

EXHIBIT 5  
DATE 1/14/05  
HB 2

*State Tax Appeal Board*  
*(Department of Administration)*

*JereAnn Nelson*  
*Board member*  
*444-5395*

*LFD page numbers A-257 and A-258*

## STATE TAX APPEAL BOARD OVERVIEW

The State Tax Appeal Board:

Is attached to the Department of Administration for administrative purposes;

Is general funded.

Was established pursuant to Article VIII, Section 7, of the Montana Constitution and by Sections 2-15-1015 and 15-2-101 of the Montana Code Annotated to provide a valuation and assessment appeal system for specified actions of the Department of Revenue;

Hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes (Section 15-30-147, MCA); corporate taxes (Section 15-31-532, MCA); and severance taxes, centrally assessed property, new industry (Section 15-2-302, MCA), cabin site lease valuations (Sections 15-2-302, MCA and Section 77-1-208, MCA.); motor fuels taxes (Section 15-70-111, MCA; and motor vehicle taxes (15-8-202, MCA).

Travels throughout the state to hear appeals from decisions of the county tax appeal boards. These hearings are typically held in the county seat of each county. We also hear appeals that come to us directly from the Department of Revenue, involving such taxes as income, corporation license, severance, new industry, motor fuels, etc. These are either held in Helena or in the hometown of the taxpayer, as agreed upon by the parties.

Conducts informational/instructional meetings on a district basis for the various county tax appeal boards. (Section 15-2-201 (1) (a), MCA);

Directs the 56 county tax appeal board secretaries and pays their salaries and employee benefits (workers' compensation and unemployment insurance) from its personal services appropriation or its local assistance to counties appropriation, as appropriate. The State Tax Appeal Board pays a \$45 per-meeting honorarium, including mileage reimbursement and meals, to the 168 county tax appeal board members and pays the related clerical expenses for each board (office supplies, postage, copies, long distance telephone charges, etc., but excluding office equipment (Section 15-15-101 (1) MCA);

Has 7.0 FTE. These include three full-time board members appointed by the Governor for six year terms (Section 15-2-101, MCA), a grade 12 paralegal assistant, and a 3.0 FTE aggregate position which encompasses the 23 county tax appeal board secretaries who are state employees and paid through the state payroll system. (The remaining 33 secretaries are county employees and are paid through the county payroll system. Upon submission of an itemized statement, the State Tax Appeal Board reimburses the counties for this expense.)

**Our FY2006-07 request does not seek a funding level beyond the executive budget proposal of \$331,134 for FY2006 and \$330,474 for FY2007.**

**Three items of note regarding the State Tax Appeal Board:**

1) We provide a neutral forum for taxpayers and the Department of Revenue, the Department of Transportation, or the Department of Justice, to air their differences, exchange valuable information, and, oftentimes, to come to resolution and understanding.

2) Our work, and that of the county tax appeal boards, is directly impacted by the taxation policies enacted by the legislature, the Department of Revenue's periodic statewide reappraisal of property and its internal decision to audit a certain type of taxpayer. Our work is so cyclical and so dependent on the actions of outside forces that we must have the flexibility to meet those appeal demands as they arise. The following table depicts the effects of the 1986, 1993, 1996, and 2003 statewide reappraisals:

Calendar year	Appeals filed with County Tax Appeal Boards	Appeals filed with State Tax Appeal Board
1986 (reappraisal year)	14,789	3,933
1987	2,291	814
1988	1,799	541
1989	876	204
1990	2,197	392
1991	4,909	458
1992	1,331	139
1993 (reappraisal year)	4,072	2,537
1994	694	109
1995	173	53
1996 (reappraisal year)	105	22
1997	571	170
1998	156	37
1999	165	51
2000	65	16
2001	58	6

Calendar year	Appeals filed with County Tax Appeal Boards	Appeals filed with State Tax Appeal Board
2002	51	17
2003 (reappraisal year)	341	128
2004	67	10 (to date) Eight counties still have appeals pending and not yet heard.

(The number of appeals filed as a result of the 1996 and 2003 statewide reappraisals of property were anomalies due to the enactment of legislation which effectively mitigated the impact of increases in appraisal value by phasing in the effect of reappraisal over a period of years.) While the number of county tax appeal board filings has declined over the years, this Board has seen an increase in the number and complexity of appeals filed on behalf of corporations and centrally assessed industrial properties.

3) We only spend what we need. We have an admirable reversion history, as demonstrated below:

	APPROPRIATION PER FISCAL YEAR	REVERTED
FY04	\$322,249	\$ 27,841
FY03	\$283,763	\$ 29,907
FY 02	\$277,165	\$ 28,252
FY 01	399,958	\$ 117,093
FY 00	\$371,219	\$ 87,898
FY 99	\$384,520	\$ 93,347
FY 98	\$365,126	\$ 33,862
FY 97	\$399,034	\$ 126,000
FY 96	\$396,795	\$ 59,000
FY 95	\$381,849	\$ 41,931
FY 94	\$397,118	\$ 6,276
FY 93	\$373,885	\$ 13,477
FY 92	\$384,935	\$ 36,343
FY 91	\$435,926	\$ 117,776
FY 90	\$405,642	\$ 92,162

#### Decision Package (301)

An increase of \$254 general fund for the biennium is requested to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

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**Decision Package 2310 - Statewide FTE Reduction (3701):**

There is a request to reduce funding by 0.50 FTE for an aggregate position that funds county tax appeal board secretaries due to under-utilization during the base year. The Board has no quarrel with this request.

**Current Output/Workload Indicators for State Tax Appeal Board from Dec. 1, 2004 to Jan. 14, 2005:**

	Property Tax Appeals (from decisions of county tax appeal boards)	Direct appeals (from decisions of the Department of Revenue)	Total
Decided, dismissed or settled	4	2	6
Appeals heard and awaiting decision	11	3	14
Appeals pending - not heard	36	7	43
New appeals	5	0	5
Waiting other action (held in abeyance)	0	3	3