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HJ 35 TAX STUDY
67th Montana Legislature

SENATE MEMBERS	HOUSE MEMBERS	COMMITTEE STAFF	PUBLIC MEMBERS
Duane Ankney	Becky Beard	Jaret Coles - Attorney	Rose Bender
Dick Barrett	Zach Brown	Megan Moore - Research Analyst	Eric Bryson
Mark Blasdel	John Fuller	Laura Sherley - Secretary	Tim Burton
Jill Cohenour	Jim Hamilton		Dwaine Iverson
Brian Hoven	Marilyn Marler		Bob Story
Susan Webber	Alan Redfield		Doug Young

MINUTES LOG

January 13, 2020
Capitol Room 137

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Please contact the Legislative Services Division at 406-444-3064 for more information.

COMMITTEE MEMBERS PRESENT

REP. ALAN REDFIELD, CHAIR (R)
SEN. DICK BARRETT, VICE CHAIR (D)

SEN. DUANE ANKNEY (R)
SEN. MARK BLASDEL (R)
SEN. JILL COHENOUR (D)
SEN. BRIAN HOVEN (R)
SEN. SUSAN WEBBER (D)

REP. BECKY BEARD (R)
REP. JOHN FULLER (R)
REP. JIM HAMILTON (D)
REP. MARILYN MARLER (D)

ROSE BENDER, PUBLIC MEMBER
ERIC BRYSON, PUBLIC MEMBER
TIM BURTON, PUBLIC MEMBER
DWAINE IVERSON, PUBLIC MEMBER
BOB STORY, PUBLIC MEMBER
DOUG YOUNG, PUBLIC MEMBER

COMMITTEE MEMBERS EXCUSED

REP. ZACH BROWN (D)

STAFF PRESENT

MEGAN MOORE, Research Analyst
JARET COLES, Attorney
LAURA SHERLEY, Secretary

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

CALL TO ORDER AND ROLL CALL

08:31:54 Rep. Redfield called the meeting to order at 8:31 a.m. The secretary took roll. Rep. Brown was excused and left his proxy with Rep. Hamilton ([Attachment 3](#)).

PROPERTY TAX BASICS

Overview of the Property Tax

08:33:33 Mr. Young ([Exhibit 1](#))

08:46:45 Sen. Blasdal joined the meeting at 8:46 a.m.

Committee questions

09:07:10 Rep. Beard asked for clarification on the classification system calculation (see Exhibit 1).

09:08:04 Mr. Bryson asked Mr. Young to discuss the conversion of dollars to mills and the limitations on mills that local governments can impose.

09:10:39 Sen. Barrett commented on government versus city spending.

09:14:03 Sen. Hoven asked for information on the percent of personal income spent on property taxes.

09:15:45 Mr. Burton asked if there has been a tax shift from the various exemptions of residential property classification.

State Property Tax Policy

09:16:49 Ms. Moore ([Exhibit 2](#))

Committee questions

09:25:18 Sen. Hoven asked if the income level for the property tax assistance program and disabled veterans' program are adjusted for inflation.

09:25:39 Rep. Hamilton asked how many homeowners are taking advantage of the programs.

09:26:02 Mr. Iverson asked who monitors the local government calculations of maximum mill levies.

09:26:44 Mr. Iverson commented on the Mitchell, et al. v. Glacier County and the State of Montana Class Action Lawsuit and asked if taxpayers have challenged the case. The question was redirected to Mr. Coles.

09:28:50 Committee discussion

Property Tax History

09:32:41 Ms. Moore ([Exhibit 3](#))

Committee questions/discussion

09:43:56 Rep. Hamilton asked if studies have been done on business equipment tax change and if results from those studies were able to enhance the tax.

09:44:44 Sen. Hoven asked for clarification on where class one property net proceeds go.

09:45:26 Committee discussion

BREAK

Property Tax Basics Continued

Understanding Reappraisal

- 10:02:48 Gordy Conn, Property Assessment Division Administrator, Department of Revenue (DOR) (**Exhibit 4**)
- 10:08:34 Robin Rude, Region 3 Regional Manager, DOR
- 10:21:27 Kory Hofland, Property Assessment Deputy Division Administrator, DOR

Committee questions

- 10:29:06 Sen. Barrett asked Ms. Rude to discuss appraisal boundary issues.
- 10:32:27 Sen. Hoven asked Ms. Rude to clarify her comments and asked what properties are examined by their appraisers.
- 10:35:14 Sen. Webber asked Ms. Rude if the department works with the Bureau of Indian Affairs regarding property appraisals on reservations.
- 10:35:43 Mr. Iverson asked Mr. Hofland about changing the way CPAs complete personal property returns in the DOR system.
- 10:36:27 Mr. Hofland commented on Ms. Moore's presentation.
- 10:36:50 Mr. Story asked Mr. Hofland to discuss the general assessment date and residential property taxes timelines

