

TAXATION COMMITTEE
45TH LEGISLATURE

Chairman Rep. Herb Huennekens called the Taxation Committee to order in room #434, Capitol Building, Helena, at 8:00 a.m., March 10, 1977. All committee members were present except Rep. Uhde who was excused. Bills to be heard were Senate Bills 112, 145, and 193.

Senator Lloyd C. Lockrem, Jr., District #32, Yellowstone County, chief sponsor of SB 145, said this bill would provide that the department of revenue will pay attorneys' fees and court costs when an individual taxpayer wins a tax appeal from any higher court on a matter involving appraisal, classification or assessment of residential real property. The fiscal note says nothing. This will be one tool for the taxpayer. He urges support for SB 145.

SENATE BILL

145

S. Keith Anderson, Montana Taxpayers Association, Helena, supports SB 145. The department of revenue has unlimited resources to press cases, and this legislation will relieve the taxpayer of heavy attorney fees in fighting to have fair appraisals determined.

OPPONENTS:

R. W. Corcoran, Counsel for the department of revenue, opposes this bill saying there is a substantial amount of case law. In dealing with case laws, an agency should not have any advantage over the taxpayer. The state agency should not also suffer a disadvantage because of its position. Hundreds of other small taxpayers should also be allowed costs and fees in these matters. He doesn't think there is an unlimited financial strength to literally bludgeon the taxpayer into submission. He asks that the committee give some consideration, particularly about taxpayers in other situations, getting these considerations.

Sen. Lockrem closed saying the small taxpayer is being subjected to DOR rulings and there seems to be an unlimited amount of money with which the DOR can fight cases. If there could be validity in their appeals and at the same time they could possibly make the initial decision, it would be better. The taxpayer has to be the winner in a case in order to have his fees paid.

Questions and comments by the committee the question of how many times decisions by the DOR are overturned. Mr. Corcoran said all too many were overturned. The DOR makes mistakes in its interpretations, and their department has to make more determinations from present laws than any other department. The county and state tax appeal boards are an advantage for the taxpayer and this bill will help the taxpayer. Some consideration should be given to other small taxpayers.

The question of whether costs of real estate appraisers, etc., are to be paid was brought up. It is essential that an appeal case be presented at the administrative level, and if necessary, be taken into district court, if a taxpayer feels he will get a better determination there.

Senator William L. Mathers, District #26, Custer County, chief sponsor of SB 112, said this bill was introduced on behalf of the Montana Highway Department. This is an outmoded tax and needs to be repealed. This bill repeals the importer's tax on gasoline purchased outside the state and used in the state.

SENATE BILL

112 Don Copley, Department of Highways, said the DOR has been collecting this tax, and they have requested that it be considered for repeal. Many big vehicles switched from gas to diesel power, and many present automobiles and pickups have fuel capacity in excess of 20 gallons. This tax has resulted in a net income of \$4,000 last year. The cost of administration is almost as much as collections.

Sen. Mathers closed, explaining this just applies to gasoline put into the vehicle's gas tank to power the vehicle.

There were no other proponents or opponents, and no questions.

Sen. William L. Mathers, chief sponsor of SB 193, advised this is a drastic change in the method of taxing automobiles. It does away with ad valorem tax, and will substantially reduce taxes to some and raise them to others. This bill imposes a graduated fee based on the age of the vehicle in lieu of property taxes on many motor vehicles including new motor home vehicles. The bill provides a formula for the distribution of the fees collected to the various taxing jurisdictions.

SENATE BILL

193

The maximum fee for a brand new car would be \$65, and on a car 12 years or older, \$25. A new car will pay sales tax of 1½% of basic cost of the automobile, plus a \$65 fee. The second year the owner will pay \$65, and after that the fee is reduced. How are we going to make up the revenue lost? It has been determined that on the number of automobiles in this state the average tax is about \$34.85. This fee will raise exactly the same number of dollars.

The biggest objection to this bill so far is that it reduces the taxable valuations of the counties where the automobiles are registered, but it is not a substantial reduction, so reappraisal will more than offset the tax on the vehicles. County officials are opposed to it since wages of county officers are based on county valuation. Sen. Mathers is convinced that it won't hurt bonded indebtedness and after reappraisal, won't affect the valuations. Its the biggest single help is to the taxpayer. The revenue lost will probably be picked up by the fee at the lower end of the schedule. License taxes vary a great deal according to where a vehicle is assessed, from one county to another because of lower mill levies in some counties. He feels there should be an equal tax over all the state. See the fee schedule Senator Mathers proposes which is attached.

Dan Mizner, Montana League of Cities and Towns, said bonding market should not be affected in the total. There is some switching from some of our cities and counties because of mill levies, and licenses are bought in other places now. This bill will eliminate that problem. This will offset our total dollars to the cities and towns. See his testimony attached. They are in support of this bill.

Dennis Burr, DOR, advised they have no special feeling regarding this bill, but they support it. He thinks it is a means of doing something for the taxpayer. 15% to 25% of all the time of their employees is spent on the ad valorem tax on automobiles. More time is spent in the county treasurer's office. Very small amounts, \$1-\$1.30, are collected in property taxes by the Department of Justice. Administrative costs to the counties more than offsets what we are collecting on those vehicles. There is some criticism of that schedule on automobiles. These figures have been gone over several times, and the bureau feels \$5 is too much now. Property taxes at present vary from 95¢ to \$2.45 on the same type of vehicle. This bill establishes the same fee everywhere in Montana.

