



Revenue and Transportation Interim Committee

63rd Montana Legislature

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TO: Members of the Revenue & Transportation Interim Committee

FROM: Megan Moore, Research Analyst

RE: Past Property Tax Studies and Options for Study Format

DATE: June 30, 2014

This memorandum provides information requested at the May 6, 2014, meeting about recent property tax studies undertaken by the Legislature and options for structuring a study.

Past Property Tax Studies

The list of property tax studies below provides links to the study resolutions and other relevant materials sorted by year.

2011-2012

- [Senate Joint Resolution No. 17](#): Study of valuation of centrally assessed property and industrial property for tax purposes
 - No findings, recommendations, or proposed legislation
 - The [SJR 17 final report summary](#) provides an overview of the study activities and links to material presented throughout the interim.
- [Senate Joint Resolution No. 23](#): Study of tax exemptions for nonprofit organizations
 - No findings, recommendations, or proposed legislation
 - The [SJR 23 final report summary](#) provides an overview of the study activities and links to material presented throughout the interim.

2009-2010

- [House Bill No. 657](#): Study of the taxation of oil and natural gas property after [Senate Bill No. 489](#) clarified taxation of gas and oil pipelines following the 2008 decision in Omimex Canada, Ltd. v. State of Montana, Department of Revenue. The bill included a \$20,000 appropriation for the study.
 - No findings, recommendations, or proposed legislation.
- [House Bill No. 658](#): Requested that the Revenue and Transportation Interim Committee review methods of providing assistance to property taxpayers, including circuit breaker programs and assistance to low-income, veteran, and elderly property owners and whether the assistance should be accomplished through income tax or property taxation means. The bill did not include an appropriation for the study.
 - No findings, recommendations, or proposed legislation.
- The committee also created two subcommittees to discuss issues arising from the 2009

reappraisal: the Residential and Commercial Property Reappraisal Subcommittee and the Agricultural and Forest Land Property Reappraisal Subcommittee

- The Residential and Commercial Property Reappraisal Subcommittee recommended two bill drafts, and the full committee approved the drafts as committee bill drafts. Both bills died in standing committee during the 2011 legislative session.
 - [Senate Bill No. 22](#): An Act allowing for public disclosure of certain information contained in realty transfer certificates for class four commercial property
 - [House Bill No. 16](#): An Act allowing for public disclosure of certain information contained in realty transfer certificates for class four residential property.

2007-2008

- [Senate Joint Resolution No. 31](#): Study of the viability of the use of property taxes to fund education including an examination of equalization through a statewide school equalization district that would levy taxes against specific classes of property and an inquiry into the use of a statewide sales and use tax to provide education funding and permanent property tax relief.
 - The committee established a subcommittee for this study.
 - The [SJR 31 Final Report](#) provides an overview of the study activities including the following:
 - The exploration of demographic changes found more and different changes than were expected.
 - The statewide nonuniform district levy was probably unconstitutional, and the report included a proposed constitutional amendment.
 - The committee explored modifications of the existing school revenue system, including changes to the guaranteed tax base system.
 - Implementation of a sales tax was analyzed, including revenue modeling and a discussion of shortcomings.
- [House Bill No. 488](#): Require the Revenue and Transportation Interim Committee to conduct a study of the revaluation of class three agricultural land, class four residential and commercial property, and class ten forest lands. The bill included a \$50,000 appropriation for the study.
 - The committee established a subcommittee for this study.
 - No findings, recommendations, or proposed legislation.

2005-2006

- [House Joint Resolution No. 43](#): Study of the classification, valuation, and taxation of agricultural land.
 - No findings, recommendations, or proposed legislation.
- [House Joint Resolution No. 44](#): Study of the assessment and property taxation of oil and natural gas property
 - An overview of the study is included in the committee's [final report](#). There were no findings, recommendations, or proposed legislation.

2003-2004

- [Senate Joint Resolution No. 29](#): Study of the taxation of centrally assessed property with a focus on utilities and utility properties.

2001-2002

- [Senate Joint Resolution No. 21](#): Study of the taxation of agricultural versus nonagricultural land

Study Structure Options

There are four main options for structuring a property tax simplification study.

1. A study requested by a joint resolution of the Legislature and assigned to an interim committee.
 - a. Priority: Some studies passed by resolution may not be assigned to an interim committee. The Legislative Council assigns studies based on staff recommendations, which are based on a poll of studies and committee workloads.
 - b. Committee members: Interim committee studies may use working groups that include nonlegislative members, but the ultimate decisionmakers are intended to be legislators.
 - c. Primary staffing provided by: Legislative Services
 - d. Costs: The costs of the study are part of the interim committee budget.
 - e. Authorizing entity: Legislature
 - f. Examples: Both of the committee's studies this interim serve as examples of studies requested by joint resolution: [Senate Joint Resolution No. 23](#) (2013) and [Senate Joint Resolution No. 26](#) (2013).
2. A study requested by a bill and assigned to an interim committee.
 - a. Priority: A study requested by a bill does not go through the prioritization process but could influence staff recommendations related to interim studies requested by resolution.
 - b. Committee members: Interim committee studies may use working groups that include nonlegislative members, but the ultimate decisionmakers are intended to be legislators.
 - c. Primary staffing provided by: Legislative Services
 - d. Costs: Joint Rule 40-65 requires a bill including a request for an interim study to contain an appropriation sufficient to conduct the study.
 - e. Authorizing entity: Legislature and Governor
 - f. Example: [House Bill No. 488](#) (2007) required the Revenue and Transportation Interim Committee to study the revaluation of class three agricultural land, class four residential and commercial property, and class ten forest lands. The bill included a \$50,000 appropriation for the study.
3. A study requested by a bill and assigned to a select committee of the Legislature.
 - a. Priority: A study requested by a bill does not go through the prioritization process but could affect staff resources available to interim committees.
 - b. Committee members: Interim committee studies may use working groups that include nonlegislative members, but the ultimate decisionmakers are intended to be legislators.
 - c. Primary staffing provided by: Legislative Services
 - d. Costs: Joint Rule 40-65 requires a bill including a request for an interim study to contain an appropriation sufficient to conduct the study.

- e. Authorizing entity: Legislature and Governor
 - f. Example: [House Bill No. 642](#) (2011) created a select committee on efficiency in government composed of 12 legislators. The bill contained a \$100,000 appropriation for the study.
4. A study requested by a bill with legislative and nonlegislative members and Executive Branch staff services.
- a. Priority: This type of study would fall outside of the Legislative Services priority system.
 - b. Committee members: This type of committee could include legislators and other interested parties such as representatives of local government, industry, labor, schools, and the Executive Branch.
 - c. Primary staffing provided by: an Executive Branch agency. This may be drafted to specify that the committee is "attached to the department of revenue for administrative purposes."
 - d. Costs: A bill requesting such a study should probably include an appropriation for operating expenses and member travel expenses.
 - e. Authorizing entity: Legislature and Governor
 - f. Example: [House Bill No. 429](#) (2003) established a property tax exemption study committee staffed by the Department of Revenue. The committee included two members of the House of Representatives (appointed by the Speaker), two members of the Senate (appointed by the Committee on Committees), and representatives of local government, K-12 schools, organizations exempt from property tax, business, and the Executive Branch (appointed by the Governor). The bill contained a \$6,000 appropriation.

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