School Funding and the Property Tax

- 10:38:12 Pad McCracken, Legislative Services (**Exhibit 5**)

Committee questions

- 11:09:23 Mr. Story asked Mr. McCracken to discuss state versus local base funding.
- 11:11:36 Rep. Hamilton asked for clarification of the state guaranteed ratio 193% taxable value per dollar GBT area.
- 11:13:10 Mr. Story commented on school block grants.
- 11:15:39 Mr. Bryson asked Mr. McCracken to discuss the difference between local government funding and school district funding.
- 11:17:10 Rep. Redfield asked Mr. McCracken to discuss how accountants handle school district funding.
- 11:18:13 Mr. Story commented on the history of school district funding.

Federal Deduction for State and Local Property Taxes Paid

- 11:19:41 John Steinhoff, Society of CPAs

Committee questions

- 11:23:52 Sen. Hoven asked if more people are completing their returns due to the federal returns standard deduction increase.
- 11:25:07 Mr. Story asked Mr. Steinhoff to discuss the relationship between federal and state sales and consumption tax.

Common Legal Issues Associated with the Property Tax

- 11:28:14 Mr. Coles (**Exhibit 6**)

Committee questions

- 11:49:14 Mr. Story asked Mr. Coles to clarify how property is valued and assessed in statute.

Interim Survey Results

11:50:13 Joe Kolman, LSD ([Exhibit 7](#))

Public Comment

11:57:56 Sen. Esp, SD 30

LUNCH

EVALUATING THE PROPERTY TAX

History of Mill Rates by City and County

13:03:24 Ms. Moore ([Exhibit 8](#))

Local Government Mill Levy Data

13:06:40 Darryl James, Montana Infrastructure Coalition ([Exhibit 9](#))

13:15:13 Terry Johnson, Montana Infrastructure Coalition ([Exhibit 10](#))

Committee questions

13:25:25 Mr. Young asked Mr. Johnson for clarification on the data presented on the Property Tax Assessments by Taxing Jurisdiction graph.

13:26:29 Sen. Barrett asked Mr. Johnson if the Property Tax Assessments by Taxing Jurisdiction graph includes voted levies.

13:26:48 Mr. Burton asked Mr. Johnson for clarification on how the total town property tax mill levy is calculated. Mr. James also responded to the question.

13:31:00 Mr. Story asked Mr. Johnson to discuss the increase in public school annual property tax in years 2018 and 2019.

13:32:56 Mr. Burton asked Mr. Johnson if the Department of Revenue is accurately capturing new construction related to mill levies.

13:33:49 Mr. Story asked Mr. Johnson for clarification on the city/county charts (see Exhibit 9)

13:35:10 Mr. James commented on the coalition's work to compile detailed mill levy data versus relying on the data provided by the census bureau.

History of Property Taxes Paid by Class

13:35:29 Ms. Moore ([Exhibit 11](#))

Residential Property Taxes Per Capita by City and County

13:37:50 Ms. Moore ([Exhibit 12](#))

Committee questions

13:41:17 Mr. Bryson asked Ms. Moore for county data that did not include nonresidential high property tax paying amenity destinations.

Residential Property Taxes Per Dollar of Income by County

13:41:58 Ms. Moore ([Exhibit 13](#))

Relative Changes in Residential Taxable Value and Taxes and Identifying Newly Taxable Property

13:44:38 Eric Dale, Department of Revenue ([Exhibit 14](#))

Committee questions

- 13:53:42 Mr. Bryson asked Mr. Dale to discuss the difficulties on assessing property taxes year to year regarding the issue of mill levy carryover.
- 13:56:44 Sen. Hoven asked if the issue in Philips County regarding the carryover of mill levies is an anomaly.
- 13:57:53 Mr. Story asked if permissive county levies were included in the data.
- 13:59:29 Mr. Dale continued his presentation

Committee questions

- 14:00:48 Sen. Barrett asked if the presented graph data was trimmed.
- 14:02:39 Rep. Marler asked for clarification on the State Wide Distribution of 10-Year Increase in Estimated Taxes for Residential Property graph (see Exhibit 14).
- 14:03:09 Mr. Story asked for clarification on the axes on the graph.
- 14:05:32 Mr. Burton asked if the graph includes all taxing jurisdictions.
- 14:05:53 Rep. Hamilton asked why there is disparity in various counties and if county specific graphs include newly taxable value.
- 14:08:17 Sen. Barrett asked if the differences in a taxing jurisdiction are due to differential rates of reappraisal.
- 14:10:53 Mr. Story asked how much the change in taxable value from 2015 affects the analysis.
- 14:12:48 Mr. Story commented on the history of residential taxable value.

