SENATE TAXATION
EXHIBIT NO. 8
DATE 3-19-2013
BILL NO. none

MONTANA STATE TAX APPEAL BOARD

1209 8th Avenue
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To: Joint Senate and House Tax Committees

From: Montana State Tax Appeal Board
on behalf of all tax appeal boards
Karen Powell, Chairwoman

January 2013 *(*updated March 2013)*

Please do not hesitate to contact the Board with any questions:

Karen Powell, Chairwoman
(406) 444-5394 (direct)
Samantha Sanchez, member
Dave McAlpin, member
(406) 444-2720 (general)

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Constitutional and statutory History of the Board

The Montana Constitution requires that:

> *The legislature shall provide independent appeal procedures for taxpayer grievances about appraisals, assessments, equalization, and taxes. The legislature shall include a review procedure at the local government unit level."* (Article VIII, Section 7).

The State Tax Appeal Board is the mechanism the legislature chose to implement this Constitutional requirement. There are also 56 county tax appeal boards (CTAB) authorized by the legislature to fulfill the Constitutional requirement for a local review procedure. Each board has three members, appointed by the County Commission, and a secretary. The State Board trains and oversees the county boards and pays all the costs of their work. Those costs are included in our budget request.

Key words in the Constitutional language are "independent" and "taxpayer grievances." The State Board exists to hear "taxpayer grievances" and acts as an administrative tax judge.

The State Board is administratively attached to the Department of Administration (DOA), not the Department of Revenue (DOR). We provide an independent review of the decisions of the DOR. In our hearings, the Taxpayer (whether a homeowner in your district or the largest corporation in the state) is on an equal footing with the DOR. We hear cases ranging from multi-billion dollar valuations (centrally assessed properties such as telecommunication and utility companies) to value of properties under $100,000 (individual residences and agricultural property.

2009 Reappraisal and Budget Request

- Reappraisal of residential, commercial and agricultural property stimulates the largest number of appeals to the county and state boards. In 2009, the Department of Revenue performed the first comprehensive review of agricultural land since 1963. Residential, commercial and forestland property values were also reappraised, so all class 3, 4 and 10 property received an assessment notice with a new valuation (and an opportunity to appeal.)

- Both the state and county tax appeal boards saw a substantial increase in cases during the last biennium.

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We requested, and received, additional funding in the prior biennium to help with increased county tax appeal board expenses due to reappraisal. We expended all of this one-time-only funding in each fiscal year. There is currently no back-log of cases.

The State Tax Appeal Board used to travel throughout the state to hear appeals and to train the county boards. However, we reallocated our travel budget to cover the costs of county tax appeal board operations. The State Board pays the county tax appeal board member costs, the county tax appeal board salaries, and expenses for all 56 county tax appeal boards.

The State Tax Appeal Board (STAB) is a three member Board, funded through the general fund. We have two administrative staff. The Board hears appeals from decisions of the 56 county tax appeal boards and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally assessed property, new industry, cabin site lease valuations, motor fuels, and tobacco taxes. Appeals are generally handled through an administrative hearing, which establishes the complete record of the case. The district courts do not hold another hearing.

While there is a large volume of reappraisal appeals, the direct appeals require a significantly larger amount of work per case by the State Tax Appeal Board and staff.

The table provides case information for the 1993 through 2009 statewide reappraisals:

Calendar year	County Tax Appeal Boards Appeals	State Board Appeals from the County	Direct Appeals
1993 (reappraisal year)	4,072	2,537	
1994	694	109	
1995	173	53	
1996 (reappraisal year) – 1st year with phase-in	105	22	
1997	571	170	
1998	156	37	
1999	165	51	
2000-2002	474	39	
2003 (reappraisal year)	341	128	12
2004	67	18	10
2005	35	15	11
2006-2008	46	16	126
2009 (reappraisal year)	2,902	159	33
2010	731	22	13
2011	490	20	15
2012	387	44	24