TETON	24700	37617	12917		40453	15753
TOOLE	73349	34103	-39246	17	36675	-36674
TREASURE	2548	5774	3226		6210	3662
VALLEY	18595	57093	38498		61398	42803
WHEATLAND	17777	13405	-4372	18	14416	-3361
WIBAUX	6670	8691	2021		9346	2676
YELLOWSTONE	583805	677405	93600		728479	144674
	3362545	4727430			5083868	

18 counties total

FIRST READING SENATE BILL NO. 455

Title change

1. Page 5, line 2:
Following: "basis."
Insert: "However, for fiscal years 1986 and 1987, no county shall receive less than 90% of the average annual amount of corporation license and income taxes received by such county for the fiscal years 1983 and 1984 from distribution pursuant to 15-31-702. If per capita distribution would result in a county receiving less than such guaranteed 90%, the per capita distribution of the 8.86% shall be adjusted accordingly so that no county receives less than the guaranteed 90% for fiscal years 1986 and 1987. This adjustment shall be made by the Department to preserve a proportionate, per capita distribution among those counties receiving more than their 90% guaranteed amount. The adjustment shall also not result in distributing more than 8.86% of corporation license and income taxes to all counties."

~~2. Renumber subsequent subsections.~~

provided sufficient revenues exist

Exhibit 6 -- SB 455
March 13, 1985

Proposed Amendments to Senate Bill 455

1. Amend Title, Line 15.
   Following: "MCA"
   Insert: "AND THOSE DEDUCTIONS PROVIDED FOR IN THE INTERNAL REVENUE CODE ~~AS OF JANUARY 1, 1985~~, EXCEPT FOR CERTAIN DEDUCTIONS FOR DIVIDENDS"

2. Page 2, line 23.
   Following: "MCA"
   Insert: "and those deductions provided for in the Internal Revenue Code ~~as of January 1, 1985~~ except for certain deductions for dividends"

3. Page 2, line 24
   Following: "income"
   Strike: the remainder of lines 24 and 25 in their entirety
   Insert: "."

4. Page 3, line 1
   Strike: "31 MCA."

5. Page 8, line 14.
   Following: "15-31-114"
   Strike: "the remainder of lines 14 and 16 in their entirety.
   Insert: "and for deductions not included in 15-31-114, those deductions provided for in the Internal Revenue Code ~~as of January 1, 1985~~, except for the special dividend deductions provided for by Section 243 a(1) and (3), 244, and 245 of the Internal Revenue Code, (or as those sections may be amended or renumbered), which are specifically denied as deductions. Those deductions in 15-31-114 that reference the Internal Revenue Code shall use the Internal Revenue Code in effect for the taxable year."

Exhibit 7 -- SB 455
March 13, 1985

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 9:30 am Date March 13, 85 Room 413-415

Motion: that SB 367 do pass - Halligan

Name	Yes	No	Excused
Senator Brown		✓	
Senator Eck			✓
Senator Goodover		✓	
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch		✓	
Senator Lybeck		✓	
Senator Mazurek			✓
Senator McCallum		✓	
Senator Neuman	✓		
Senator Severson		✓	
Senator Towe	✓		

STANDING COMMITTEE REPORT

March 13, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration House Bill No. 339

third first reading copy (blue white color)

(Senator Mazurek)

TAX INCREMENT FINANCING--AMEND TERMINATION PROVISIONS.

Respectfully report as follows: That House Bill No. 339

BE CONCURRED IN

XXXXS

XXXXXXXS

Senator Thomas E. Towe, Chairman.

STANDING COMMITTEE REPORT

March 13, 19 85

MR. PRESIDENT

We, your committee on Taxation

having had under consideration House Bill No. 373

third ~~first~~ reading copy (blue color)

DEFINING "ASSESSMENT BOOK"; INCLUDING COMPUTER SYSTEMS IN DEFINITION.

Respectfully report as follows: That House Bill No. 373

BE CONCURRED IN
~~DO PASS~~

~~DO NOT PASS~~

Senator Thomas E. Towe, Chairman.

STANDING COMMITTEE REPORT

March 13, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 455

first reading copy (white color)

REVISING THE CORPORATION TAX CONCERNING NET INCOME AND CONSOLIDATED RETURNS.

Respectfully report as follows: That Senate Bill No. 455

be amended as follows:

1. Title, line 12.
Following: "PROGRAM;"
Insert: "PROVIDING FOR A DIFFERENT DISTRIBUTION FORMULA FOR FISCAL YEARS 1986 AND 1987 TO INSURE THAT NO COUNTY RECEIVES LESS THAN 90% OF THE AMOUNT DISTRIBUTED TO IT IN 1983 AND 1984;"

2. Title, line 15.
Following: "MCA"
Insert: ", AND THOSE DEDUCTIONS PROVIDED FOR IN THE INTERNAL REVENUE CODE, EXCEPT FOR CERTAIN DEDUCTIONS FOR DIVIDENDS"

3. Title, line 23.
Following: "PROVIDING AN"
Strike: "IMMEDIATE"

4. Page 2, line 23.
Following: "MCA,"
Insert: "and those deductions provided for in the Internal Revenue Code, except for certain deductions for dividends,"

5. Page 2, line 24 through line 1, page 3.
Following: "income" on line 24
Strike: the remainder of line 24 through "MCA" on line 1, page 3

~~DO PASS~~

~~DO NOT PASS~~

continued

Chairman.

