



## Revenue and Transportation Interim Committee

### 62nd Montana Legislature

#### SENATE MEMBERS

CHRISTINE KAUFMANN--Vice Chair  
RON ERICKSON  
JEFF ESSMANN  
KIM GILLAN  
JIM PETERSON  
BRUCE TUTVEDT

#### HOUSE MEMBERS

ROY HOLLANDSWORTH--Chair  
DICK BARRETT  
CYDNIE (CARLIE) BOLAND  
BRIAN HOVEN  
SUE MALEK  
MIKE MILLER

#### COMMITTEE STAFF

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
FONG HOM, Secretary

## MINUTES

### July 19-20, 2012

July 20, 2012

Room 102, Capitol Building  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

#### COMMITTEE MEMBERS PRESENT

REP. ROY HOLLANDSWORTH, Chair

SEN. RON ERICKSON  
SEN. JEFF ESSMANN  
SEN. JIM PETERSON  
SEN. BRUCE TUTVEDT

REP. DICK BARRETT  
REP. CYDNIE (CARLIE) BOLAND  
REP. SUE MALEK  
REP. MIKE MILLER

#### COMMITTEE MEMBERS EXCUSED

SEN. CHRISTINE KAUFMANN  
SEN. KIM GILLAN  
REP. BRIAN HOVEN

#### STAFF PRESENT

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
FONG HOM, Secretary

## Agenda and Visitors' List

Agenda (**Attachment 1**)  
Visitors' list (**Attachment 2**)

### COMMITTEE ACTION

- The committee approved the final report of the SJR 23 Study.
- The committee requested a bill draft requiring the Department of Revenue to perform a review of tax exempt properties to see if they still qualify for the tax exemptions.
- The committee deferred the Department of Transportation's bill draft request until September.
- The committee approved the Department of Revenue's bill draft requests: to improve transparency of property tax; allow for electronic service of notices of levy and writs of execution; allow for recording notices of state tax liens with the Secretary of State's Office; married filing separately disclosure solution; eliminate errors in the calculation of taxes, fees, and assessments to the local government; provide equal treatment of licensees under the liquor control penalty statute; clarifying existing agency liquor store laws; allowing de minimus refund of abandoned property on closed estates; and clarifying the distribution of in-state lodging taxes paid by state agencies.
- The committee deferred until the September meeting, the following Department of Revenue's bill draft requests: corporate income tax-tax havens; nonprofit tax information; create individual liability for trust taxes; simplify connoisseur tax, and add a license type for new growing business model - brew on premise.

### CALL TO ORDER AND ROLL CALL

00:00:01 REP. HOLLANDSWORTH called the meeting to order at 8:01 a.m. The committee secretary took roll. Sen. Gillan, Sen. Kaufmann, and Rep. Hoven were excused.

### AGENDA

#### **SJR 23 STUDY OF NONPROFIT INCOME AND PROPERTY TAX EXEMPTIONS OUTLINE OF FINAL REPORT - Megan Moore, Staff Research**

00:01:40 Ms. Moore provided an outline of the SJR 23 Study (**Exhibit 26**) for the final report.

#### **Committee comments**

00:07:18 SEN. ESSMANN commented on his disappointment that the study was prematurely terminated without some study done on large nonprofit institutions, such as hospitals, that do not pay income or property taxes.

00:09:57 REP. HOLLANDSWORTH said that he would like to have the Department of Revenue conduct background checks on businesses claiming to be nonprofit organizations.

00:11:50 REP. BOLAND

00:13:09 SEN. ESSMANN said that he would like to discuss at the September meeting the issue of the wide variation that hospitals are paying with respect to the non-exempt properties.

00:14:53 REP. HOLLANDSWORTH  
00:15:13 SEN. ESSMANN  
00:15:42 REP. BARRETT  
00:17:52 SEN. PETERSON  
00:21:14 REP. HOLLANDSWORTH

**Motion to accept outline of final report**

00:21:22 REP. MILLER moved to accept the final report and to take no further action on the study.

**Committee discussion**

00:21:39 REP. HOLLANDSWORTH directed Ms. Moore to make a note in the final report regarding the issue of sports medicine with regard to the SJR 23 Study.

