



PO BOX 201706  
Helena, MT 59620-1706  
(406) 444-3064  
FAX (406) 444-3036

## 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

### September 13-14, 2012

September 14, 2012

Room 137, 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.

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 summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page. You must have Real Player to listen to the audio recording or to view the video.

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. CHRISTINE KAUFMANN, Vice Chair

SEN. RON ERICKSON  
SEN. JEFF ESSMANN (by phone)  
SEN. KIM GILLAN  
SEN. JIM PETERSON  
SEN. BRUCE TUTVEDT

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

#### COMMITTEE MEMBERS EXCUSED

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

### CALL TO ORDER AND ROLL CALL

00:00:01 REP. HOLLANDSWORTH called the meeting to order at 7:05 a.m. The committee secretary called roll. Sen. Essmann participated by phone. Rep. Hoven was excused.

## AGENDA

### **DEPARTMENT OF REVENUE REPORTS - Dan Bucks, Director**

- **Property tax assistance insert for state income tax forms**  
00:02:02 Director Bucks discussed the new insert (**Exhibit 17**) regarding the property tax assistance programs that will be available in the 2012 Montana Tax Forms.
- **Oil and Gas Production Tax Comparison: Montana and North Dakota**  
00:02:12 Director Bucks provided an update on the oil and gas production tax comparison between Montana and North Dakota regarding the sales tax in North Dakota versus Montana's business equipment tax (**Exhibit 18**).
- **Demographic Trends and the Income Tax**  
00:02:24 Director Bucks discussed the memorandum from Dan Dodds regarding recent changes in the age structure of Montana's population and the effects of the changes on income tax collections (**Exhibit 19**).
- **Liquor Control Division Update: Rules and Bottle Clubs**  
00:02:40 Director Bucks discussed the September 11, 2012 memorandum from Shauna Helfert regarding an update on a Liquor Control rules hearing on bottle clubs operating in the state (**Exhibit 20**).

### **CENTRALLY ASSESSED PROPERTY TAXES AND INDUSTRIAL TAXES**

- 00:03:00 Director Bucks discussed the unit valuation laws that are enacted by the Department of Revenue, including the impacts for homeowners, small businesses, and farmers and ranchers if the industry recommendations were accepted regarding intangible property.
- **Department of Revenue's response to the Montana Petroleum Association's recommendation regarding industrial property valuations**  
00:11:11 C.A. Daw, Chief Legal, Department of Revenue, discussed the Department of

Revenue's memorandum dated September 13, 2012 (**Exhibit 21**) regarding the valuation methodology that the Department used for industrial properties.

00:15:59 Director Bucks explained the documents that support the Department's formula and the method used for industrial property valuation:

- ▶ "Comparison of DOR's Valuation of CHS" (**Exhibit 22**)
- ▶ "Comparison of DOR's Valuation of Conoco/Phillips" (**Exhibit 23**)
- ▶ "Comparison of DOR's Valuation of Montana Refining to Calumet's Estimated Purchase Price (**Exhibit 24**)

- **Department's response to the Juras Report**

00:22:06 C.A. Daw discussed the Department of Revenue's response to the report by Kristen Juras that was presented at the July Meeting (**Exhibit 25**).

Committee questions

00:27:50 SEN. TUTVEDT

00:28:29 Mr. Daw

- **Presentation on valuation approaches for centrally assessed Property**

00:29:46 Director Bucks discussed the Department's policies and practices in centrally assessed property valuations.

Director Bucks showed a chart (**Exhibit 26**) that demonstrated the impact of new acquisitions by companies regarding centrally assessed property taxes.

- **Analysis of Estimates of the Impact on Selected Counties Caused by the Juras/Cablevision Report Recommendations**

00:40:39 Director Bucks discussed the document, "Estimated Tax Shift Caused by Juras/Cablevision Recommendations and Refinery Protests for Select Counties and Cities in Montana" (**Exhibit 27**). He provided the committee with a copy of the statute that assigns the responsibility to the Department of Revenue to adjust and equalize the valuation of taxable property in Montana (**Exhibit 28**).

## **PUBLIC COMMENT**

00:45:33 **Mike Green, Montana Taxpayers Association**, said that if you look at the methodology applied to income generating property, then centrally assessed properties should be compared with assessed commercial properties.

00:51:30 **Dave Galt, Executive Director, Montana Petroleum Association**, commented on the Department of Revenue's response to his testimony at the July 18<sup>th</sup> meeting. His main point is that the statute allows a market value approach as opposed to trended depreciation.

Committee questions

00:55:27 SEN. ESSMANN said that Director Bucks had indicated in his testimony that he was planning to have his staff prepare some reports in the next few weeks. He requested that Director Bucks track the time and money that will be spent in

preparing those report. Sen. Essmann said that he had reviewed the letter that the Department sent to the Yellowstone County Commissioners and found the tone of that letter to be disrespectful.

00:56:33 Director Bucks said that the Department will attempt to estimate the costs of preparing the reports. Director Bucks said that he disagreed with Sen. Essmann's assessment of his letter to the Commissioners.

