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## Revenue and Transportation Interim Committee

### 61st Montana Legislature

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JEFF ESSMANN  
CHRISTINE KAUFMANN  
JIM PETERSON  
BRUCE TUTVEDT

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DICK BARRETT  
CARLIE BOLAND  
BRIAN HOVEN  
MIKE JOPEK  
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#### COMMITTEE STAFF

JEFF MARTIN, Research Analyst  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

# MINUTES

## HB658 Subcommittee

August 17, 2009

Room 137, Capitol Building  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

#### **COMMITTEE MEMBERS PRESENT**

SEN. CHRISTINE KAUFMANN  
REP. DICK BARRETT  
REP. CARLIE BOLAND  
REP. BRIAN HOVEN

#### **INTERESTED PERSONS AND STAKEHOLDERS**

Bob Decker  
Molly Severtson  
Ed Caplis  
Larson Silbaugh  
Alec Hansen  
Jim Standaert  
Mary Whittinghill  
Joe Roberts  
Tara Veazey

#### **STAFF PRESENT**

JEFF MARTIN, Research Analyst  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

## **Visitors List and Agenda**

Visitors' list, Attachment 1  
Agenda, Attachment 2

### **CALL TO ORDER AND ROLL CALL**

00:00:18 Sen. Kaufmann called the meeting to order at 1:00 p.m. The members of the subcommittee were present as well as other stakeholders: Sen. Kaufmann, Jeff Martin, Fong Hom, Rep. Barrett, Bob Decker, Molly Severtson, Ed Caplis, Larson Silbaugh, Alec Hansen, Jim Standaert, Mary Whittinghill, Joe Roberts, Tara Veazey, Rep. Boland, and Lee Heiman.

### **AGENDA**

#### **PURPOSE OF SUBCOMMITTEE MEETING**

00:04:21 Sen. Kaufmann gave opening remarks and a brief overview of HB658. Jeff Martin directed the committee members to several documents in their packets: Section 14 from HB658 that requested the study; the changes that were made to not only the tax rates but also the changes that were made to the property tax assistance program; an extract from the Department of Revenue's biennial report for July 1, 2006, through June 30, 2008, containing the property assistance programs; and a memo from Rep. Barrett discussing some points that may be included in the study.

Sen. Kaufmann discussed what the Revenue and Transportation Interim Committee is charged with and that the working group has to decide what should be put in front of the full committee, what the method should be, and what topics the full committee should be focused upon.

#### **GOALS AND OBJECTIVES OF THE COMMITTEE**

00:12:13 Rep. Barrett  
Rep. Barrett hopes for a study plan to reform the circuit breaker programs and move in the direction of a single unified program. Rep. Barrett talked about the notch effect that is used in the Lincoln Land Institute Study.

00:16:42 Bob Decker  
Mr. Decker said that his organization's interest is in tax fairness and complexity of the existing four-part circuit breaker system.

- 00:19:32 Ed Caplis, Department of Revenue  
Mr. Caplis said that the Department of Revenue is committed to working with Legislative staff to provide the analysis that you will need within their existing resources.
- 00:20:01 Alec Hansen, Montana of League of Cities and Towns  
Mr. Hansen said that a study needs to carefully examine the consequences of circuit breakers and exemptions on the total overall impact on all the classifications of property and income levels of property owners in the state and develop a circuit breaker program that is fair and affordable that people can understand.
- 00:25:58 Mary Whittinghill, Montana Taxpayers Association  
Ms. Whittinghill would like to look at the participation rates and the effect that these programs have on all classes of property.
- 00:29:44 Joe Roberts  
Mr. Roberts said that he thinks that there are some problems with the existing property tax assistance programs.
- 00:33:27 Tara Veazey  
Ms. Veazey said that her organization's primary objective is to reach a shared bipartisan commitment to consolidate and increase property tax assistance in the state in a way that ultimately decreases the regressivity of the property tax system in Montana and lifts the burden on the lowest income Montanans, have a thorough analysis of the existing property tax program, and an understanding of the fact that traditional mitigation is our biggest property tax assistance program.
- 00:35:23 Rep. Boland  
Rep. Boland said that she is here to try to get a fair circuit breaker for everyone that deserves it.