00:22:28 **The motion passed 11-1, with Rep. Hoven, Sen. Kaufmann, and Sen. Gillan voting yes by proxy; and Sen. Essmann voting no.**

**PUBLIC COMMENT**

00:24:00 **Mike Foster, Catholic Hospitals in Montana**, provided clarification on a comment made by Sen. Essmann regarding a request for a van for the Community Crisis Center.

**HJR 13 INCOME TAX STUDY**

- **Taxpayer Compliance Costs - Krystal Stewart, Anderson ZurMuehlen**  
00:27:38 Ms. Stewart discussed taxpayer compliance costs with the current tax laws as it relates to individuals, and specifically, how long it takes a CPA to prepare a Montana return and the costs associated with preparing tax returns.

**Committee questions**

00:34:39 REP. HOLLANDSWORTH  
00:34:58 Ms. Stewart  
00:35:42 SEN. TUTVEDT  
00:36:48 Ms. Stewart  
00:37:19 SEN. TUTVEDT  
00:37:55 Ms. Stewart  
00:39:23 REP. MILLER  
00:39:45 Ms. Stewart  
00:39:52 REP. HOLLANDSWORTH  
00:40:11 REP. BARRETT  
00:40:50 Ms. Stewart  
00:41:24 REP. BARRETT  
00:41:46 Ms. Stewart  
00:42:01 SEN. TUTVEDT  
00:42:33 REP. HOLLANDSWORTH

- **Enforcement and auditing costs - Alan Peura, Deputy Director, Department of Revenue**

00:43:19 Mr. Peura discussed costs of compliance and enforcement of the Department as it relates to income tax and the stated goals of the HJR 13 Study to address and consider simplifications to the Montana income tax laws **(Exhibit 27)**.

- **Outline of final report - Megan Moore**

00:53:03 Ms. Moore discussed the outline of the final report **(Exhibit 28)**.

**PUBLIC COMMENT - none**

00:55:12 REP. MILLER said for the record that he was disappointed that the committee did not choose to study a flat tax that would simplify the tax system.

00:55:28 REP. HOLLANDSWORTH

00:57:09 SEN. ERICKSON

**SJR 17 STUDY OF VALUING CENTRALLY ASSESSED PROPERTY**

- **Large industrial property taxation overview - Megan Moore**

00:59:28 Ms. Moore discussed taxation of large industrial property as part of the SJR 17 Study of Centrally Assessed and Industrial Property **(Exhibit 29)**.

- **Trends in valuation and property taxes paid - Gene Walborn, Department of Revenue**

01:08:01 Mr. Walborn gave an update on trends in valuation and property taxes paid **(Exhibit 30)**. He gave a summary of assessed values of the top 25 industrial companies **(Exhibit 31)**.

- **Industry perspective - Dave Galt, Executive Director, Montana Petroleum Association**

01:16:06 Mr. Galt gave a perspective on industrial facilities in Montana.

01:22:22 Shelley Nauman, Energy Finance Manager, Cenex Harvest States (CHS, Inc.), discussed property taxes for refineries and centrally assessed property. She distributed a chart showing property taxes paid by ExxonMobil, ConocoPhillips, and CHS, Inc. **(Exhibit 32)**, and a chart showing refinery assets **(Exhibit 33)**.

**Committee questions**

01:34:32 SEN. ERICKSON

01:35:17 Mr. Walborn

01:36:11 SEN. ERICKSON

01:36:16 Mr. Walborn

01:36:58 REP. MALEK

01:37:19 Mr. Walborn

01:38:59 REP. MALEK

01:39:23 Mr. Walborn

01:41:56 SEN. TUTVEDT

01:42:26 Mr. Walborn

01:45:49 SEN. TUTVEDT

01:45:56 Mr. Walborn

01:46:28 REP. MILLER  
 01:46:35 Mr. Walborn  
 01:47:07 REP. MILLER  
 01:47:15 Mr. Walborn  
 01:48:14 SEN. PETERSON  
 01:48:30 Ms. Nauman  
 01:49:37 SEN. PETERSON  
 01:49:46 Ms. Nauman  
 01:50:30 SEN. PETERSON  
 01:50:36 Ms. Nauman  
 01:50:42 SEN. ESSMANN  
 01:51:01 Mr. Walborn  
 01:52:35 SEN. ESSMANN  
 01:52:44 Ms. Walborn  
 01:53:43 REP. HOLLANDSWORTH  
 01:53:55 Mr. Galt  
 01:55:11 REP. HOLLANDSWORTH  
 01:55:40 Mr. Galt  
 01:56:30 SEN. TUTVEDT  
 01:56:50 Mr. Walborn  
 01:57:30 REP. MALEK  
 01:57:50 Mr. Walborn  
 01:58:25 REP. MALEK  
 01:59:15 SEN. PETERSON

**BREAK - reconvened at 10:11 a.m.**

**"A Comparative Study of Montana's Centrally Assessed Property Taxation Statutes and Methodology" - Kristen Juras, University of Montana School of Law**

02:11:15 Ms. Juras gave a presentation on Montana's centrally assessed property taxation statutes and methodology (**Exhibit 34**).

