



REVENUE INTERIM COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Jill Cohenour
Greg Hertz
Brian Hoven
Mike Lang
Edith (Edie) McClafferty
Shannon O'Brien

HOUSE MEMBERS

Becky Beard
Alice Buckley
Connie Keogh
Mark Thane
Jeremy Trebas
Tom Welch

COMMITTEE STAFF

Jaret Coles - Attorney
Megan Moore - Research Analyst
Nadine Spencer - Secretary

MINUTES LOG

January 20, 2022
State Capitol Room 102 and Zoom
Helena, Montana

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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MEMBERS PRESENT:

Sen. Jill Cohenour, Presiding Officer (D)
Rep. Becky Beard, Vice Presiding Officer (R)
Rep. Alice Buckley (D)
Sen. Greg Hertz (R)
Sen. Brian Hoven (R)
Rep. Connie Keogh (D)
Sen. Mike Lang (R)
Sen. Edith (Edie) McClafferty (D)
Sen. Shannon O'Brien (D)
Rep. Mark Thane (D)
Rep. Jeremy Trebas (R)
Rep. Tom Welch (R)

STAFF PRESENT:

Jaret Coles, Attorney
Megan Moore, Research Analyst
Nadine Spencer, Secretary

AGENDA ([Attachment 1](#))

VISITORS' LIST ([Attachment 2](#))

COMMITTEE ACTION

The Revenue Interim Committee:

- Voted to send a letter to the Education Interim Committee, the Economic Affairs Interim Committee, the Local Government Interim Committee, and the Financial Modernization and Risk Analysis Study Committee asking them to take on portions of Constitutional Initiative No.121 that they have jurisdiction over.

CALL TO ORDER/ROLL CALL

13:01:49 Chair Jill Cohenour called the meeting to order at 1:01 PM. The committee secretary took roll.

13:02:34 Sen. Cohenour introduced the members of the Financial Modernization and Risk Analysis Study Committee (MARA) in attendance and welcomed them to the discussion.

HJ 36: RESIDENTIAL PROPERTY TAXES

13:03:40 Ms. Moore introduced the speakers from the Lincoln Institute of Land Policy. She said committee members received a copy of their report. ([Exhibit 1](#))

Property Tax Relief for Homeowners – Adam Langley and Joan Youngman, Lincoln Institute of Land Policy

13:04:17 Ms. Youngman, director, Equitable and Efficient Tax Systems, provided a PowerPoint presentation. ([Exhibit 2](#))

13:19:46 Mr. Langley, associate director, U.S. & Canadian Programs, continued the presentation.

13:45:07 Sen. Cohenour thanked the speakers.

Committee questions

13:45:51 Rep. Buckley asked if there are any states or local jurisdictions that have done a particularly thoughtful and good job on targeted property tax relief. Mr. Langley said the report includes case studies on Michigan, which has a good circuit breaker program, and Colorado which has one of the better deferral programs.

13:47:25 Sen. Hoven asked the speakers about the plan they would recommend.

13:47:32 Mr. Langley.

13:48:09 Sen. Hoven asked about recommendations regarding a good plan for Montana.

13:48:18 Ms. Youngman.

13:50:26 Rep. Beard asked Mr. Langley if the Colorado deferral program is incorporated in state statute.

13:51:33 Rep. Thane asked about the volatility of various revenue streams and if there are special considerations for states that do not have sales tax and are largely dependent on income tax and property tax.

13:52:10 Mr. Langley.

13:53:33 Rep. Bill Mercer, MARA committee member, asked if there are circuit breakers in any state that incorporate an asset test, in addition to an income test.

13:54:02 Mr. Langley.
13:54:56 Ms. Youngman.
13:56:08 Sen. Cohenour thanked Ms. Youngman and Mr. Langley.

Existing property tax assistance programs and those proposed in 2021, exemptions, and abatements – Megan Moore, Committee staff

13:56:33 Ms. Moore discussed Montana annotation of table 1.3, potential problems with the property tax and promising solutions. [\(Exhibit 3\)](#)

Committee questions

14:00:29 Rep. Buckley asked Ms. Moore about the elderly rental homeowner credit and why circuit breaker was not included on the "solutions not used."
14:02:22 Ms. Moore discussed the HJ 36: Property Tax Assistance Programs, Abatements, and Exemptions report. [\(Exhibit 4\)](#)

Committee questions

None

Constitutional Initiative 121 Overview – Megan Moore and Jaret Coles, Committee staff

