



Revenue and Transportation Interim Committee

63rd Montana Legislature

SENATE MEMBERS

CHRISTINE KAUFMANN--Chair
DICK BARRETT
GREG JERGESON
JANNA TAYLOR
FRED THOMAS
ART WITTICH

HOUSE MEMBERS

NANCY BALLANCE--Vice Chair
CYDNIE (CARLIE) BOLAND
ROY HOLLANDSWORTH
CHUCK HUNTER
TOM JACOBSON
MIKE MILLER

COMMITTEE STAFF

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

MINUTES LOG

July 16, 2104

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.

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.

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. NANCY BALLANCE, Vice Chair

SEN. DICK BARRETT
SEN. GREG JERGESON
SEN. JANNA TAYLOR
SEN. FRED THOMAS
SEN. ART WITTICH

REP. CYDNIE (CARLIE) BOLAND
REP. ROY HOLLANDSWORTH
REP. CHUCK HUNTER
REP. MIKE MILLER

COMMITTEE MEMBERS EXCUSED

SEN. CHRISTINE KAUFMANN, Chair
REP. TOM JACOBSON

STAFF PRESENT

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

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

COMMITTEE ACTION

- The committee voted to continue to receive the report on tax haven countries.
- The committee voted to allow the Department of Revenue to proceed with its proposed bill drafts.

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Ballance called the meeting to order at 1:00 p.m. The secretary called roll. Sen. Kaufmann and Rep. Jacobson were excused. (Attachment 3)

UPDATE ON THE SIX-YEAR REAPPRAISAL CYCLE - Mike Kadas, Director, Department of Revenue

00:02:09 Mr. Kadas provided opening remarks on the Department of Revenue's presentation on the 2015 Property Reappraisal. (Exhibit 1)

- **Overview of Property Reappraisal - Cynthia Monteau Moore, Administrator, Property Assessment Division, Department of Revenue**

00:04:53 Ms. Moore gave an overview of the reappraisal process, who is responsible for reappraisal, whose decisions impact property reappraisal, and what is reappraisal.

- **Approaches to value for residential and commercial property - Rocky Haralson, Regional Manager, Region 4 Property Assessment Division, Department of Revenue**

00:11:05 Mr. Haralson gave a presentation on approaches used to estimate residential and commercial property valuations and the income formula used for commercial property valuation.

- **Estimated impacts for 2015 - Chuck Pankratz, Regional Manager, Region 2 Property Assessment Division, Department of Revenue**

00:13:58 Mr. Pankratz gave a presentation on agricultural land valuation, forest land valuation, and a preliminary analysis of impacts for 2015.

Committee questions

00:21:40 Rep. Hollandsworth

00:22:36 Director Kadas

00:32:15 Rep. Hollandsworth

00:32:42 Director Kadas

00:33:37 Sen. Wittich

00:34:02 Director Kadas

00:34:10 Sen. Wittich

00:35:13 Director Kadas

00:36:44 Mr. Haralson

00:39:53 Sen. Barrett

00:40:30 Director Kadas

00:40:48 Sen. Barrett.
00:41:01 Director Kadas
00:41:12 Sen. Taylor
00:41:46 Director Kadas
00:42:03 Sen. Taylor
00:42:56 Director Kadas

Public Comment - none

PAST PROPERTY TAX STUDIES - Megan Moore, Research Analyst

00:46:12 Ms. Moore gave a presentation on past property tax studies undertaken by the Legislature and options for formatting a study. **(Exhibit 2)**

PROPERTY TAX SIMPLIFICATION "WISH LIST" - Mike Kadas, Director, Department of Revenue

00:51:12 Director Kadas gave a presentation on property tax simplification ideas. **(Exhibit 3)**

Public Comment - none

Committee questions
01:04:32 Sen. Wittich
01:05:25 Director Kadas
01:06:12 Sen. Wittich
01:06:32 Director Kadas
01:06:39 Sen. Wittich
01:07:43 Director Kadas
01:08:14 Sen. Barrett
01:09:37 Sen. Jergeson
01:11:09 Director Kadas
01:12:03 Rep. Hollandsworth
01:12:40 Rep. Ballance
01:13:15 Director Kadas

UPDATE OF COUNTRIES THAT MAY BE CONSIDERED TAX HAVENS - Gene Walborn, Administrator, Business and Income Tax Division, Department of Revenue

01:16:11 Mr. Walborn gave a report on countries that are considered tax haven countries. **(Exhibit 4)**

Committee questions
01:27:18 Sen. Wittich
01:28:01 Mr. Walborn
01:30:16 Sen. Wittich
01:30:25 Mr. Walborn
01:32:08 Director Kadas

Public Comment

01:33:42 Bob Story, Montana Taxpayers Association, recommended that the committee retain the report on tax haven countries

Committee discussion

01:35:04 Ms. Moore discussed the requirement for the committee to recommend whether or not to continue receiving a report on tax haven countries.

01:35:35 Sen. Barrett asked if the report is in statute and, if the committee decided to no longer receive a report, whether a statutory change would be required.

Motion

01:36:17 Sen. Barrett moved that the committee continue to receive the report on tax haven countries. **The motion passed with Sen. Kaufmann voting yes by proxy.**

01:37:16 Rep. Hollandsworth requested that the committee receive a list of tax haven countries.

01:37:35 Sen. Taylor asked how many states currently identify tax havens and allow a water's edge election.

01:38:01 Director Kadas said that the Department will provide a summary of other states' business income tax policies.

01:38:52 Ms. Moore said that the tax haven countries are in statute in 15-31-322, MCA, and she can email the members that link. The committee would need a bill draft request to change the list.

BREAK - reconvene at 3:01 p.m.

DEPARTMENT OF REVENUE AGENCY UPDATE

• **Litigation Report - Dan Whyte, Chief Legal Counsel, Department of Revenue**

02:00:09 Dan Whyte gave a report on the cases in the Montana Supreme Court and the State District Court. ([Exhibit 5](#))

Public Comment - none

Committee questions

02:07:36 Sen. Wittich

02:07:46 Mr. Walborn

02:08:26 Sen. Wittich

02:08:44 Mr. Walborn

02:09:47 Rep. Hunter

02:10:11 Mr. Whyte

02:11:44 Sen. Thomas

02:12:01 Mr. Whyte

02:12:19 Sen. Thomas
02:12:41 Director Kadas
02:13:32 Rep. Miller
02:13:49 Mr. Walborn
02:14:47 Rep. Miller
02:15:11 Mr. Walborn
02:16:04 Director Kadas
02:16:32 Rep. Miller
02:16:37 Director Kadas

- **Emerging Issues**

02:16:59 Director Kadas discussed the Department's settlement in the Bresnan and Verizon cases that involved intangible personal property.

02:18:59 Director Kadas discussed the per capita fee revenues that are generated for the Department of Livestock. The Department of Revenue administers the fee, collects the revenue, and turns the revenue over to the Department of Livestock.

Public Comment

02:22:31 Mark Baker, representing cable companies, commented on the complex tax issues related to cable companies and supports further review by the Legislature.

02:23:43 Bob Story, Montana Taxpayers Association, commented on the intangible personal property issue.

ENTITLEMENT SHARE FOLLOW-UP REQUEST - Emily Klungtvedt, Economist,
Department of Revenue

02:29:32 Ms. Klungtvedt gave a presentation on the Entitlement Share payments and the Block Grant payments. ([Exhibit 6](#))

Public Comment - none

Committee questions

02:38:55 Sen. Wittich
02:39:30 Ms. Klungtvedt
02:39:58 Sen. Wittich
02:40:11 Ms. Klungtvedt
02:41:39 Sen. Wittich
02:41:59 Director Kadas
02:43:04 Sen. Wittich
02:44:58 Director Kadas
02:45:47 Rep. Hunter
02:46:22 Director Kadas
02:46:27 Sen. Thomas
02:47:49 Director Kadas
02:49:12 Sen. Thomas
02:49:38 Director Kadas

02:50:40 Sen. Barrett
02:51:43 Sen. Thomas
02:52:02 Sen. Barrett
02:52:19 Rep. Hollandsworth
02:53:30 Sen. Jergeson
02:55:24 Sen. Taylor
02:56:48 Rep. Ballance

Public Comment

02:57:43 Harold Blattie, Montana Association of Counties
03:01:51 Bob Story

AGENCY LEGISLATIVE PROPOSALS

- **Review of the process**

03:05:44 Ms. Moore gave background information on the process of the committee's review of agency proposed legislation.

- **Department of Revenue proposals**

03:07:01 Clarify the requirements for agricultural employees wage withholding ([Exhibit 7](#))

Committee questions

03:08:59 Rep. Hunter
03:09:19 Director Kadas
03:09:37 Sen. Wittich
03:09:45 Director Kadas
03:10:09 Sen. Wittich
03:10:21 Mr. Walborn
03:10:59 Sen. Wittich
03:11:37 Mr. Walborn

03:12:00 Electronic signature authority ([Exhibit 8](#))
03:12:44 Equal treatment of licensees under liquor control penalty statute ([Exhibit 9](#))
03:13:34 Update statutory oil posting publishing ([Exhibit 10](#))
03:14:19 Public disclosure of real estate sales price ([Exhibit 11](#)) and related document "Public Disclosure of Real Estate Sales Price" ([Exhibit 12](#))

Community questions

03:15:53 Sen. Wittich
03:18:17 Director Kadas
03:19:05 Sen. Wittich
03:20:32 Alan Peura, Deputy Director, Department of Revenue
03:23:43 Rep. Hollandsworth
03:25:20 Sen. Wittich
03:26:39 Director Kadas

03:28:53 Revising subdivision's classifications for Agricultural Land Valuation ([Exhibit 13](#))

Public Comment - none

03:32:18 Sen. Jergeson asked if the committee could kill any of the bill drafts by refusing to move forward on the bill drafts.

03:32:49 Jaret Coles, Staff Attorney, said that the committee would not be delaying the process if it decides not to authorize the bill drafts. The agency can still draft the legislation by requesting the bill draft through another member. This is just to help the legislative staff get started sooner in the process.

03:33:15 Rep. Hunter said that this is an odd exercise of committee time to conduct this process and suggested getting rid of it.

Motion

03:33:48 Sen. Jergeson moved that having received the presentation from Department of Revenue according to law, that the Department be allowed to proceed with its proposed bill drafts.

Committee discussion

03:34:14 Sen. Wittich

03:35:01 Ms. Moore

03:35:54 Rep. Miller

03:36:12 Ms. Moore

03:36:28 Sen. Wittich

03:37:02 Rep. Ballance

03:38:01 Sen. Barrett

03:38:58 **The motion passed unanimously with Rep. Jacobson and Sen Kaufmann voting aye by proxy.**

Public Comment on any other topic within the jurisdiction of the committee

03:39:34 Director Kadas commented on the benefits of bringing agency legislative proposals to the committee.

03:40:09 Sen. Wittich asked if there is an agenda item for tomorrow's meeting to discuss the accuracy of the statute that requires the Department of Revenue to participate in mediation for disputes.

03:40:35 Mr. Coles said that the SJR 23 Taxpayer Appeal Study is scheduled for tomorrow's meeting.

03:40:40 Rep. Hollandsworth asked if the discussion on the Agricultural Land Valuation Advisory Committee will be on tomorrow's agenda.

RECESS

03:41:00 With no further business before the committee, Rep. Ballance recessed the meeting at 4:44 p.m., to reconvene at 8:00 a.m., July 17, 2014.