**Committee questions**

02:33:02 SEN. ESSMANN  
 02:33:11 Ms. Juras  
 02:34:42 SEN. ESSMANN  
 02:34:50 Ms. Juras  
 02:35:22 SEN. TUTVEDT  
 02:35:30 Ms. Juras  
 02:37:08 SEN. TUTVEDT  
 02:37:11 Ms. Juras  
 02:37:58 REP. MILLER  
 02:38:04 Ms. Juras  
 02:38:56 REP. BARRETT  
 02:39:40 Ms. Juras  
 02:39:45 REP. BARRETT  
 02:39:58 Ms. Juras  
 02:42:07 REP. BARRETT

02:42:20 Ms. Juras  
02:44:03 REP. BARRETT  
02:44:35 Ms. Juras  
02:46:07 SEN. ERICKSON  
02:46:15 Ms. Juras  
02:47:34 SEN. ERICKSON  
02:48:02 Ms. Juras  
02:50:26 SEN. TUTVEDT  
02:50:55 Ms. Juras  
02:53:01 SEN. TUTVEDT  
02:53:47 Ms. Juras  
02:53:51 SEN. TUTVEDT  
02:54:10 Ms. Juras  
02:55:15 REP. HOLLANDSWORTH  
02:55:23 Ms. Juras

**"A National Perspective on Montana's Unit Valuation Methods - Brent Eyre, Certified Appraiser, American Society of Appraisers"**

02:57:39 Mr. Eyre discussed the perspectives of the market value standards and Montana's unit valuation methods (**Exhibit 35**).

**Committee questions**

03:14:54 REP. MILLER  
03:15:13 Mr. Eyre  
03:17:22 REP. MILLER  
03:17:48 Mr. Eyre  
03:18:27 REP. MILLER  
03:18:58 REP. HOLLANDSWORTH  
03:19:19 SEN. ERICKSON  
03:19:30 Mr. Eyre  
03:20:33 SEN. TUTVEDT  
03:20:55 Mr. Eyre  
03:22:54 SEN. TUTVEDT  
03:23:15 Mr. Eyre  
03:25:01 SEN. TUTVEDT  
03:25:30 Mr. Eyre  
03:26:19 REP. HOLLANDSWORTH  
03:26:46 Mr. Eyre  
03:27:30 REP. MALEK  
03:27:45 Mr. Eyre  
03:28:34 REP. MALEK  
03:28:55 Mr. Eyre  
03:29:19 REP. MALEK  
03:29:30 Mr. Eyre

**ALTERNATIVE APPROACHES TO THE CURRENT APPEALS PROCESS - Megan Moore**

03:31:28 Ms. Moore presented a report on the centrally assessed property appeals

process (**Exhibit 36**).

## **PUBLIC COMMENT ON CENTRALLY ASSESSED PROPERTY**

- 03:36:05 **C.A. Daw, Chief Legal, Department of Revenue**, responded to some unfair characterization that were made of the Department.
- 03:40:54 **Jon Bennion, Montana Chamber of Commerce**, thanked the committee for its attention to the issue of centrally assessed companies and said it is a growing concern among the community of growing businesses.
- 03:41:59 **Mike Mupo, Verizon Wireless**, provided comments on intangibles.
- 03:52:42 **Karen Powell, State Tax Appeals Board**, clarified the comment made by Mr. Galt regarding a backlog of cases in the State Tax Appeals Board.
- 03:54:48 **Nancy Schlepp, Montana Taxpayers Association**, thanked the committee for taking the time on centrally assessed issues.
- 03:56:00 **Joe Unterreiner, Kalispell Chamber of Commerce**, commented on centrally assessed property affecting broadband, and how rates differ from state to state.
- 03:58:03 **Bob Strong, AT&T**, responded to questions on centrally assessed appraisals.