Property Tax Abatements

- 14:13:32 Ms. Moore ([Exhibit 15](#))

Committee questions

- 14:15:02 Sen. Hoven asked for further information on the Fergus county data (see Exhibit 16).

Public Comment

None

CONSIDERING REVISIONS TO THE PROPERTY TAX

Property Tax Limits in the States

- 14:16:34 Ms. Moore ([Exhibit 16](#))

Committee questions

- 14:24:34 Rep. Hamilton commented on assessment value limit and asked if there is further information regarding old versus new construction on the same property and the associated property taxes.
- 14:26:01 Sen. Barrett asked Mr. Coles if assessment limits would conflict with the state constitution's provision on equalization.
- 14:26:59 Mr. Story asked how a property that decreases in value is handled.
- 14:27:46 Mr. Iverson asked if there was data for when businesses are sold in a way that the assessment values are locked in.
- 14:28:22 Sen. Hoven asked for clarification on levy limit.

Property Tax Relief in the States

- 14:30:10 Ms. Moore ([Exhibit 17](#)) ([Exhibit 18](#)) ([Exhibit 19](#)) ([Exhibit 20](#))

Overview of Circuit Breakers

14:36:29 Ms. Moore ([Exhibit 21](#))

Committee questions

14:51:04 Rep. Hamilton asked if a property owner can use both the property tax assistance program (PTAP) and the elderly homeowner renter credit program.

14:51:53 Rep. Hamilton asked if there is an average property owner age in the PTAP program.

14:52:36 Sen. Hoven asked if the PTAP program excludes social security and pension income.

14:53:35 Sen. Hoven asked if military retirement income is not excluded in the PTAP program in the state.

Past Legislative of Interest to Committee Members

14:53:58 Ms. Moore ([Exhibit 22](#))

Committee questions

14:57:35 Mr. Burton recommended the committee discuss the 15-10-420 limitation.

15:00:04 Rep. Hamilton asked Sen. Barrett to discuss the other concerns brought up on his bill SB 287 (2013).

Increase Property Tax with Corresponding Income Tax Credit

15:04:26 Mr. Iverson, CPA ([Exhibit 23](#))

Committee questions

15:10:25 Sen. Barrett asked what share of the residential tax base is owned by residents and if nonresidents could file income taxes in the state to recover the tax credit.

15:12:27 Sen. Cohenour asked Mr. Coles if there would be legal issues treating nonresidents differently regarding the tax credit.

15:13:44 Mr. Young asked Mr. Coles to clarify his comments.

15:15:21 Sen. Hoven asked Mr. Coles if a bill could narrow the tax credit allowance.

15:16:30 Mr. Story asked if a property owner could list their recreational property as a state-based LLC and receive a refund.

15:17:42 Rep. Redfield asked Mr. Iverson to discuss property tax rebate versus credit.

15:18:13 Rep. Fuller asked Mr. Iverson to comment on the process he is proposing.

15:19:23 Ms. Bender asked Mr. Iverson to discuss the idea of two separate residential tax classifications.

15:20:00 Sen. Barrett commented on the issues discussed.

BREAK

PUBLIC COMMENT ON ANY TOPIC WITHIN THE HJ 35 COMMITTEE'S JURISDICTION

15:36:33 Rep. Fern, HD5

15:40:21 Bill Berg, Park County Commissioner

15:41:15 Mr. Story

15:41:42 Mr. Berg

COMMITTEE WORK SESSION

Overview of study plan

15:44:02 Ms. Moore ([Exhibit 24](#))

Committee questions/discussion

15:46:25 Mr. Story asked for data breaking down the income tax revenues by county.

15:47:01 Sen. Hoven asked for a breakdown of out of state income tax collected. Mr.

15:47:42 Bryson asked for further information on property tax burden that has increased overtime.

15:53:01 Committee discussion

16:02:12 Mr. Iverson asked Mr. Coles how other states can have two different classifications for residential property and asked how the change in essential payments going back to cities and counties has been impacted.

16:03:13 Committee discussion ([Exhibit 25](#))

ADJOURNMENT

16:16:11 Rep. Redfield adjourned the meeting at 4:16 p.m.