



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 2, 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

REP. TOM JACOBSON, Chair

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

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

COMMITTEE MEMBERS EXCUSED

SEN. MARK BLASDEL, Vice Chair

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 three draft bills be presented at the July meeting for the study of tax increment financing. The general bill concepts are:

- Limiting the taxable value of a city/county that can be placed into the base taxable value of a district that uses tax increment financing and providing that all districts that use tax increment financing within a city or county be administered by a single entity. Both of these concepts are being discussed among the Department of Revenue, the Montana League of Cities and Towns, the Montana Association of Counties, and the Infrastructure Coalition. Staff is directed to work with those entities on these concepts.
- Requiring remittance of increment not needed for bond payments after some period of time, perhaps following Idaho's model; and
- Revising 7-15-4257 to provide that a municipality may access private property for a public safety assessment.

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Jacobson called the meeting to order at 10:05 a.m. The committee secretary took roll ([Attachment 3](#)). Sen. Blasdel was excused and left his proxy with Rep. Hertz ([Attachment 4](#)).

AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD -- Dave McAlpin, Chair

Caseload and pending appeals update

00:00:49 Mr. McAlpin updated the committee on the board's caseload and pending appeals ([Exhibit 1](#)).

Public comment

None

AGENCY OVERSIGHT: DEPARTMENT OF REVENUE -- Mike Kadas, Director

00:10:09 Director Kadas introduced the department's presenters.

Required reports

00:10:32 Rose Bender, Economist, DOR, gave an update on the biodiesel blending and storage tax credit ([Exhibit 2](#)).

00:11:38 Aaron McNay, Economist, DOR, gave an update on the charitable endowment tax credit ([Exhibit 3](#)).

Committee questions for Mr. McNay regarding the charitable endowment tax credit

00:13:11 Sen. Barrett asked for clarification on the 40% credit of a planned gift that can be claimed by an individual.

- 00:14:03 Sen. Barrett asked if the charitable endowment credit is affecting the amount of individuals who are giving.
- 00:14:58 Sen. Hoven asked for clarification on how a donation can be defined as charitable endowment credit.
- 00:17:15 Rep. Jacobson commented on the definition of and asked for clarification on the charitable endowment credit.
- 00:18:55 Rep. Hamilton commented on the charitable endowment credit.
- 00:19:39 Mr. McNay continued his presentation and gave an update on the student scholarship organization credit ([Exhibit 4](#)).

Committee questions regarding the student scholarship organization credit

- 00:22:14 Sen. Barrett asked Mr. McNay if the student scholarship organization credit program data excluded religious schools that do not qualify for the program. The question was redirected to Director Kadas.
- 00:23:51 Sen. Barrett asked Director Kadas if the Big Sky Scholarships organization provides scholarships to religious schools.
- 00:24:21 Director Kadas commented on the department's updates given to the committee.

Income tax season update

- 00:25:51 Steve Austin, Citizen Services and Resource Management Administrator, DOR, gave an update on the tax processing season 2018 ([Exhibit 5](#)).

Committee questions for Mr. Austin

- 00:29:40 Sen. Hoven asked what percentage of state citizens filed for tax season 2017 extensions. The question was redirected to Gene Walborn, DOR.
- 00:30:35 Mr. Austin continued his presentation (see Exhibit 5).

Committee questions for Mr. Austin

- 00:32:14 Rep. Beard asked if the fraudulent refunds that were prevented in the 2017 tax season were seen each tax season and if there are recurrent offenders.
- 00:33:19 Director Kadas commented on the income tax season update that was given to the committee (see Exhibit 5).

Committee questions for Director Kadas

- 00:36:35 Rep. Jacobson asked if the department refers individuals to tax help websites.
- 00:37:16 Rep. Jacobson asked how the 2017 tax season compares to surrounding states.

Major case update

- 00:38:04 Dan Whyte, Chief Legal Counsel, DOR, updated the committee on the major cases being handled by the department ([Exhibit 6](#)).

Committee questions for Mr. Whyte

- 00:44:37 Rep. Hertz asked if the dispute in the Montana Tax Appeal Board case with CHS is due to the cost method of valuation.
- 00:46:06 Rep. Hertz asked for an update of the Kalispell BYOB Liquor Store case.

00:46:48 Director Kadas commented on the office closures.