### **Committee discussion on proposed bill draft request**

- 04:08:24 Ms. Moore said that if the committee wants any bill drafts for the SJR 17 Study, now is the time to make such requests.

### **Motion by Sen. Essmann**

- 04:09:03 SEN. ESSMANN moved that Mr. Coles draft a bill to require the Department of Revenue to perform a periodic review of property exempted from taxation with respect to continued qualification for the exemption to maintain consistency in the granting and revoking of the exemptions, and to develop a list summary of properties exempted from taxation so that the public may review them.
- 04:10:16 REP. MILLER said that he would like to discuss the taxation on equipment.
- 04:10:50 SEN. ERICKSON asked Sen. Essmann if he wanted that as a committee bill.
- 04:10:55 SEN. ESSMANN said that is his request.
- 04:10:57 SEN. ERICKSON
- 04:11:36 REP. BARRETT asked if Sen. Essmann is referring to the issue that came up in the last meeting concerning properties that are currently treated as tax exempt but are no longer serving a tax exempt purposes.
- 04:12:12 SEN. ESSMANN said in that in one of the earlier meetings, the Department indicated that to their knowledge the properties that had been granted exemptions by the counties have not been reviewed since statehood.
- 04:13:38 SEN. ERICKSON
- 04:13:59 SEN. ESSMANN
- 04:14:41 SEN. PETERSON said that Sen. Essmann and Mr. Coles could draft something between now and the next meeting for the committee to review, and decide whether or not it should be a committee bill.
- 04:15:49 REP. BARRETT asked Sen. Essmann if he is suggesting that these properties be assessed or that they just be identified and reviewed for exempt status.
- 04:17:06 SEN. ESSMANN said that a list of the exempt property would be more achievable.
- 04:17:27 SEN. TUTVEDT

04:18:00 REP. HOLLANDSWORTH  
04:18:17 **The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.**

#### **COMMITTEE DISCUSSION ON PROPOSED BILL DRAFT REQUESTS**

04:18:47 REP. HOLLANDSWORTH  
04:19:55 REP. BARRETT  
04:20:01 REP. HOLLANDSWORTH  
04:20:31 SEN. ESSMANN

#### **DEPARTMENT OF TRANSPORTATION BILL DRAFT REQUESTS**

- **Construction manager/general contractor contract**  
04:21:58 SEN. TUTVEDT recommended that this bill draft request be put on hold until the September meeting.  
04:22:05 Ms. Moore  
04:22:10 REP. HOLLANDSWORTH  
04:23:17 SEN. PETERSON  
04:25:26 REP. HOLLANDSWORTH

#### **DEPARTMENT OF REVENUE BILL DRAFT REQUESTS**

- **Improve transparency of property tax with a 2-year reappraisal**  
04:25:50 SEN. TUTVEDT  
04:27:28 REP. BOLAND  
04:27:45 REP. BARRETT  
04:28:57 SEN. ESSMANN  
04:29:10 REP. HOLLANDSWORTH  
04:30:00 SEN. PETERSON  
04:30:41 Ms. Moore  
04:31:04 REP. BARRETT  
04:31:23 SEN. PETERSON  
04:32:05 SEN. ESSMANN suggested approving the Department's bill draft requesting authority and do it as a committee bill with Rep. Barrett's concept. That would give the committee the financial information that it wants to look at.  
04:32:43 REP. HOLLANDSWORTH  
  
**Motion by Rep. Barrett**  
04:33:07 REP. BARRETT moved to approve the bill draft request on behalf of the Department of Revenue and to request that Ms. Moore draft a bill on behalf of the committee to provide for one 2-year reappraisal cycle followed by annual reappraisal for class 3, 4, and 10 property. The motion passed unanimously with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.  
  
• **Corporate income tax and tax havens**  
04:33:16 REP. HOLLANDSWORTH

#### **Motion by Rep. Miller**



04:34:54 REP MILLER moved to put this bill draft request on hold until September.

**Committee discussion**

04:35:05 REP MALEK

04:36:29 SEN. ERICKSON

04:37:13 SEN. ESSMANN

04:37:58 SEN. PETERSON

04:38:32 REP. BARRETT

04:40:08 REP. MILLER

04:40:31 REP. MALEK

04:41:40 REP. HOLLANDSWORTH

04:42:15 REP. MILLER

04:42:35 SEN. TUTVEDT

04:43:23 REP. HOLLANDSWORTH

04:43:32 **REP. MILLER withdraws his motion.**

04:43:40 REP. HOLLANDSWORTH suggested putting this bill draft request on hold.