The fee would be collected and distributed back to the county and every county will get as much as they previously received from the ad valorem tax. In some places the average fee will be higher. Every county, city and school district will receive more than they are receiving because the fee schedules in the bill will raise slightly more revenue than the property tax has. It won't hurt local government. This tax equalizes the tax between jurisdictions in the state. It provides a convenience to the taxpayer, and everyone will know what he owes on his car and can mail a check for the correct amount. Inconvenience for the taxpayer will be eliminated at no cost to the counties and state.

Gerald Raunig, Montana Automobile Dealers Association, supports SB 193. He left written testimony which is attached.

Stewart G. Stewart, Good Sam Club of Montana, Stevensville, is in support of SB 193, and left written testimony which is attached.

S. Keith Anderson, Montana Taxpayers Association, left three handouts for the committee to study. They support this bill. The valuation of state property after the reappraisal will be greatly higher. See his testimony.

Mike Meldahl, Chief of Data Processing Division, Department of Justice, processes some 830,000 registrations which increases 8.4% every year. Under the present system it is becoming extremely cumbersome to get these registered. Any change in a school district boundary completely changes registrations. It seems unnecessary to continue to pour more money into a system that is soon going to have to be overhauled. He supports this bill and will cooperate in any way they can to show the committee what will be returned to the counties.

Carl Votapka, Good Sams of Billings, Billings, supports SB 193. See his testimony on a witness sheet. He feels this bill will benefit recreation vehicle owners.

Lloyd Anderson, Treasure State Wheelers, Helena, supports SB 193.

Margaret Anderson, East Helena, left a prepared statement which is attached, supporting this bill, because she feels personal property taxes on vehicles of all kinds have been unjustifiably high.

Donald J. Ingersoll, Helena, supports SB 193, especially in connection with travel trailers which are expensive to license in Montana. See his testimony attached.

Ivan Abbott, Good Sam Clubs, Yellowstone County, Billings, supports SB 193. He said trailers are being licensed out of state because of high Montana taxes.

Ethel Stewart, Five Valley Good Sams, Stevensville, supports this bill.

Kenneth D. Clark, Miles City, thinks Senator Mathers has taken on a very good concept of taxation. He feels a retiree should be given this break and supports SB 193.

Merle O. Johns, Yellowstone Good Sams, said we need equality in RV taxes. See testimony attached.

OPPONENTS:

Gregg McCurdy, Montana Association of Counties, opposes SB 193. Money from the federal government is directly affected by property tax valuations, and they could not ask for revenue sharing at all if the right wording was in the bill. Could lose \$1 in every \$3. State income goes up when salaries are higher. Fee taxation is not responsive to inflation. He explained the figures on the hand-out he presented to the committee. He believes that there are enough significant questions to not pass it until a further study is made of the tax situation. Urges Do Not Pass.

Sally Jo M. Price, representing Mineral County residents and the Montana Association of Assessors, Superior, said trucks will benefit greatly from this method of taxation. She recommends keeping the present valuation and is opposed to SB 193.

Marg Sanford and Pat Williams, Stanford, are very much opposed to SB 193. They ask where the money to replace this lost revenue will come from. See their testimony attached.

Questions by the committee and comments included the fact that this is a major departure from the approach to ad valorem taxation. The fiscal note should be based on all vehicles in the state - cars, trucks, pickups, etc. Sen. Mathers is totally convinced that this fee schedule will bring more money back to the counties than they are receiving now. The question of what a one-shot sales tax will pay arose. What will the sales tax and fee for the first year return? The sales tax goes to the highway department now, and counties get nothing for a new car. There is a definite switch. The amount of fee paid on a truck would be less than on an ad valorem tax. Newer vehicles will pay less under the fee system than they are paying now.

A much more expanded fiscal note on this bill is necessary.

The definition of a truck should be clarified - committee thinks it unfair to include a pickup in the truck classification. It isn't necessary to have a GWV on a pickup at the moment if you don't wish to rate it above 6,000#. The GWV fee is paid by quarters.

The determining factor for registering and licensing is where the car rests the longest. It is illegal to purchase out-of-state license if the vehicle is in the state for six months. Motor homes are classified with trucks as are RVs and this bill defines them all as trucks. Newer vehicles will get a big benefit by paying less fees.

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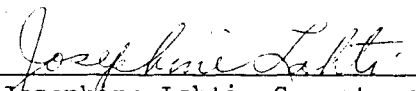
Statewide automobiles represent about 7% of property valuation. Reappraisal will increase values 15%, so this isn't a very considerable matter. No county on a county level is anywhere near their indebtedness allowance. The fee can not be deducted from income tax while a tax could be. This bill would provide labor saving in the courthouse and department of revenue. The difference in amount of taxes between counties would be eliminated. Loggers would be saved money for licensing their trucks.

The fee will totally replace the property tax, and the counties will come out better in the long run.

Meeting adjourned at 10:00 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary