



Dan Bucks
Director

Montana Department of Revenue



Brian Schweitzer
Governor

Advisory Council Working Group on Local Government Issues

Meeting Minutes

Friday, March 19, 2010

9:30 a.m. – 2:30 p.m.

Donovan Building on Last Chance Gulch in Downtown Helena
(Next to Wells Fargo Bank)

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
Ryan Rusche, Roosevelt County Attorney
Lisa Smith, Powell County Treasurer (by teleconference)
Chris "Shoots" Veis, Former Billings City Council Member
Jason Wiener, Missoula City Council Member

Excused:

Paulette DeHart, Lewis and Clark County Treasurer

Department of Revenue:

Dan Bucks – Director
Lee Baerlocher – Business and Income Taxes (BIT)
Ed Caplis – Tax Policy and Research (TPR)
Van Charlton – Business and Income Taxes (BIT)
Michele Crepeau – Legal Services (OLA)
C. A. Daw – Legal Services (OLA)
Tina Hash – Director's Office
Cynthia Monteau Moore – Property Assessment (PAD)
Alan Peura – Deputy Director
Larson Silbaugh – Tax Policy and Research (TPR)
Gene Walborn – Business and Income Taxes (BIT)

Other State Employees:

Ralph Franklin – Governor's Budget Office

Members of the Public:

Mary Whittinghill – Montana Taxpayers' Association
Mike Green – Helena Attorney

NOTE: All DOR reports presented at this meeting are online at:
http://mt.gov/revenue/programsandservices/local_govt_wg.asp

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 November 20, 2009 meeting were approved.

Director Bucks and **Terry Hutton** gave members a tour of the tax processing facility in the Donovan Building. The Director emphasized the Department's commitment to "recycling" buildings rather than constructing new ones. In addition, the new area is highly-secure. He added this tax season has been the "smoothest and fastest tax processing season ever" and congratulated Terry and her staff for an outstanding job. He said he also looks forward to the future use of the Imaging Project – an even more efficient way to handle tax returns. Imaging also allows for faster deposits resulting in more interest for the state. The Director thanked Mary Whittinghill and the Montana Taxpayers' Association for their support during the 2009 Legislative Session in helping secure funding for the Imaging Project, adding they deserve credit for the project.

Jerry asked what percent of income taxes get filed on April 15 each year. Terry said the people who file late are usually the ones who owe money or are waiting for more information to file their taxes. She said citizens can file early and wait to pay by April 15.

Shoots asked if e-filing numbers have plateaued or increased. Terry said the numbers continue to grow and the e-filing rate in Montana is high compared to other states' e-filing rates.

The Director showed members the video conferencing equipment which he said will save on travel and employee expenses for meetings and may also be used for future Local Government Working Group meetings.

II. Update on Property Tax Trends and Reappraisal – DOR Staff: Cynthia Moore – PAD and Ed Caplis – TPR

Larson Silbaugh, TPR staff, presented the Quality of Reappraisal reports for residential and commercial property. The Department submitted these to the consulting firm of Almy, Gloudemans, Jacobs & Denne – Property Taxation and Assessment Consultants – who are the leading experts in the field of property valuation and sales assessment ratio studies. They confirmed the validity of the report and methodology used. Alan said what the group needs to take away from the report is on the second to the last page – we hit the targets that have been established by the International Association of Assessing Officers for quality of the Department reappraisal valuations. The Director said we will have an updated

report from Gloudemans available for the next Local Government Working Group meeting.

Cynthia said Department staff appraised 952,000 parcels of land. Taxpayers who disagreed with their assessment were encouraged to file an informal review – the AB-26. The AB-26 review is the taxpayer’s first appointment with the Department regarding their property reappraisal and she said the Property staff has been very successful in getting these resolved at the local level. Regarding the Extended Property Tax Assistance Program (EPTAP), Cynthia said there are 2,000 applications left to go through to determine eligibility.

C. A. Daw presented an update on the 2009 ag land reappraisal. The Department will correct the valuation for those with a productivity change only – about 30,000 ag parcels. The Department will make this change in two batches; for those who filed an AB-26 in 2009 the change will be made back to 2009, for all others the change will be made in 2010.

III. Tax Increment Finance (TIF)– Michele Crepeau, OLA and Ed Caplis, TPR

Michele presented the process for applying for TIFs and her role in the process. Applicants are asked these questions: Do you have a growth policy and is the area properly zoned? When she gets TIF requests, she sends the legal description to the Department’s GIS staff. Since the adoption of rules, the Department has sped up the process from seven to eight months to as short as three weeks. The rules checklist has eliminated the number of call backs to applicants.

Jason asked if we could have a base year on service bonds. Michele said this is a field that needs to be added in the ORION computer system. Alan said he will visit with our Information Technology staff regarding this request.

Ed presented information about all TIFs in Montana. There are three to four TIFs proposed per year. Two TIF Districts recently sunset – one in Billings and one in Great Falls.

IV. Tax Abatement Process – Michele Crepeau, OLA and Gene Walborn, BIT

Michele and Gene presented an overview of the tax abatement options in state law. Gene handed out copies of form CAB-7 – Application for Property Tax Reduction for Commercial or Industrial Real Property Improvements and Personal Property. The form was created in response to Representative Chas Vincent’s bill which passed during the 2009 Legislature. The law provides tax incentives for businesses to not sell their equipment when they go out of business, which enables another business or company employees buying the business to not have to replace the equipment. Gene said three entities have inquired so far but it hasn’t been used yet.

V. Oil and Gas Valuation Rules Update – Gene Walborn, Lee Baerlocher, Van Charlton, BIT

Gene presented an overview of the gas and oil valuation process. He said there is a misconception that Montana taxes oil and gas entities at a much higher rate than surrounding states do, when in fact, our taxes are comparable to those states' taxes. Van added the tax rates haven't changed in six to seven years. There are currently 300 to 350 tax filers in this category.

VI. Tourism Business Improvement District (TBID) – Rich Bechtel, OTPA

Alan filled in for Rich and provided copies of a handout that Billings put together for their TBID. The funds from the TBIDs help build local tourism. Alan said the Helena City Commission created one for Helena. The hoteliers collect the funds and are responsible for self-reporting. Kathy said Hill County is contemplating creating one.

Action Items: Centrally Assessed Property Update is slated for the next meeting and topics include why is property centrally assessed; what is centrally-assessed property; how are the rates set; what are some enterprises that might fall under centrally assessed, but currently are not centrally assessed, i.e., box stores.

Jerry talked about recent elections and said it's a big job bringing newly-elected leaders up-to-speed on all this information. Dan said for the next agenda we can talk about how the Department can do a better job in providing information to newly-elected officials.

Susan would like Dan to send the county commissioner letter to mayors and city officials. There also is a meeting in Bozeman the first week in May of newly-elected officials and the Department may also look there for an opportunity to provide information. Shoots has a contact for this meeting and will follow-up with Dan on how to proceed. Mary Whittinghill mentioned we may want to invite Kay Gray, Department of Administration, to help in this area.

Kim asked if the Department is going to advertise the AB-26 deadline extension. Dan said the Department is putting together a communications plan regarding this issue.

VII. Public Comment

Mary Whittinghill's comments are under action items.

VIII. Next Meeting Date

The next meeting is tentatively scheduled for June 25, 2010.

Local Government Working Group Purpose:

The Working Group shall gather information and may make recommendations on issues concerning, but not limited to, the annual certification of taxable values and newly 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 and gas revenues).