Exhibit No. 1
Date 2-17-09
Bill No.

2/17/09
JOINT SELECT COMMITTEE ON REAPPRAISAL

Circuit Breakers

- Need limited incomes and elderly
- Structure these (limited income and elderly) on the income tax side (return) rather than property tax
- Can limit CB to residents
- Property tax mitigation needs to b related to ability to pay (find $ in property tax system)
- % of income: pt bill (ratio); ease tax obligation
- Who? All property tax increases or just those with large Δ↑
- Target elderly? Or across the board?
- Rate of inflation; 3 yr. average
- What are the qualifiers for relief?
- How do we make it simple - % increase; income; age

General

Appraisal rates among classes?
Are we comfortable –can we simplify these (i.e. with Δ comstead or homestead)

- Dealing with public perception? (FL focus on valuation increase)
- Valuation increases? Rate in context of economy
- What happens if we implement the valuations in all one year? 101 mills ↓ - 3 yr. maximum reappraisals if we are having a downturn.
- Do we mitigate taxable values or taxes
- If we do a phased in approach – what happens when the lines cross (values start going down). Do we shorten reappraisal/phase in?
- Cost of reappraisal? (MDOR)
- Repeat 2002 mitigation approach? Does this address 2008?
- Shorten reappraisal will address problems?
- How or whether to use existing framework for a more simple solution
- Existing model – update; do we need a phase-in? Complicated – basic ideas simple (what does it do?)
- Prefer committee bill to address mitigation
- Modeling –simple CB—how does this impact all local gov'ts
- There will always be winners and losers
- School district impact? Will need to consider.

- CB – taking policies in place—translate this into a new model: can we disaggregate by regions?
- CB may not work—DB will work up to a point.
- Homes—but other classes of property—how do we address?
- Keep mitigation efforts to reappraised classes (mitigate cyclical ones).
- Do incrementally phased in reappraisal—phase-in or formula; if phase in state ends up with a larger piece of the tax pie
- Public input on valuations—methodology—need a subcommittee to work on dealing with valuation methodologies.
- Handle classes separately
- Efforts focus on classes being handled now -- Revenue neutral for homeowners not shift!
- Home values have grown more—relative to other classes so this will cause shifts
- If try to keep revenue neutrality for Class 4 how to take into consideration new construction or remodeling (remember 1999 court case). Cannot discriminate against classes.
- Don't think homestead exemption is fair
- $28 billion ↑ in homeowner market value – are we comfortable using this for homeowner mitigation (by class of property). Need 1st to see data to answer the questions.
- We are constitutionally obligated to use the assessed values.
- Increase in values handled <u>per class</u> or <u>lumped together</u>.
- Ag & forestland – picked a neutral # (asked MDOR o start w/a revenue neutral rate by class)
- Statewide revenue neutrality – all classes lumped—by class? (3, 4, 10)
  - Use of market value as a start to show <u>reality</u>. Start as reality and move from there…
- Use market values and mitigate the taxes!
- Are we comfortable with MDOR #'s?
- If you use the phase in, statewide mills don't ↓ - how do you take the high values in certain states and spread this across the state? (comstead and homestead don't do this)
- <u>Revenue neutrality</u> – pt of disagreement.

<u>Public Comment</u>

- Past statewide <u>15-10-420</u> efforts –need to look at <u>levy district</u> with all classes (local and state)
- Class 4 has been growing tremendously.
- Whitefish grew in Class 4; not industrial
- See what happens to the individual levy districts!! (See if there is shifting.)

- Look at a few areas of the state first to see impact or shifting
- Are we comparing apples to apples when looking at growth and value within the classes; concern over mitigation use of circuit breakers
- Primary mitigation for homeowners (PT to income ratio – 21/2 percent)

CB

- How to balance CB vs. other mitigation methods? Criteria for qualifying may be complex.
- Want to include renters –do not want to go backwards.
- Base strictly on income? (regardless of age).
- Revenue neutrality - % locked in from prior reappraisals? (% of total state revenue)

Term of the Reappraisal

- CB—look at #s (final decisions)
- 2 or 3 year? 3 yr. tracks the legislative schedule better
- Odd yr. cycle may not work. / Even (4 yr) (extend 1 or 2 yrs?)
- 4 yr. cycle w/3rd year #'s
- ? on rationale for shortening cycle
- Comments on pros/cons
- Limit taxable values to some %?
- Annual reappraisals – using market data -- more thorough every 6 years.