#### **OVERVIEW OF REPORT "PROPERTY TAX CIRCUIT BREAKERS" - Jeff Martin, LSD**

- 00:36:10 Mr. Martin gave a brief synopsis of the "Property Tax Circuit Breakers" that was published by the Lincoln Institute of Land Policy.

#### **Questions or Comments Related to the Report**

None.

### **REVIEW OF BIENNIAL REPORT - Jeff Martin, LSD**

00:47:50 Mr. Martin reviewed the property tax assistance programs in Montana: Montana's Elderly Homeowner/Renter Credit; Property Tax Assistance Program (PTAP); Extended Property Tax Assistance Program (EPTAP); and Disabled American Veterans (DAV) Exemption **(Exhibit 1)**.

#### **Discussion and Questions**

00:51:24 There were questions and discussion on the Elderly Homeowner/Renter Credit and the Property Tax Assistance Program. Some of the questions had to do with how a home valued at \$200,000 is assessed; how does the number of participants in the Property Tax Assistance Program compare to an estimate of the number of eligible people.

01:04:40 **Mr. Martin continued with his presentation on the Extended Property Tax Assistance Program and Disabled American Veterans Exemption.**

01:09:49 Sen. Kaufmann said that in April 17, 2008, Dan Dodds, Department of Revenue, reviewed the Elderly Homeowner/Renter Credit. Mr. Martin said that Mr. Dodds' report is available on the Committee's webpage for the 2007-08 interim.

01:12:12 Rep. Barrett discussed his memo to Sen. Kaufmann dated August 14, 2009, regarding elements to be addressed in study plan **(Exhibit 2)**.

01:17:55 Tara Veazey distributed the Montana Budget and Policy Center's Policy Brief **(Exhibit 3)** to the committee.

01:20:59 Mary Whittinghill said she would like the Department of Revenue to verify what household incomes are being used for some of the analyses.

01:23:45 Lee Heiman, Staff Attorney, distributed amendments to House Bill No. 658 **(Exhibit 4)** that was proposed in the 2009 Session to the committee for their information.

Sen. Kaufmann discussed some ideas about the four programs in the Department of Revenue Biennial Report and posed a few questions: to what degree are the programs being utilized based on who is eligible; why

participation rates are declining in some programs; should there be four programs; are there any inequities in the programs; and how significant is the notch effect in each of these programs.

01:27:44 Sen. Kaufmann discussed the columns in the table on page 4 of the amendments.

01:34:17 Mary Whittinghill talked about the problems of shifting the tax cut to local government.

01:38:40 Alec Hansen said that it would be interesting to look at the whole premise of property taxes, including other sources of revenue to supplement local government funding, thereby, allowing for a reduction in property taxes.

#### **PUBLIC COMMENT**

01:42:25 **Rhonda Wiggers, Montana Treasurers Association**, commented on Sen. Kaufmann's amendment and how much of a burden it was for some property taxpayers to write that big check to pay for the taxes.

01:45:28 Tara Veazey wanted to make a clarifying point on progressivity and regressivity. She said that there wasn't a single proposal on the table during last session that would make the property tax system progressive. The only thing that was discussed is decreasing the regressivity of the property tax system.

#### **SUBCOMMITTEE DECISION ON ELEMENTS TO BE INCLUDED IN STUDY PLAN**

01:46:06 Mr. Martin suggested, putting together a study plan that incorporates as much as possible into the plan, property tax assistance through circuit breakers or other means, rather than having discussions of the property tax system in general.

01:53:03 Joe Roberts said that he would like to add a list of funding sources and what those amounts would be.

Bob Decker said that the Revenue and Transportation Interim Committee is requested to review methods of providing assistance to property taxpayers, with no qualifications about efficiency or simplification.

02:02:45 Sen. Kaufmann said the Mr. Martin reminded us that the Working Group's goal is to generate components of a work plan that would be hopefully adopted or acted

upon by the full committee rather than to necessarily plan a presentation for the September meeting.

Mr. Martin said that he would draft a study plan, send it out for comment, and have something ready for the committee by the September 17 meeting.

02:09:16 Sen. Kaufmann adjourned the meeting at 3:10 p.m.

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