Committee questions for Director Kadas

00:53:36 Sen. Hoven asked how far constituents need to drive to an open office was taken into consideration when choosing which offices to close.
00:55:19 Sen. Hoven asked for clarification of the office closures in north-central Montana.
00:58:08 Rep. Beard asked Director Kadas to speak on how field offices address information technology concerns from county treasurers.
01:01:38 Rep. Hamilton asked for the history of corporate drop-off in credit donations in the years 2004-2009.
01:02:36 Rep. Hertz asked who county treasurers should contact in Helena if they are having difficulty contacting a field office.
01:03:24 Sen. Hoven commented on how the department has handled the budget cuts.
01:05:10 Rep. Redfield asked about his information request on irrigated land value.
01:05:24 Sen. Cohenour commented on the budget cuts in the Department of Health and Human Services and how the Department of Revenue is handling budget cuts.

Public comment

01:09:32 Stuart Dogget, Montana Lodging and Hospitality Association ([Exhibit 7](#)).
01:12:55 Bob Story, Montana Taxpayers Association
01:14:44 Heather O'Loughlin, Montana Budget and Policy Center

MEDICAL MARIJUANA UPDATE

Update on administrative rules -- Erica Johnston, Operations Services Branch Manager, Department of Public Health and Human Services

01:17:35 Ms. Johnston gave an update on the medical marijuana program administrative rules ([Exhibit 8](#)).

Committee questions

01:27:31 Rep. Hertz asked how many product testing labs are in the state.
01:28:05 Sen. Cohenour asked Ms. Johnston to comment on product testing standards.
01:30:10 Sen. Barrett asked for clarification of the proposed canopy size rule.
01:32:52 Sen. Barrett asked where in SB 333 was the legislative intent to have canopy size be proportional to numbers of patients.
01:34:02 Sen. Barrett commented on the proposed rules from the department and the requirement that patients list their provider.
01:35:37 Rep. Redfield asked if financial records are available that show the separation of production growers, labs, and extraction.
01:36:56 Rep. Redfield commented on the use of and testing for pesticides.
01:37:54 Rep. Beard asked if the legislature can get periodic updates on product facilities, providers, and number of card holders.
01:38:51 Sen. Hoven asked for clarification on the product license fee schedule.
01:40:35 Sen. Hoven asked what type of reporting requirements are asked of providers.
01:41:52 Sen. Hoven asked if product cards can track the cardholder's purchases.
01:42:42 Sen. Cohenour commented on metals analysis testing and pesticides testing.
01:44:17 Rep. Jacobson asked how much of the program funding has been expended.
01:46:20 Rep. Jacobson asked if the department hired on experience or if they use consultants.

- 01:47:48 Sen. Hoven asked what canopy size category can the majority of the currently registered product growers be placed.
- 01:48:55 Sen. Hoven asked what the average cardholder usage is monthly.
- 01:49:42 Sen. Hoven commented on the potential overproduction of product.

Public comment

- 01:51:03 Douglas Phelps, Billings
- 02:03:25 Kate Cholewa, Montana Cannabis Industry Association
- 02:13:58 Dennis Small, Helena
- 02:19:47 Barb Turner, Libby

Committee questions

- 02:25:02 Sen. Barrett asked Ms. Cholewa where in legislation is the size of the canopy determined.
- 02:28:05 Sen. Barrett asked Ms. Cholewa if canopy size is clear in statute.
- 02:28:31 Sen. Hoven asked Ms. Johnston if there has been investigation on a reported provider who issued 1400 product cards.

LUNCH (Reconvened at 1:15 p.m.)

HJ 18: TAX INCREMENT FINANCING STUDY

Surrounding states' experiences with TIF -- Alyssa Sorenson, Legislative Audit Division

- 03:14:10 Ms. Sorenson gave the committee an update on surrounding states' experiences with TIF ([Exhibit 9](#)).

Committee questions

- 03:22:31 Sen. Barrett asked if the differences in TIF law provisions make a difference in the success of TIFs.
- 03:23:15 Sen. Barrett asked if there has been any study on the impact of TIF designation and financing on growth value.

Overview of expired districts that used TIF -- Ms. Sorenson

- 03:24:38 Ms. Sorenson gave an overview of expired districts that used TIF ([Exhibit 10](#)).

Bond payments and revenue comparison in districts that use TIF -- Ms. Moore

- 03:28:32 Ms. Moore presented on bond payments and revenue comparison in districts that use TIF ([Exhibit 11](#)).

Committee questions

- 03:34:53 Rep. Hamilton asked what happens with funds that were designated for TIFs that are now past their lifetime.
- 03:36:40 Rep. Hamilton asked for clarification of dates on the handout (see Exhibit 11).
- 03:37:11 Rep. Hamilton asked if TIF funds can be accumulated for other projects once they are past their lifetime.

TIF Working Group's work on best practices -- Kelly Lynch, Montana League of Cities and Towns

- 03:38:39 Ms. Lynch gave an overview of the TIF Working Group's meetings ([Exhibit 12](#)) and ([Exhibit 13](#)).

