



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
Alexis Newcomer- Secretary

MINUTES LOG

June 16, 2022
Capitol Building 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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <https://leg.mt.gov>. From the home page, select the "Committees" drop down menu at the top, then select Administrative or Interim, and the appropriate committee. The written minutes log can be located by expanding the accordion menu for the date of the meeting. Links to the audio/video files can be located by selecting the Video/Audio button on the same page, then the "past/current recordings" button. From there, use the calendar to select the date of the meeting you wish to view/listen to. The written Minutes Log, along with links to the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed. Please contact the Legislative Services Division at 406-444-3064 for more information.

MEMBERS PRESENT:

Sen. Jill Cohenour, Chair (D)
Rep. Becky Beard, Vice Chair (R)
Rep. Alice Buckley (D)
Sen. Greg Hertz (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)

MEMBERS EXCUSED:

Sen. Brian Hoven (R)

MEMBERS ABSENT:

STAFF PRESENT:

Jaret Coles, Attorney
Megan Moore, Research Analyst

Alexis Newcomer, Secretary

AGENDA ([Attachment 1](#))

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

COMMITTEE ACTION

The committee:

- adopted the final report, including the draft finding and recommendation, for the House Joint Resolution 6 study of the coal severance tax trust fund: and
- requested RIC-01 to revise forest taxation laws as a committee-requested bill with a change to add the requirement that meetings take place in Montana. Sen. Cuffe will sponsor the bill.

CALL TO ORDER/ROLL CALL

The committee met in a joint meeting with the Legislative Finance Committee on 6/16/22.

Meeting minutes and audio/visual recording can be found at:

<https://leg.mt.gov/committees/admincom/lfc>

13:02:35 Sen. Jill Cohenour-D called the meeting to order at 1:02 PM.

AGENCY MONITORING: MONTANA TAX APPEAL BOARD – DAVE MCALPIN, CHAIR

13:03:40 Dave McAlpin, Chair, Montana Tax Appeal Board ([Exhibit 1](#))
([Exhibit 2](#)) ([Exhibit 3](#))

13:12:40 Sen. McClafferty joined the meeting.

Committee questions and discussion

13:15:40 Sen. Hertz commented on the rule draft.

PUBLIC COMMENT

None.

Committee Topic: Constitutional Initiative 121 UPDATE ON DISTRICT COURT RULING – JARET COLES, STAFF ATTORNEY

13:17:37 Jaret Coles, Staff Attorney

Public comment([Exhibit 4](#))

13:21:44 None.

HJ 36: RESIDENTIAL PROPERTY TAXES

Requested information on WY, HI sales taxes – Finn McMichael, DOR

13:22:20 Finn McMichael, Department of Revenue ([Exhibit 5](#))

Committee questions and discussion

13:28:33 Sen. O'Brien asked Mr. McMichael about tax revenue in Wyoming and tax exemptions.

13:30:57 Rep. Beard asked Mr. McMichael about constitutional limitations of sales tax in Wyoming and requested Mr. McMichael research the question.

13:31:49 Rep. Welch asked Mr. McMichael about agriculture equipment tax data.

OPTIONS REQUESTED AT APRIL MEETING – MEGAN MOORE, COMMITTEE STAFF, AND DYLAN COLE, DOR

13:33:50 Megan Moore, Committee Staff ([Exhibit 6](#))
13:43:02 Dylan Cole, Department of Revenue Megan Moore,
13:48:00 Committee Staff

Committee questions and discussion

13:54:38 Sen. Lang asked Mr. Cole about household income definitions.
13:55:30 Ms. Moore answered.
13:55:59 Sen. Lang asked about taxable income.

UPDATE ON IMPLEMENTATION OF SB 212 AND HB 298 –DYLAN COLE AND BRYCE KAATZ, DOR

13:57:02 Dylan Cole, Department of Revenue ([Exhibit 7](#))

Committee questions and discussion

14:00:54 Rep. Thane asked Mr. Cole if the exhibit contained special district fee assessments.

14:01:21 Bryce Kaatz, Unit Manager, Property Assessment Division ([Exhibit 8](#))

Committee questions and discussion

14:06:36 Sen. Cohenour asked Mr. Kaatz asked about information in the appraisal document.
14:07:49 Sen. Hertz asked Mr. Kaatz about current year assessed value versus prior year assessed value.
14:08:26 Sen. Hertz asked Mr. Kaatz about change of ownership impacting value.
14:08:42 Sen. Hertz asked Mr. Kaatz about assessment cycles.
14:09:07 Rep. Thane asked Mr. Kaatz about new construction land reassessment.
14:10:04 Sen. O'Brien asked Mr. Kaatz about agriculture land valuation.
14:12:17 Sen. O'Brien asked Mr. Kaatz about automatic agriculture land classification.