March 13, 19 85

6. Page 5, line 2.
Following: "basis."
Insert: "However, for fiscal years 1986 and 1987 no county shall receive less than 90% of the average annual amount of corporation license and income taxes received by such county for the fiscal years 1983 and 1984 from distribution pursuant to 15-31-702. If per capita distribution would result in a county receiving less than such guaranteed 90%, the per capita distribution of 8.86% shall be adjusted accordingly so that no county receives less than their guaranteed 90% for fiscal years 1986 and 1987 provided sufficient revenues exist. This adjustment shall be made by the department to preserve a proportionate, per capita distribution among those counties receiving more than their 90% guaranteed amount. The adjustment shall also not result in distributing more than 8.86% of corporation license and income taxes to all counties."

7. Page 8, lines 14 through 16.
Following: "15-3-114" on line 14
Strike: the remainder of line 14 through line 16
Insert: "and those deductions provided for in the Internal Revenue Code except for the special dividend deductions provided for by section 243 a(1) and (3), 244, and 245 of the Internal Revenue Code, (or as those sections may be amended or renumbered), which are specifically denied as deductions. Those deductions in 15-31-114 that reference the Internal Revenue Code shall use the Internal Revenue Code in effect for the taxable year."

8. Page 21, line 13.
Following: "effective"
Strike: "on passage and approval"
Insert: "July 1, 1985"

AND AS AMENDED
DO PASS

Senator Thomas E. Towe, Chairman

STANDING COMMITTEE REPORT

March 13, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 234

first reading copy (white color)

PROHIBITING THE DEPARTMENT OF REVENUE FROM USING REPLACEMENT COST IN APPRAISALS.

Respectfully report as follows: That Senate Bill No. 234

be amended as follows:

1. Title, line 4.
Following: "TO"
Strike: "PROHIBIT"
Insert: "DIRECT"

2. Title, line 5.
Following: "REVENUE"
Strike: "FROM USING REPLACEMENT COST AS A"
Insert: "TO USE CERTAIN SUBSTITUTES"

3. Title, line 6.
Following: line 5
Strike: "SUBSTITUTE"
Following: "APPRAISING"
Insert: "AND ASSESSING"

4. Title, line 7.
Following: "PURPOSES;"
Insert: "PROVIDING AN EXEMPTION FOR CERTAIN PROPERTIES;"
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS"
Following: "15-8-111"
Insert: "AND 15-6-201"
Following: "MCA"
Insert: "; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE"

xxxxxx

xxxxxxxxxx

continued

Chairman.

5. Page 1, line 8.
Following: line 7
Insert: "WHEREAS, the appraisal and assessment of agricultural implements and machinery could be accomplished most efficiently and equitably by the use of the Official Guide, Tractor and Farm Equipment published by the National Farm and Power Equipment Dealers Association, St. Louis, Missouri; and
WHEREAS, the most accurate reflection of market value of agricultural implements and machinery listed by the above official guide is that of loan value as compared to wholesale value in other national guides."

6. Page 1, line 19.
Following: "(b)"
Strike: "The"
Insert: "Except as provided in subsection (3), the"

7. Page 2, lines 3 through 12.
Following: "(3)" on line 3
Strike: remainder of line 3 through line 12
Insert: "The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, MCA, except;
(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment published by the national farm and power equipment dealers association, St. Louis, Missouri; and
(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide."

8. Page 2, line 13.
Strike: "(b)"
Insert: "(4)"
Renumber: subsequent subsections

continued

9. Page 3, line 15.
Following: line 14
Insert: "Section 2. Section 15-6-201, MCA, is amended to read:
"15-6-201. Exempt categories. (1) The following categories of property are exempt from taxation:
(a) the property of:
(i) the United States, the state, counties, cities, towns, school districts;
(ii) irrigation districts organized under the laws of Montana and not operating for profit;
(iii) municipal corporations; and
(iv) public libraries;
(b) buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of such buildings;
(c) property used exclusively for agricultural and horticultural societies, for educational purposes, and for hospitals;
(d) property that meets the following conditions:
(i) is owned and held by any association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
(ii) is devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
(iii) is not maintained and operated for private or corporate profit;
(e) institutions of purely public charity;
(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;
(g) public art galleries and public observatories not used or held for private or corporate profit;
(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

continued

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached. Such property is also exempt from the fee in lieu of tax.

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) automobiles and trucks having a rated capacity of three-quarters of a ton or less;

(l) fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(m) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals; and

(n) property owned and used by a corporation or association organized and operated exclusively for the care of the developmentally disabled, mentally ill, or vocationally handicapped as defined in 18-5-101, which is not operated for gain or profit; and

(o) all farm buildings with a market value of less than $500 and all agricultural implements and machinery with a market value of less than $100.

(2) (a) The term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit.

(b) The terms "public art galleries" and "public observatories" include only those art galleries and observatories, whether of public or private ownership, that are open to the public without charge at all reasonable hours and are used for the purpose of education only.

(3) The following portions of the appraised value of a capital investment made after January 1, 1979, in a recognized nonfossil form of energy generation, as defined in 15-32-102, are exempt from taxation for a period of 10 years following installation of the property:

(a) $10,000 in the case of a single-family residential dwelling;

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(b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure."

Renumber: subsequent section

7. Page 3.
Following: line 18
Insert: "NEW SECTION. Section 4. Effective date--applicability. This act is effective on passage and approval and is applicable to tax years beginning after December 31, 1985."

AND AS AMENDED
DO PASS

Senator Thomas E. Towe, Chairman