



Revenue and Transportation Interim Committee

65th Montana Legislature

SENATE MEMBERS

MARK BLASDEL--Vice Chair
DUANE ANKNEY
DICK BARRETT
CYDNIE (CARLIE) BOLAND
JILL COHENOUR
BRIAN HOVEN

HOUSE MEMBERS

TOM JACOBSON--Chair
BECKY BEARD
JIM HAMILTON
GREG HERTZ
ALAN REDFIELD
BRIDGET SMITH

COMMITTEE STAFF

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
LAURA SHERLEY, Secretary

MINUTES LOG

May 3, 2018
Room 137, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation 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 record 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 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 <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with 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.

COMMITTEE MEMBERS PRESENT

SEN. MARK BLASDEL, Vice Chair

SEN. DUANE ANKNEY
SEN. DICK BARRETT
SEN. CYDNIE (CARLIE) BOLAND
SEN. JILL COHENOUR

REP. BECKY BEARD
REP. JIM HAMILTON
REP. GREG HERTZ
REP. ALAN REDFIELD
REP. BRIDGET SMITH

COMMITTEE MEMBERS EXCUSED

REP. TOM JACOBSON, Chair
SEN. BRIAN HOVEN

STAFF PRESENT

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
LAURA SHERLEY, Secretary

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

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

- The committee requested a draft bill for the study of centrally assessed and industrial property to revise the timeline for certifying the value of centrally assessed property. Staff is directed to work with the Department of Revenue and other stakeholders on the legislation.
- The committee requested that staff work with the Department of Revenue and agricultural stakeholders and bring ideas to the July meeting for addressing issues related to agricultural classification for small parcels.

CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Blasdel called the meeting to order at 8:30 a.m. The committee secretary took roll ([Attachment 3](#)). Rep. Jacobson was excused and left his proxy with Rep. Hamilton ([Attachment 4](#)). Sen. Hoven was excused and left his proxy with Sen. Blasdel ([Attachment 5](#)).

CENTRALLY ASSESSED AND INDUSTRIAL PROPERTY

Overview of dispute resolution procedures -- Ms. Moore

00:00:43 Ms. Moore gave an overview of dispute resolution procedures ([Exhibit 1](#)).

00:00:58 Sen. Cohenour joined the meeting at 8:31 a.m.

Review intangible personal property exemption -- Mr. Coles

00:06:31 Mr. Coles reviewed the intangible personal property exemption ([Exhibit 2](#)).

Committee questions

00:18:15 Sen. Barrett asked Mr. Coles for clarification of the tax rate and default percentages. The question was redirected to Gene Walborn, Department of Revenue (DOR).

00:21:36 Sen. Barrett asked Mr. Walborn for clarification of the department's cost method.

00:22:57 Sen. Barrett asked Mr. Walborn to clarify the tax percentage appropriation rate.

00:23:34 Sen. Barrett commented on the legislative history of taxable property and un-taxable intangible personal property.

Consideration of changing time line for certifying taxable values -- Bob Story, Montana Taxpayers Association and Gene Walborn, Department of Revenue

00:25:17 Mr. Story presented on considerations to change the timeline for certifying taxable values ([Exhibit 3](#)).

00:31:37 Mr. Walborn reviewed the current timeline for certifying taxable values and possible committee considerations for changing the timeline.

Committee questions

- 00:39:47 Rep. Hertz asked if the timeline definitions will be changed to reduce interpretation.
- 00:41:36 Rep. Hertz asked how the department handles the timeline for other types of property they assessed.
- 00:42:13 Rep. Hertz asked if adding staff to the appraisal program would be beneficial.

Public comment

None

Committee work session

Motion

- 00:44:00 Sen. Cohenour moved to draft legislation for the study of centrally assessed and industrial property to revise the timeline for certifying the value of centrally assessed property.

Vote

- 00:44:43 The motion passed unanimously on a voice vote.
- 00:45:02 Sen. Blasdel asked Sen. Cohenour if the department will need to review Class 8 property in her motion.

BREAK (Reconvened at 9:29 a.m.)