**OVERVIEW OF U.S. AND MONTANA ECONOMIES - Jim Diffley, Senior Director, Regional Economics, and Nigel Gault, Chief U.S. Economist, IHS**

00:59:49 Mr. Gault discussed the US Economic Outlook (**Exhibit 29**).

01:42:36 Mr. Diffley discussed the Montana economic outlook (**Exhibit 30**).

Committee questions

01:55:55 Terry Johnson

01:56:20 Mr. Diffley

01:57:37 Mr. Johnson

01:58:35 Mr. Diffley

01:59:06 Mr. Gault

02:02:14 Mr. Johnson

02:02:18 Mr. Diffley

02:02:26 Mr. Gault

**OVERVIEW OF MONTANA OIL AND GAS RELATED TO REVENUE ESTIMATES - Dave Pursell, Tudor, Pickering, Holt & Co.**

02:04:45 Mr. Pursell gave a presentation on oil and gas production in Montana (**Exhibit 31**).

Committee questions

02:18:19 REP. HOLLANDSWORTH

02:18:34 Mr. Pursell

02:20:04 SEN. PETERSON

02:20:30 Mr. Pursell

**Break - reconvened at 9:41 a.m.**

**ECONOMIC OVERVIEW RELATED TO REVENUE ESTIMATES**

- **Montana economic outlook - Paul Polzin, University of Montana**

02:36:10 Mr. Polzin gave a mid-year update on the economic outlook in Montana (**Exhibit 32**).

Committee questions

02:52:37 SEN. KAUFMANN

02:52:55 Mr. Polzin

- **Overview of Montana labor and business trends - Barbara Wagner, Montana Department of Labor and Industry**

02:54:27 Ms. Wagner gave a presentation on the Labor Day Report 2012 (**Exhibit 33**).

Committee questions

03:14:50 SEN. ERICKSON

03:15:52 Ms. Wagner

- **Chamber of Commerce perspectives - Jon Bennion, Montana Chamber of Commerce**

03:17:52 Mr. Bennion presented the Chamber of Commerce's perspective (**Exhibit 34**).

- **Agricultural outlook - Myles Watts, Department of Agricultural Economics & Economics, Montana State University**

03:30:57 Mr. Watts gave a presentation on the outlook for the agricultural industry (**Exhibit 35**).

Committee questions

03:53:32 REP. HOLLANDSWORTH

03:53:54 Mr. Watts

03:54:56 SEN. PETERSON

03:55:22 Mr. Watts

**PUBLIC COMMENT**

03:57:12 **Dave Galt, Executive Director, Montana Petroleum Association**, commented on the pipeline that was built along the border of North Dakota and Montana and his work on state property tax comparison of pipelines.

Committee discussion

04:01:27 SEN. PETERSON wanted to note that the statement made by Director Bucks that new assessment values were largely due to new investment and new projects is not correct.

04:03:13 SEN. TUTVEDT

04:04:58 REP. BARRETT

04:05:58 SEN. PETERSON

04:06:35 REP. BARRETT

04:08:22 REP. BARRETT

04:08:57 SEN. PETERSON

04:10:08 SEN. TUTVEDT

04:11:16 REP. BARRETT

04:11:57 SEN. TUTVEDT

04:12:15 REP. MILLER

04:12:54 REP. HOLLANDSWORTH

04:13:00 REP. MILLER

04:13:12 SEN. ERICKSON

04:14:58 SEN. KAUFMANN

04:15:44 REP. HOLLANDSWORTH

### **NEXT MEETING DATES**

04:16:27 Ms. Moore said the committee talked about meeting dates of November 19 and/or November 20. She said she would need a firm date for public notice and for staff planning purposes.

04:16:52 After a brief discussion, it was decided that the committee will meet for a full day on November 19, 2012.

### **COMMITTEE DISCUSSION ABOUT REVENUE ESTIMATE**

04:19:18 SEN. TUTVEDT said he wants the committee to reflect on the testimony they heard and decide whether anyone would have the knowledge to ask Mr. Johnson to change any revenue numbers.

04:20:27 REP. BARRETT said that there is uncertainty in what Mr. Johnson brings to the committee, and if the committee has to make decisions within that range of uncertainty, what he heard today informed him in terms of where the committee should come down in that range of uncertainty.

04:21:09 REP. MALEK said that the committee should remember that part of the reason that the committee originally started this discussion was to educate more legislators on the budget process.

04:22:14 SEN. PETERSON said that the committee heard four hours of economic outlook this morning and agrees with Rep. Malek in that it deserves more time than that before this committee makes a decision. The Legislature has to spend a little more time on this, educate other legislators and build the level of confidence.

04:23:30 SEN. ERICKSON said his concern is that the committee has to be able to use staff well during the session, not just in November.

04:24:16 SEN. PETERSON said that his point is that the new rules, if adopted, will provide for interaction in a joint committee environment, so that new numbers and information can be introduced.

### **ADJOURNMENT**

04:25:59 With no further business before the committee, REP. HOLLANDSWORTH adjourned the meeting at 11:31 a.m.

CI0425 2300fhxb.