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April 1, 2011

Governor Brian D. Schweitzer

Office of the Governor
Montana State Capitol Bldg.
P.O. Box 200801
Helena MT 59620-0801

Dear Governor Schweitzer,

I am writing to explain how you can increase the 2008 property tax revenue to the state (101mills) by over **\$20M** in the 2011 biennium, and **\$24M** in 2012 – 2014. These numbers are for residential class 4 only and are conservative if you include commercial and agriculture.

I suggest that you and the legislature have continued to ignore reappraised value as a source of revenue and, since we are already paying increased taxes, it makes sense to use those increases to increase funding for schools and to allow some increase in revenue for inflation, or a decrease in mills to county, city and local districts.

All the Legislature has to do is: 1) Allow the 1996 tax base level to increase by 3% or 4% per year, 2) Change the basis for class 4 to market value minus exemptions on December 31, 2008 increased by 3% annually or 100% market value whichever is less, 3) Hold the tax rate and exemptions fixed at the 2008 levels, 3.01%, .34 residential, .15 commercial. Agriculture will be taxed at the production value of December 31, 2008 increased by 3% annually or 100% production value whichever is less, and 4) Break the change in 2011 by increasing the 2008 market value by 3% per year for 2009, 2010, 2011 to use the cum taxable value, and tax increase for 2011.

There are several other benefits to this approach:

The equity problem of HB 658 is resolved; all Montana property owners are treated equally. No outliers. No lawsuit.

Reappraisal or adjustments reduce taxable value but most, if not all will not reduce below or to the new full value, so no increase in mills will be required.

The Extended Property Tax Assistance Program will not be required since everyone has a cap on the increase due to reappraisal of 3%. This will allow a reduction in mills for districts paying for their neighbor's reduction.

The impact of over or inaccurate appraised values will be minimized because the owners will be taxed on less than the full taxable value of the property.

Lawsuit unfavorable judgments may be reduced or eliminated since most courts react more favorably to what is done to *correct* the problem than what *caused* the problem.

Governor Schweitzer, you should know that a proposed bill with these features has been blocked from drafting by the “East” legislators as well as the Department of Revenue. The common excuse is that the proposed bill would be unconstitutional and you will not approve or sign it.

The bill *is* constitutional; the Legislative Division has not considered that the proposal uses Assessed Value as an alternative to *Market Value* as the tax basis. Even if it were not constitutional, it should go forward for the simple reason “it’s the right thing to do for our taxpayers and the state”.

I would be pleased to brief you and your staff, if necessary. Director Bucks and many legislators are familiar with this approach which is based on Michigan’s successful program prior the current recession there.

Thank you for your support.

Sincerely,

Dud Mahler

Email – DMahler@centurytel.net

cc. By Email - DOR Director Dan Bucks,
Attorney General Steve Bullocks