REVENUE ESTIMATING AND MONITORING -- Legislative Fiscal Division

Year-to-date revenue collections

- 00:57:24 Stephanie Morrison, Fiscal Analyst, LFD, reviewed the year-to-date revenue collections growth and HJ 2 projections, and gave an update on individual income tax collections and insurance tax collections ([Exhibit 4](#)).

Committee questions for Ms. Morrison

- 01:06:05 Sen. Cohenour asked if the department is able to view the amount of taxpayers paying at any point in time.
- 01:07:14 Sen. Cohenour asked for information on how many taxpayers were paying in December 2016.
- 01:08:06 Rep. Hamilton asked for clarification of the individual income tax 2017 growth.
- 01:09:20 Rep. Hamilton asked for the estimated payments of April 2017.
- 01:09:59 Sam Schaefer, Fiscal Analyst, LFD, reviewed the corporate income tax collections, vehicle fees & taxes collections, oil and natural gas production gas tax collections, and video gaming tax collections (see Exhibit 4).

Committee questions for Mr. Schaefer

- 01:14:23 Sen. Cohenour asked for clarification of taxpayer behavior in payments of oil and natural gas production tax.
- 01:14:53 Nick VanBrown, Fiscal Analyst, LFD, reviewed property tax collections (see Exhibit 4).

Committee questions for Mr. VanBrown

01:15:54 Rep. Hertz asked if the primary increase in property tax collections was due to 2016 being a reappraisal year.

Committee questions

01:16:31 Rep. Hertz asked Ms. Morrison what the major differences are between the executive estimate and HJ 2 estimate on the *Estimate of 2018 FYE General Fund Revenue* chart (see Exhibit 4, page 2).

01:17:42 Sen. Barrett asked Ms. Morrison for clarification on the cash concept value decrease in March, April, and May on the *Estimate of 2018 FYE General Fund Revenue* chart (see Exhibit 4, page 2).

01:20:50 Sen. Barrett asked Ms. Morrison which estimation model she trusts.

01:21:47 Sen. Barrett asked Ms. Morrison if she compares estimation formulas.

01:23:12 Sen. Cohenour asked Ms. Morrison for a revenue analysis from before and after special session.

01:24:08 Rep. Hamilton asked Mr. VanBrown when would the property tax collections data be posted and what size dollar would be expected if there had been shifting of property tax value.

01:25:38 Rep. Hamilton asked Mr. VanBrown if property tax collection data is the most stable out of all tax collections.

01:26:34 Rep. Hamilton asked Ms. Morrison when withholding tax data will be reported.

01:27:27 Rep. Hamilton asked Ms. Morrison for clarification on the growth rate of withholding tax.

Public comment

01:29:58 Bob Story, Montana Taxpayers Association

Committee discussion

01:33:17 Rep. Hertz commented on changes in the federal tax law that affect revenue.

01:34:14 Sen. Blasdel asked Ms. Moore to check with the Department of Revenue on any upcoming changes in tax law.

MEMBER TOPIC: OIL AND NATURAL GAS PRODUCTION TAX DISTRIBUTION

Data requests -- Ms. Moore

01:35:01 Ms. Moore reviewed the data requests regarding oil and natural gas production tax distribution ([Exhibit 5](#)), ([Exhibit 6](#)), and ([Exhibit 7](#)).

Committee questions

01:39:56 Sen. Barrett asked why the Board of Oil and Gas increased the privilege and license tax.

Discussion of budget and changes to privilege and license tax rate -- Jim Halvorson, Administrator, Board of Oil and Gas Conversation

01:41:08 Mr. Halvorson presented on the budget and changes to the privilege and license tax rate ([Exhibit 8](#)).