DRAFT BROCHURE, FINAL REPORT, FINDINGS AND RECOMMENDATIONS – MEGAN MOORE

14:13:144 Megan Moore, Committee Staff ([Exhibit 9](#))

Committee questions and discussion

14:16:07 Rep. Keogh commented on the tax brochure and provided suggestions.
14:18:08 Sen. O'Brien asked Ms. Moore about expenses for counties to process monthly property tax payments.
14:18:57 Rep. Keogh suggested that information on when the last valuation will be completed be included.
14:19:49 Sen. Cohenour suggested including information on when valuations are completed.
14:20:07 Sen. Hertz provided feedback on the brochure and monthly payments through escrow companies.
14:22:39 Rep. Thane provided feedback on the brochure.
14:23:45 Sen. O'Brien provided editing feedback on the brochure.

14:26:04 Sen. Lang provided feedback on the brochure.
 14:26:52 Sen. Cohenour commented on presenting information on tax issues having impact locally versus the Legislature.
 14:27:19 Sen. Hertz provided feedback on property tax data presentation in the brochure.
 14:29:10 Ms. Moore presented the draft final report. ([Exhibit 10](#))
 14:31:07 Rep. Welch provided feedback on the brochure and information on property taxes funding schools.
 14:32:43 Rep. Beard commented on the draft report.

Public comment

14:33:37 Darryl James, Executive Director, Montana Infrastructure
 14:35:04 Coalition Rose Bender, Montana Budget and Policy Center

COMMITTEE WORK SESSION

14:36:19 Ms. Moore provided information on the committee work session goals.
 14:37:53 Sen. Cohenour requested a draft for consideration of option three in the exhibit document.
 14:39:34 Rep. Thane asked Ms. Moore to create a graph for PTAP program data.
 14:43:09 Sen. Hertz commented on possible legislation regarding property taxes.
 14:46:13 Sen. O'Brien commented on possible committee action.
 14:48:34 Sen. Hertz commented on moving property tax legislation in upcoming sessions.
 14:51:02 Sen. Cohenour commented on the reasoning behind two-year appraisal cycles.
 14:54:25 Rep. Thane commented on citizen perception of tax data.
 14:56:12 Sen. Cohenour commented on why PTAP and similar programs were implemented.
 14:57:57 Rep. Thane commented on circuit breakers.
 14:59:01 Sen. Lang asked for clarification on the meeting schedule before November.
 14:59:37 Sen. Hertz commented on the six-year appraisal cycle.
 15:01:37 Rep. Beard commented on committee discussion on the topic.
 15:02:52 Sen. Lang requested Ms. Moore to research laws in relation to mills.
 15:03:44 Sen. Lang asked Ms. Moore about floating revenue.

Break

(reconvene at 15:22:21)

AGENCY MONITORING: DEPARTMENT OF REVENUE – BRENDAN BEATTY, DIRECTOR

15:22:31 Brendan Beatty, Director, Department of Revenue
 15:25:30 Dave Stewart, Chief Legal Counsel, Department of Revenue ([Exhibit 11](#))

Committee questions and discussion

15:28:52 Sen. Cohenour asked Mr. Stewart for an update on the Omimex Canada tax settlement case.
 15:30:58 Sen. Lang asked Mr. Stewart about the impact of the case on other companies.
 15:32:31 Sen. Cohenour asked for information on the Phillips 66 case.
 15:35:55 Sen. Cohenour asked for information on the final rulings on the Phillips 66 case.

- 15:36:46 Director Beatty provided additional case information.
- 15:41:22 Sen. Cohenour asked Director Beatty about information protected in court cases and what information would be accessible after the case.

PROPERTY ASSESSMENT AND USE OF TECHNOLOGY

- 15:46:30 Bryce Kaatz, Unit Manager, Property Assessment Division

Committee questions and discussion

- 15:56:35 Sen Cohenour asked Mr. Kaatz about FTE across the division.
- 15:57:03 Rep. Beard asked Mr. Kaatz about counties reporting reappraisal needs.
- 15:59:14 Rep. Beard asked Mr. Kaatz about cross referencing with the Montana Association of Counties
- 16:01:27 Rep. Beard commented on the combination of options presented by Mr. Kaatz.
- 16:02:50 Sen. Cohenour asked Mr. Kaatz for information on the department's FTE.

PROPERTY TAX ABATEMENTS FOR GRAY WATER SYSTEMS REPORT

- 16:04:12 Bryce Kaatz, Unit Manager, Property Assessment Division
([Exhibit 12](#))

Committee questions and discussion

- 16:04:50 Sen. Hertz made a recommendation on the gray water abatement.
- 16:05:26 Sen. Hertz requested a bill draft.
- 16:06:16 Scott Mendenhall, Deputy Director, Department of Revenue.

Public comment

- 16:07:49 Bob Story, Montana Taxpayers Association

COMMITTEE TOPIC: INTANGIBLE PERSONAL PROPERTY EXEMPTION

History of exemption – Jaret Coles

- 16:10:42 Jaret Coles, Staff Attorney ([Exhibit 13](#))

Selected states' treatment of intangibles – Megan Moore

- 16:18:51 Megan Moore, Committee Staff ([Exhibit 14](#))

Committee questions and discussion

- 16:25:40 Sen. Cohenour asked Ms. Moore about the Department of Revenue's communication of intangible property criteria.
- 16:27:14 Sen. Cohenour asked Mr. Kaatz about policy for a company disagreeing with intangible property assessment.
- 16:30:23 Sen. Cohenour asked Ms. Moore for other state's intangible property assessment percentages.
- 16:31:41 Jared Isom, Department of Revenue presented on intangible property assessments.
- 16:35:31 Sen. Cohenour asked Mr. Isom about booked goodwill.
- 16:36:35 Sen. Lang commented on goodwill.

Public comment

- 16:38:34 Bob Story, Montana Taxpayers Association

Forest Lands Taxation Committee Recommendations

16:41:34 Megan Moore, Committee Staff ([Exhibit 15](#))

Committee questions and discussion

16:50:07 Rep. Beard asked Ms. Hamilton about the Forest Lands Advisory Committee's findings.
16:53:43 Sen. Cohenour asked Rep. Beard about appointments on the committee.
16:54:16 Sen. Beard commented on committee appointments and requested a recommendation from the Department of Revenue and Ms. Moore.
16:54:55 Sen. Cohenour asked Rep. Beard if the committee should address the bill draft issues in the upcoming interim.
16:55:24 Rep. Beard commented on the timeline of the advisory committee work.
16:56:10 Sen. Cohenour asked Rep. Beard if the advisory committee should make the decision on appointments.
16:56:20 Rep. Beard commented on the continuity on the advisory committee and agreed that it should be addressed in the upcoming interim.
16:56:50 Sen. Lang asked about the advisory committee and made a recommendation for the draft.

Committee work session

16:59:52 Rep. Beard moved to adopt the draft of RIC-01 with the amendment on page ten line eleven to meet in Montana once yearly.

Vote:

16:59:52 Carried unanimously by voice vote. Sen. Hoven, Sen. McClafferty, and Rep. Buckley voted aye by proxy.

Public comment

None.

HJ 6: Coal Severance Tax Trust Fund

Renewable resource grant and loan program – Katy Callon, LFD

17:01:32 Katy Callon, Legislative Fiscal Division ([Exhibit 16](#))

Investment returns of retirement system and State Fund – Megan Moore

17:08:02 Megan Moore, Committee Staff

Committee questions and discussion

17:11:09 Rep. Thane commented on the Board of Investments possibly using similar parameters as the coal severance trust fund.

Draft final report, findings and recommendations – Megan Moore

17:12:55 Megan Moore, Committee Staff ([Exhibit 17](#))

Public comment

17:16:07 Tom Towe, Billings
17:18:41 Bob Story, Montana Taxpayers Association

17:19:30 Anna Miller, Department of Natural Resources

Motion

17:22:13 Rep. Thane moved to accept the final report and the recommendation and finding presented by Ms. Moore.

Vote:

17:22:13 Carried unanimously by voice vote. Sen. Hoven, Sen. McClafferty, and Rep. Buckley voted aye by proxy.

Committee questions and discussion

17:23:28 Ms. Moore asked the committee if they would draft a bill for a study bill for the upcoming interim.

17:23:48 Rep. Keogh stated there was no need for a study bill.

17:24:06 Rep. Beard recommended to determine during the session if a study bill is needed.

RECESS

17:25:30 Sen. Cohenour called a recess until 6/17/22 at 8:30 AM.