Committee questions

- 03:51:23 Sen. Barrett asked if TIF profiles will contain information on what was happening in a district before projects were undertaken.
- 03:52:47 Sen. Barrett commented on the proper use of TIF.
- 03:53:26 Sen. Hoven asked if a school district's inability to receive excess TIF funds is a result of recent legislation.

DOR administrative role and resource needs, process for certifying base and incremental taxable values, and centrally assessed property values within districts that use TIF -- Department of Revenue

- 03:54:48 Director Kadas updated the committee on the department's administrative role and resource needs, the process for certifying base and incremental taxable values, and reviewed centrally assessed property values within TIF districts.

Committee questions

- 04:05:28 Sen. Barrett asked Director Kadas to speak on the TIF reporting errors.
- 04:10:35 Sen. Barrett asked how a centrally assessed property value is apportioned out.

Statutory goals for districts -- Ms. Moore

- 04:12:02 Ms. Moore gave an overview of the statutory goals for districts and discussed possible committee work session items ([Exhibit 14](#)).

Public comment

- 04:19:25 Tim Burton, Montana League of Cities and Towns
- 04:21:02 Kevin Nelson, Billings
- 04:27:18 Ms. Sorenson
- 04:31:28 David Fine, Bozeman Economic Development Department
- 04:34:31 Ms. Moore presented a memorandum summarizing recommendations from Rep. Jeff Essmann, HD 54, for the committee to discuss during their work session ([Exhibit 15](#)).

Committee work session

- 04:35:09 Rep. Jacobson asked the members for discussion on what the committee's goals are for the TIF districts.
- 04:35:48 Committee discussion and recommendations on goals for TIF districts.
- 04:58:47 Rep. Jacobson asked the committee to review their recommendations.
- 05:00:21 Sen. Hoven asked Ms. Moore if there is a TIF district definition in statute and if public notice requirements of TIF district boundaries are in statute.
- 05:01:53 Rep. Jacobson summarized the committee's recommendations.
- 05:02:34 Sen. Cohenour asked Mr. Walborn for the statute language regarding entering property for assessment in TIF districts. The question was redirected to Ms. Moore.
- 05:04:50 Sen. Cohenour asked Mr. Walborn if the language in statute gives additional powers to the taxing jurisdiction.
- 05:05:55 Sen. Barrett asked what is the practical significance of the statutory language. The question was redirected to Mr. Burton
- 05:07:45 Committee discussion on TIF district recommendations.
- 05:09:54 Rep. Beard asked that parameters be put into potential bill draft language that requires TIF applications be approved if no other development could occur without a TIF.
- 05:11:42 Committee discussion on TIF district recommendations.

05:16:17 Rep. Hamilton asked for a review of the committees recommended bill drafts regarding TIF districts.
05:17:35 Sen. Hoven asked if there are spending limitations on TIF district funds.
05:18:52 Committee discussion on TIF district recommendations.
05:22:00 Rep. Jacobson reviewed the committee's recommendations.
05:23:26 Rep. Hertz asked Ms. Moore which statute defines what TIF funds can be spent on ([Exhibit 16](#)).

Motion

05:24:05 Rep. Hamilton moved to have Ms. Moore draft legislation on the remittance of increment not needed for bond payments after some period of time.

Discussion on the motion

05:25:15 Sen. Cohenour asked for clarification on the motion
05:27:07 Sen. Barrett
05:27:55 Rep. Jacobson
05:29:24 Rep. Redfield
05:29:34 Rep. Hertz asked Ms. Moore to review how Idaho handles TIF district remittance.

Vote

05:30:09 The motion passed on an 8-4 roll call vote, with Sens. Ankney, Boland, Cohenour, and Hoven voting 'no' ([Attachment 5](#)).
05:31:21 Sen. Hoven commented on the importance of public notices on TIF districts.

Motion

05:32:08 Sen. Cohenour moved to revise 7-15-4257 to provide that a municipality may access private property only for a public safety assessment.

Discussion on the motion

05:32:49 Rep. Hertz asked if the draft language should be limited to vacant property.
05:33:37 Sen. Ankney
05:34:09 Rep. Hertz

Vote

05:34:41 The motion passed on a 9-3 roll call vote, with Rep. Hamilton and Sens. Barrett and Hoven voting 'no' ([Attachment 6](#)).

AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW

Overview of administrative rule activity -- Jaret Coles, staff attorney

05:36:34 Mr. Coles gave a brief overview of administrative rule activity ([Exhibit 17](#)).

Public comment

None

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

05:38:22 Mike Spreadbury, Helena
05:41:06 Kevin Nelson, Billings

RECESS UNTIL MAY 3

05:44:14 Rep. Jacobson recessed the meeting at 3:50 p.m. until May 3, 2018.