04:43:50 REP. MALEK

04:43:58 SEN. ERICKSON

- **Public information on nonprofits**

04:45:26 REP. HOLLANDSWORTH

04:45:43 SEN. PETERSON suggested putting this bill draft request on hold until September.

- **Allow electronic filing**

04:46:13 SEN. ESSMANN moved that this bill draft request move forward. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

- **Recording notice of state tax lien with Secretary of State**

04:47:02 SEN. ESSMANN moved to allow the Department to proceed with this bill draft request. The motion passed with Rep. Hoven, Sen. Gillan and Sen. Kaufmann voting yes by proxy.

- **Married filing separate disclosure solution**

04:48:05 REP. HOLLANDSWORTH moved to approve the bill draft request. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

- **Create individual liability for trust taxes**

04:48:55 REP. BARRETT suggested putting this on hold until September and asking the Department to redraft the short title.

04:49:48 SEN. ESSMANN

04:51:03 REP. HOLLANDSWORTH

- **Eliminate errors in calculation of taxes, fees, and assessments**

04:51:28 SEN. ESSMANN said that he would ask the Department in preparation of this draft to broaden the title so it could make sure that it involves a recourse process at the local government level where these taxes, fees, and assessments are going to be allocated.

04:52:33 Ms. Moore said that in light of Sen. Essmann's comment, she wanted to clarify the process for these bills and that they are not brought back to the committee unless requested as committee bills. The process would be that the committee submits a request, the bill is drafted, and the department finds a sponsor. The draft is no longer under the committee's control in any way.

**Motion by Sen. Essmann**

04:53:27 SEN. ESSMANN moved that the Department go forward with a bill draft and bring it back to the committee for review. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voted yes by proxy.

04:54:14 SEN. PETERSON reiterated what the committee is saying and doing when it is giving the Department the green light to begin drafting their bills.

04:55:37 REP. HOLLANDSWORTH wants Ms. Moore to remind the committee what it is doing at the next meeting.

04:56:57 Ms. Moore provided a historical overview of the process.

- **Simplify connoisseur tax**

04:58:34 REP. MILLER questioned the legality of this tax.

04:59:12 SEN. ESSMANN suggested putting this bill draft request on hold.

05:00:20 REP. MILLER

05:00:33 REP. HOLLANDSWORTH

- **Equal treatment of licensees under liquor control penalty statute**

05:01:07 REP. HOLLANDSWORTH moved to approve this bill draft request. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

- **Clarify existing agency liquor store laws**

05:01:52 REP. HOLLANDSWORTH moved to approve this bill draft request. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

- **Add licence type for new growing business model - Brew on Premise**

05:02:29 Mr. Peura provided clarification on this bill draft request.

05:04:49 REP. BARRETT discussed the language and purpose of the bill draft request.

05:09:30 SEN. ESSMANN

05:09:38 REP. MALEK

05:10:22 REP. MILLER

05:10:27 REP. BOLAND

05:10:34 REP. HOLLANDSWORTH

05:11:36 REP. BOLAND suggested putting this bill request on hold.

- **Allow de minimus refund of abandoned property on closed estates**

05:11:51 REP. HOLLANDSWORTH moved that this bill draft request go forward. The motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

- **Clarify the distribution of in-state lodging taxes paid by state agencies**

05:12:28 REP. HOLLANDSWORTH moved that this bill draft request go forward. The

motion passed with Rep. Hoven, Sen. Gillan, and Sen. Kaufmann voting yes by proxy.

**COSTS FOR PRODUCTION AND PRINTING OF THE BIENNIAL REPORT - Alan Peura**

05:15:41 Mr. Peura reported on the costs of the distribution and production of the biennial report.

**OTHER COMMITTEE BUSINESS**

05:15:49 REP. HOLLANDSWORTH will pick the November meeting dates.

05:16:00 Ms. Moore mentioned that suggested committee bills had not been discussed.

05:16:22 SEN. ESSMANN moved to take this issue up in September.

**ADJOURN**

05:17:11 With no further business before the committee, REP. HOLLANDSWORTH adjourned the meeting at 1:18 p.m.

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