14:09:53 Ms. Moore said the committee received the text of Constitutional Initiative No. 121 (CI-121) [\(Exhibit 5\)](#), comments received by the Attorney General [\(Exhibit 6\)](#), the fiscal note [\(Exhibit 7\)](#), and the Attorney General's legal sufficiency review. [\(Exhibit 8\)](#)
14:10:42 Ms. Moore provided an overview of CI-121.
14:13:13 Mr. Coles presented an overview and gave the current status of the initiative process.
14:14:34 Mr. Coles said the committee received a copy of 13-27-207, petition for initiative for constitutional amendment. [\(Exhibit 9\)](#)
14:15:51 Mr. Coles discussed HB 651 (2021). [\(Exhibit 10\)](#)
14:30:30 Mr. Coles discussed the Attorney General's legal sufficiency review.
14:32:40 Mr. Coles provided an update on the legal argument complaint filed on January 12.
14:36:00 Sen. Cohenour thanked Ms. Moore and Mr. Coles.
14:36:13 Sen. Cohenour said Ed Caplis, Department of Revenue (DOR), and Ralph Franklin, Office of Budget and Program Planning (OBPP), are available to answer any questions about the fiscal note.
14:37:15 Mr. Franklin discussed the fiscal note.

Committee questions

14:41:27 Rep. Thane asked about the fiscal note and the effect on county or other local revenues.
14:42:06 Mr. Franklin.
14:43:15 Mr. Caplis.
14:43:48 Mr. Franklin.
14:44:01 Rep. Thane asked about a projected impact of \$150 million on local jurisdictions and if an assessment was done on the difference between rural and urban areas.

14:44:26 Mr. Franklin.
 14:45:22 Mr. Caplis.
 14:47:03 Sen. Hertz asked Mr. Caplis if most of the levy districts that exceeded 740 mills include an incorporated city.
 14:48:11 Sen. Cohenour asked Mr. Caplis about the difference between unincorporated areas with significantly higher property values and incorporated cities with growing property values.

CI-121 example and Property tax Power BI tool update – Nick VanBrown, Legislative Fiscal Division

14:51:07 Mr. VanBrown presented an example of how CI-121 might work and the difference between what could happen for houses and other classes of property.
 (Exhibit 11)

Committee questions

14:59:52 Rep. Beard asked Mr. VanBrown if he has been contacted by title companies or realtors about property values resetting upon the sale of a home.
 15:01:08 Sen. Cohenour asked Mr. VanBrown about the effect as more and more jurisdictions hit the mill cap.
 15:03:17 Sen. Cohenour asked Mr. Caplis what happens with taxpayer behavior when they are immune from any property tax increases.
 15:04:23 Sen. Hertz asked Mr. VanBrown what happens if levies are allowed to float.
 15:06:42 Chair Cohenour asked Mr. VanBrown about the ability for schools to ask for a new levy if they were not allowed to float.
 15:08:34 Mr. VanBrown provided an update on the property tax power BI tool.
 15:13:04 Sen. Cohenour thanked Mr. VanBrown.

Public comment - Proponents

15:15:53 Matthew Monforten, Bozeman, co-sponsor, CI-121.
 15:21:10 Albert Olszewski, treasurer, CI-121
 15:25:01 Bob Davis, Florence
 15:29:54 Char Davis, Florence
 15:32:10 Richard Thiltges, Helena
 15:37:47 Sen. Brad Molnar, SD 28, speaking as a citizen

Public comment - Opponents

15:43:51 Bridger Mahlum, Montana Chamber of Commerce
 15:48:55 Sam Sill, Montana Association of Realtors
 15:55:17 Darryl James, executive director, Montana Infrastructure Coalition
 15:59:39 Eric Burke, Montana Federation of Public Employees
 16:04:16 Jay Bodner, Montana Stockgrowers Association
 16:05:24 Cary Hegreberg, CEO, Montana Bankers Association
 16:08:19 Rachel Cone, Montana Farm Bureau Federation
 16:09:43 Rose Bender, Montana Budget and Policy Center

16:12:24 Wiley Barker, Montana Association of Realtors
16:20:04 Tim Burton, executive director, Montana League of Cities and Towns
16:24:10 Rachel Prevost, Montana Farmers Union

Public comment - Informational Witnesses

16:25:55 Bob Story, Montana Taxpayers Association ([Exhibit 12](#))
16:32:04 Mr. Story commented on the first presentation. ([Exhibit 13](#))