Public comment

01:59:50 Tim Burton, League of Cities and Towns

02:02:13 Duane Mitchell, Richland County Commissioner ([Exhibit 9](#))

Committee questions

- 02:08:53 Rep. Beard asked Commissioner Mitchell if Richland County would be eligible for state grant funds for infrastructure projects.
- 02:10:03 Rep. Beard asked Commissioner Mitchell if the communities receiving benefits are competitive to receive low interest state revolving funds.
- 02:11:01 Sen. Barrett asked Mr. Halvorson if the 3% privilege tax covers board operations.
- 02:12:11 Rep. Hertz asked Mr. Halvorson for clarification on the board's financial statement spreadsheet (see Exhibit 7).
- 02:13:31 Rep. Hertz asked Mr. Halvorson about the significant growth in the personal services data from 2013 to present (see Exhibit 7).
- 02:14:34 Rep. Hertz commented on the board's reporting methods.

Committee action

- 02:15:13 Sen. Cohenour recommended the committee continue to have the Oil and Natural Gas Production Distribution Tax review for potential committee action.

PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN THE COMMITTEE'S JURISDICTION

None

LUNCH (Reconvened at 12:49 p.m.)

AGENCY OVERSIGHT: DEPARTMENT OF TRANSPORTATION -- Mike Tooley, Director **Update on implementation of House Bill No. 473**

- 04:19:33 Director Tooley gave an update on the implementation of HB 473: *Revise highway revenue laws.*
- 04:25:03 Larry Flynn, CFO, MDT, reviewed the BaRSAA fund status ([Exhibit 10](#)).

Committee questions for Mr. Flynn

- 04:31:41 Sen. Ankney asked how much is currently in the BaRSAA account.
- 04:32:29 Sen. Ankney asked if the counties can use the funding to make gravel for roads.
- 04:33:33 Director Tooley continued his presentation.

Committee questions for Director Tooley

- 04:36:40 Rep. Redfield commented on country road maintenance.
- 04:38:35 Director Tooley continued his presentation.
- 04:39:21 Brad Marten, Enforcement Colonel, MDT, responded to questions and concerns presented by public comment.

Public comment

None

HJ 22: AGRICULTURAL PROPERTY STUDY

Summary of outcome of bills recommended by RTIC last interim -- Ms. Moore

- 04:41:17 Ms. Moore gave a summary on the outcomes of bills recommended by RTIC last interim ([Exhibit 11](#)) and ([Exhibit 12](#)).

Committee questions

- 04:43:02 Rep. Hamilton asked when the \$1500 minimum in HB 28: *Revise eligibility of land for agricultural valuation* was implemented.
- 04:43:32 Rep. Hertz asked if the agricultural property process of surrounding states was reviewed and considered.

History of 15 air miles from Ch. 543, L. 2005 -- Ms. Moore

- 04:44:02 Ms. Moore reviewed the history of 15 air miles from Ch. 543, L. 2005 ([Exhibit 13](#)).

Report on Department of Revenue informal working group -- Mike Kadas, Director, Department of Revenue

- 04:48:02 Director Kadas gave an update on the department's informal working group.

Analysis of impact of moving 1 acre under an improvement to market value and analysis of requiring income per acre based on productive value assumed for valuation purposes -- Director Kadas, DOR, and Shauna Helfert, Property and Assessment Division Administrator, DOR

- 04:49:50 Director Kadas ([Exhibit 14](#)) and ([Exhibit 15](#))
- 05:04:29 Ms. Helfert ([Exhibit 16](#))

Committee questions

- 05:09:46 Rep. Redfield asked for clarification on the calculation used for income per acre for grazing and specialty crop (see Exhibit 16).
- 05:11:06 Sen. Barrett asked why the department checks income if the requirement is on a per acre basis.
- 05:13:02 Rep. Redfield asked for clarification on energy costs in irrigated property.
- 05:14:37 Rep. Redfield asked if the department needs to provide online access for reporting irrigated land due to field office closures.
- 05:16:54 Rep. Redfield commented on the reporting process of constituents in rural areas.
- 05:20:15 Sen. Barrett asked if the Examples of the Agricultural Land Productivity Valuation Formula table is based on the lowest average county activity and asked for clarification of the numbers reported (see Exhibit 14). The question was redirected to Bonnie Hamilton, DOR.

