

Failure of the 61st Legislature

By Rep. Mike Jopek, 4 May 2009

The spirit of the 61st Legislature produced many good things, from freezing tuition at Flathead Valley Community College, to funding K-12 at a 3% annual increase. The Legislature also listened to the 70% of Montanans that voted to provide children health insurance.

I am proud of these achievements but feel compelled to alert homeowners and small businesses of the failure of the 61st Legislature regarding property taxes. HB-658 was the vehicle to mitigate reappraisal but it is neither flat nor fair. I carried the bill on behalf of the Senate Joint Committee on Reappraisal.

We worked on reappraisal for 2 years and now find that the most vulnerable homeowners, the elderly, poor and disabled will feel the brunt of this bad bill. The issue is complex, riddled with perplexity. Property tax solutions confound logic and reason. To be clear, it is no simple matter.

When HB-658 left the working majority in the House at the end of March, it fully mitigated the \$40 million extra revenue the State would collect over the biennium from the levied 101 mills for education. The House also recognized that because of the historic valuation increases from 2002 to 2008 we must expand assistance to the elderly, poor and disabled homeowners cope with increased property taxes due to growth.

The Senate Republicans took a different approach to mitigating property taxes. They converted HB-658 to only mitigate 85% of reappraisal, allowing homeowners and small businesses to pay an additional \$6 million more in state taxes over the next biennium, before any market growth. Then the Senate eliminated all the House assistance to the elderly, poor and disabled homeowners.

Because of the action of the Senate and their unwillingness to compromise in the waning days of the 61st, homeowners and businesses will see statewide property taxes increase 3.5% each of the next 2 years. This statewide tax increase is guaranteed. Where you live or do business in our great State will determine how much more taxes will increase past the 3.5% per year over the biennium. Growth areas like the Flathead County will feel the brunt of bad state tax policy come November.

Eighty-three percent of the \$6 million state tax increase will be paid for by just 11 counties; Flathead, Gallatin, Yellowstone, Missoula, Cascade, Lewis and Clark, Ravalli, Lake, Madison, Silver Bow, and Carbon. Flathead, Gallatin, Yellowstone, and Missoula Counties alone are responsible for over 50% of this new state tax. Flathead and Gallatin homeowners and small businesses will each pay nearly \$1 million more in state taxes over the biennium. Additionally, local market appreciation can significantly increase property taxes.

The irony of deviating from the no statewide tax increase concept lies in one city in Montana. The only rationale I ever heard in the capitol corridors to not fully mitigating taxes to 100% was the notion of a local mill cap and how the tax base should remain higher. Yellowstone County homeowners and small businesses will now pay an additional \$750,000 in state taxes over the biennium before the local market appreciation.

I pledged to not increase statewide taxes for homeowners and small businesses due to reappraisal. My duty was to carry the bill for the Senate Joint Committee on Reappraisal but I am now mortified my name is on the bill. Given the nature of our economy and high unemployment, I along with the vast bulk of my fellow Democrats would not vote for a bill which the Senate Republican transformed into a \$6 million statewide tax increase over the biennium. Time existed in the 61st to fix this mess.

HB-658 is the failure of the 61st Legislature and homeowners and businesses will feel the pinch come November. Ultimately Republicans in the House and Senate overwhelmingly supported the conference committee report to stop negotiations and then belied up the votes to pass this tax increase bill.

Check the votes and see the Republicans who refused to further alleviate property taxes. In a shock to convention wisdom, only 6 Republicans in the entire Legislature voted to negotiate further with the Senate and only 1 more Republican voted no to this statewide tax increase.

Legislators who had the courage to say no to a statewide property tax increase are friends to homeowners. Others may offer excuses that this was the best we could

do; don't believe the hogwash as there was plenty of daylight to fix this statewide tax increase.

The Governor proposed a good concept of capping property taxes by slowing the phase-in of reappraisal during the biennium and doing more work during the 62nd Legislature. The solution was sadly ignored but was a first-rate idea, particularly given the real estate slumps we experience in our State. He is a true friend to Montana.

Rep. Mike Jopek served in the 59th, 60th, and 61st Legislatures. He is grateful to be back home on the farm where the value of hard work and passion for the soil should yield a good crop of food. And the blessings of family and friends are a welcome reminder to the importance of community.