Public Comment

Additional public comment received online ([Exhibit 14](#))

Committee questions

16:38:13 Sen. O'Brien requested a copy of the documents submitted by Mr. Story.
16:38:44 Sen. O'Brien asked Mr. Mahlum to elaborate on the number one reason why the Montana Chamber of Commerce opposes the initiative.
16:43:35 Sen. Hertz commented on the consequences of amending the constitution and to instead look at property tax relief programs for homeowners.
16:46:07 Rep. Beard thanked the public for their comments.
16:47:07 Sen. Cohenour said the discussion was very informative, but more information is needed from some of the entities that will be harmed. She recommended sending a letter to other interim committees that have jurisdiction over portions of the initiative to bring more information to the table before taking any committee action.

Motion/Vote

16:49:33 Rep. Welch moved to send a letter to the Local Government Interim Committee, the Education Interim Committee, and the MARA Committee to take on portions of CI-121 that they have jurisdiction over. The motion carried unanimously by voice vote.

16:50:12 Rep. Buckley asked about including the Economic Affairs Interim Committee.

Motion/Vote

16:50:29 Rep. Beard moved to amend the previous motion and include the Economic Affairs Interim Committee. The motion carried unanimously by voice vote.

Motion

16:52:00 Rep. Beard moved that the Revenue Interim Committee not recommend moving CI-191 forward.

16:52:52 Rep. Llew Jones, MARA committee member, said the MARA will meet on January 27 and is hoping to have updates on the model of the initiative.

Discussion on the motion

16:53:28 Sen. Hertz
16:54:09 Sen. Cohenour
16:54:54 Sen. Lang
16:55:59 Mr. Coles

Substitute Motion/Vote

16:57:08 Sen. Lang made a substitute motion to postpone the vote until tomorrow and take committee action before the agenda item on administrative matters. The motion carried unanimously by voice vote.

REVENUE ESTIMATING AND MONITORING

General Fund revenue update – Legislative Fiscal Division

16:58:38 Amy Carlson, legislative fiscal analyst, provided the year to date report on revenues for FY 2022. [\(Exhibit 15\)](#)

Committee questions

17:09:08 Sen. Hertz asked Ms. Carlson about wage growth and the increase in withholdings.
17:10:39 Sen. Cohenour asked Ms. Carlson about including late tax filings.
17:12:07 Rep Thane said the month of September set a record for the most people ever employed in Montana and asked Ms. Carlson if that is still true and partially responsible for the uptick.
17:13:15 Ms. Carlson continued her presentation.

Public Comment

None

AGENCY MONITORING: Department of Revenue – Brendan Beatty, Director

17:17:59 Mr. Beatty.
17:20:50 Kory Hofland, Property Assessment Division administrator, DOR.

Exempt property report

17:22:07 Eric Dale, Property Assessment Division, DOR. [\(Exhibit 16\)](#)

Health integrity fee update

17:31:45 Dona Losett, Income Withholding Tax Bureau, unit manager, DOR. [\(Exhibit 17\)](#)

Committee questions

17:36:31 Sen. Cohenour asked Ms. Losett what the department is doing for people who applied for the program and were assessed a very large fee. Ms. Losett redirected the question to Theresa Whitney, senior tax counsel, DOR.
17:39:10 Sen. Cohenour thanked the department for working through the issue.

How to gather data on state of residence for home sales

17:39:50 Mr. Hofland. [\(Exhibit 18\)](#)

Committee questions

None

Major case update

17:42:21 Dave Stewart, chief legal counsel, DOR. [\(Exhibit 19\)](#)

17:43:42 Sen. Cohenour asked Mr. Stewart to provide additional information on settlements.

Committee questions

17:47:11 Rep. Buckley asked Mr. Stewart about the impact of the Charter Communications settlement to local governments and schools.

17:48:04 Mr. Beatty provided additional information.

17:49:31 Sen. Cohenour said she hopes the department stands its ground on the property valuations on behalf of the taxpayers of Montana.

17:50:08 Mr. Beatty.

17:51:19 Sen. Lang asked Mr. Beatty about the department's communication with Omimex regarding tax collections.

17:55:15 Sen. Cohenour thanked the department.

Public Comment

17:55:37 Bob Story, Montana Taxpayers Association.

17:57:38 Heather O'Loughlin, Montana Budget and Policy Center.

ADJOURNMENT

17:59:44 Sen. Cohenour adjourned the meeting at 5:59 p.m.