Consider whether to revise gross income requirements

Flathead vineyard/orchard owners' recommendations -- Frank Mutch, Polson, MT

- 05:22:58 Mr. Mutch reviewed his recommendations to the committee ([Exhibit 17](#)) and ([Exhibit 18](#)).

Committee questions

- 05:37:27 Sen. Barrett asked Mr. Mutch how many trees normally are grown per acre.
- 05:38:49 Sen. Barrett asked Mr. Mutch to clarify his proposed 100 tree minimum rule change.

Public comment

- 05:40:51 Carol Beyer-Ward, Flathead ([Exhibit 19](#))
- 05:56:13 Mike Ward, Flathead (see Exhibit 19)
- 06:00:48 Sen. Barrett asked Mr. Ward what acreage his orchard is and to comment on the proposed rule change to the qualifying income and per acre basis requirement.

06:02:41 Andy Carstensen, Diving Dog Vineyard Flathead (see Exhibit 19)
06:10:21 Sen. Blasdel asked Mr. Carstensen if there are routine inspections for pesticides on vineyards.
06:10:50 Rep. Redfield asked Mr. Carstensen if his production meets the minimum gross income requirement.
06:12:30 Bob Thaden, Miles City (**Exhibit 20**)
06:25:05 Kathy Boiteau, Skipping Stone Orchard
06:25:39 Sen. Ankney left the meeting at 2:56 p.m. and left his proxy with Sen. Blasdel (**Attachment 6**).
06:29:26 Claud Boiteau, Skipping Stone Orchard
06:30:43 Larry Robertson, Polson
06:37:06 David Madson, Polson
06:40:51 Deb Carstensen, Flathead
06:47:00 Director Kadas

Committee work session

06:54:21 Rep. Hertz commented on the agricultural land issues around Flathead lake.

Motion

06:57:45 Rep. Hertz moved to draft legislation regarding agricultural property income and acreage requirements.

Discussion on the motion

06:59:58 Rep. Redfield asked for clarification of the motion.
07:01:16 Sen. Barrett asked for clarification of the 100 tree requirement in the motion.
07:02:01 Sen. Barrett
07:03:58 Sen. Cohenour asked for clarification on the reporting requirements to the DOR in the motion.
07:06:01 Ms. Moore
07:06:27 Rep. Hamilton
07:09:03 Sen. Cohenour asked Director Kadas to comment on the motion discussion.
07:10:46 Rep. Hertz asked Director Kadas to speak to minimum gross income and how to encompass other crops.
07:13:30 Rep. Hertz
07:14:12 Sen. Barrett asked Director Kadas if the homestead exemption could be removed.
07:16:10 Sen. Boland asked Director Kadas if chickens are considered agriculture.
07:17:26 Sen. Cohenour asked Director Kadas for clarification of the one acre rule.
07:18:56 Rep. Redfield asked Director Kadas if the department's working group could review the one acre rule.
07:19:17 Sen. Cohenour requested an amendment to the motion.
07:21:27 Sen. Barrett
07:22:27 Sen. Blasdel

Vote

07:24:30 The motion failed on a 6-6 roll call vote, with Reps. Hamilton, Jacobson, and Smith, and Sens. Barrett, Boland, and Cohenour voting 'no' (**Attachment 7**).

07:25:05 Sen. Blasdel asked the committee if they have information requests.

Motion

07:25:13 Rep. Hamilton moved to have staff work with the Department of Revenue and agricultural stakeholders and bring ideas to the July meeting for addressing issues related to agricultural classification for small parcels.

Discussion on the motion

07:25:33 Sen. Barrett
07:27:13 Rep. Hamilton
07:27:39 Sen. Cohenour
07:28:03 Rep. Hertz asked Ms. Moore to review the agricultural property handling in Washington.
07:28:46 Ms. Moore summarized the committee's requests for the July 2018 meeting.
07:29:08 Sen. Blasdel

Motion withdrawn

07:30:20 Rep. Hamilton withdrew his motion.

PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN THE COMMITTEE'S JURISDICTION

07:30:25 Bob Thaden, Miles City

ADJOURNMENT

07:33:48 Sen. Blasdel adjourned the meeting at 4:04 p.m.

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