Montana Department of Revenue

Dan Bucks
Director

Brian Schweitzer
Governor

Advisory Council Working Group on Local Government Issues

Meeting Minutes
Friday, June 25, 2010
9:30 a.m. – 3:00 p.m.
Donovan Building on Last Chance Gulch in Downtown Helena
(Next to Wells Fargo Bank)

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Attendees:

Advisory Council Working Group on Local Government Members:
Kathy Bessette, Chair, Hill County Commissioner
Kim Buchanan, Gallatin County Treasurer
Jerry Jimison, Glendive Mayor
Susan Nicosia, Columbia Falls Finance Director (by video conference)
Chris Veis, Former Billings City Council Member
Jason Wiener, Missoula City Council Member
Paulette DeHart, Lewis & Clark County Treasurer

Excused:
Lisa Smith, Powell County Treasurer
Ryan Rusche, Roosevelt County Attorney

Department of Revenue:
Dan Bucks, Director
Alan Peura, Deputy Director
Cynthia Monteau Moore, Property Assessment (PAD)
Rocky Haralson, Property Assessment (PAD)
Larry Richards, Property Assessment (PAD)
Scott Williams, Property Assessment (PAD)
Chuck Pankratz, Property Assessment (PAD)
Sherri Diemart, Property Assessment (PAD)
Gene Walborn, Business and Income Taxes (BIT)
Lee Baerlocher, Business and Income Taxes (BIT)
Michele Crepeau, Legal Services (OLA)
Rian Miller, Information Technology and Processing (IT/PRO)
John Morrow, Information Technology and Processing (IT/PRO)
Dallas Reese

Other State Employees:
Ralph Franklin, Governor's Budget Office
Harold Blattie, Montana Association of Counties (MACo)

Members of the Public:
Mary Whittinghill, Montana Taxpayers' Association

Note: All DOR reports presented at this meeting are online at:
http://revenue.mt.gov/committees/local_govt_wg/default.mcpx

I. **Welcome and Introductions** – Commissioner Kathy Bessette, Chair

Chair Kathy Bessette welcomed everyone to the Advisory Council Working Group on Local Government meeting. Minutes from the March 19, 2010 meeting were approved.

Director Dan Bucks spoke about the new option of video conferencing in to future meetings. The Director said we will be expanding areas as we find budget savings and as staff expresses interest in it. Kathy asked if it is currently possible for agencies within the state to speak with each other via video conferencing. Deputy Director Alan Peura says that while we are hopeful to have this in the future, it isn't possible at this time. Alan also mentioned that we hope to have video conferencing available in Billings and Missoula at the next conference meeting.

The Director introduced the PAD regional managers and all of those attending from local offices.

II. **Update on Property Tax Trends and Reappraisal** – DOR staff: Alan Peura (Deputy Director), Cynthia Moore (PAD)

Alan presented the Quality of Reappraisal reports for residential and commercial property. These were prepared and submitted by the consulting firm of Almy, Gloudemans, Jacobs & Denne. Overall, the Department has done an excellent job valuing properties and is right on the accuracy targets set by the International Association of Assessing Officers. Each of the regional managers reported what they are seeing in their region and how it compares to the national trend.

Cynthia presented numbers on how many AB26's and CTAB's have been filed for 2009 (as of June 11, 2010) and 2010 (as of April 22, 2010). Paulette asked if the AB26's will be resolved before billing in October? Cynthia answered not in all regions and counties because it is very time consuming and in 2009 alone, there were 38,000 AB26's filed, exceeding staff workload capacity. But in most counties, yes, the work will be done. Cynthia also spoke about the "second chance" informal review press release allowing

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taxpayers to file through June 30 for 2010 assessment notices. The Department has been distributing this as much as possible with newspaper articles, through the website and public service announcements.

Cynthia told the group that staff are doing all they can to have the assessment notices printed and in the mail by the middle of next week (~June 30, 2010).

III. **Local Government Budget Timeline Bill Drafts** – Alan Peura, Deputy Director

Alan told the group that current law states that we have 49-56 days to report taxes to the counties, but with the new proposed bill draft, there would be just 18-25 days. The Department has proposed an amendment that would extend the time slightly, with 28-35 days for reporting. However, Alan stated that this would require 100% compliance by the taxing districts with this new timeline. Harold Blattie, Executive Director of MACo, said that surveys sent out to his members were in support of the Department's draft.

The Director expressed concern on the timeliness of the local government budget submittals to the Department, if the dates are moved up. The Council discussed and considered an accountability requirement that budget data be submitted by the new deadline or else a reduced budget would be submitted at a 10% decrease from the previous year. The Council requested that Alan work on a specific draft recommendation for consideration of the Council to use to weigh-in on this matter.

IV. **Mobile Home Title Changes** – Sherri Diemert (PAD)

Sherri discussed the policy that mobile homes newer than 1977 require a title change. If it is moving, a moving declaration fee must be paid, along with the taxes and then the tax receipt goes back to the office. An appraiser is sent out to see if the mobile home has indeed moved so it can be taxed in the new location. Rocky discussed the difference between personal property and real property. The Department follows the HUD guidelines for what is considered a foundation. The group discussed how difficult abandoned mobile homes have been. No one wants the cost of getting rid of these.

V. **Centrally Assessed Property Follow-Up** – Gene Walborn (BIT)

Gene discussed some of the questions from the last meeting, such as what qualifies as centrally assessed property as well as what the different classes and industries are. There was some discussion on the rail cars that are stored in Montana and whether or not they are being taxed. Gene says yes they are, and in fact, that is such a popular question, the Department has printed a handout for taxpayers questions on the matter.

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VI. **Payment In Lieu of Taxes (PILT) Review** – Dallas Reese

Dallas explained that Payment In Lieu of Taxes is federal payments to local governments that will help offset losses in property taxes due to nontaxable Federal land. The program began in the 1960's. Since House Bill 124 passed in 2001, payments have been streamlined.

VII. **DOR Update Report** – Dan Bucks, Director

The Director explained that this has been one of the smoothest and quickest tax seasons we've had. The Department opened mail 2 weeks faster than 2 years ago and the average time to process a refund has decreased from last year. There has been an increase in business returns filed electronically. The new Imaging system that is being installed will help make Department operations even more efficient.

The Director also reported that currently the Department has an 8.2 to 1 ratio of audit collections to expenditures, meaning that for every $1 invested in compliance work $8.20 in revenue is returned.

VIII. Public Comment

No public comment.

IX. Next Meeting Date

The next meeting is set for Wednesday, October 13, 2010.

<u>Local Government Working Group Purpose:</u>

The Working Group shall gather information and may make recommendations on issues concerning, but not limited to, the annual certification of taxable values and new taxable property, enhancements to Department communication and services to local governments, and the administration of shared revenue sources (e.g. coal gross proceeds and oil ad gas revenues).

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