

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE
Third Special Session

June 24, 1986

The seventh meeting of the Senate Taxation Committee of the Third Special Session was called to order by Chairman Thomas E. Towe in Room 325 of the state Capitol at 8 am.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF SB 14: Senator Ted Neuman, Senate District 21, was recognized as chief sponsor of the bill. He said that SB 14 would move nonuser revenues to the state equalization account, the 6 percent reconstruction account of the 50 percent coal tax would be returned to the general fund, and interest and earnings would also return to the general fund. These changes would put funding back to the 1963 situation. Further changes would move the oil and gas mineral leasing fees to the state equalization aid account; the full cost of the highway patrol would move to the highway department. This would all result in \$22.5 million of general fund savings.

To replace the highway department loss the bill proposes an increase in the gas and diesel fuel tax. This would require those who use the service to pay for the tax. This measure would return \$22.2 million back to the Department of Highways.

In Exhibit 1, a survey of 19 western states showed that Montana's average gas price 7 cents cheaper than surrounding states. He said that Montana is 11th in diesel fuel prices, 9th or 10th for self-service and 48th for full service price. Further the gas price is expected to decline again which should make the tax even more palatable.

Senator Neuman concluded saying that highways are the main transportation artery in this state and that continued work at maintenance and construction through the budget shortfall was essential. He felt it was merely a matter of flexibility to move the funding around and that the users could continue the maintenance efforts.

PROPONENTS

Mr. Gary Wicks, Director of the Department of Highways, said that SB 14 was critical to solving the general fund problems and to also continuing the highway program. He discussed the progress of the Department since the Legislature passed the highway construction program in 1983. He said that the highway program did not get all of that benefit when the fuel tax was originally increased. In a before/after comparison he said that in 1981 the Department let \$70 million in contracts and that in 1983 they let \$183 million.

He then proceeded through a series of slides that discussed the highway program. Exhibit 3 illustrates one of the slides. This covered items such as the letting of the last contract for inter-

state completion, other progress on the interstate system, the shifting of state funds to the primary system, the volume of traffic on systems. He noted here that the primary system in Montana carries nearly the volume that the interstate carries. He discussed the things within the primary system that need correction. He said that they have spent about \$80 million on the primary system. He said that 615 miles of primary highway are improved annually. He also noted that standards for this work have been modified to cut costs. He used the innovated foam mixed asphalt which saves \$8 to \$9 million over moving gravel for the asphalt mix. He said that administrative costs have also decreased. He said that to do the job of maintaining Montana roads the funding must continue.

Mr. Wicks then discussed the planning of the Department of Highways. He used a 1983 map to indicate the level and condition of the highways and to demonstrate what has been done to improve them. He discussed specific improvements on whole segments of roadway. He said that the Reconstruction Trust Fund contributes about 60 percent of that work. He said that there would be a 50 percent cut in the RTF if the Governor's program were not implemented. He said that if the work is not done now the cost of delay would be large.

He said that it was necessary for all other segments of the Montana economy as well. He discussed the jobs related to highway construction, saying that 1100 of the 1900 heavy equipment operators in the state were thus employed. He cited a concrete pipe operation, the \$20 million of asphalt purchased by the state annually, the vehicles used etc. He said that more than any other function of government highways contribute to the state's general economy.

Mr. Phil Campbell, Montana Education Association, said that they support Senate Bill 14. He said that \$6.7 million would transfer to the school foundation program. He said that would help lighten taxes at the local level. He said that there were other funding mechanisms MEA preferred, but that this was the only one to surface at this time.

Ms. Terry Minnow, Montana Federation of Teachers, said that they support the gasoline tax portion of the bill in order to protect the essential services of government. She said that university system was cut at a higher percentage, education was cut and the pay freeze had been forced. She said they had problems with the diesel tax portion because it adversely affected agriculture and business.

Ms. Nadine Jensen, Executive Director of the State County and Municipal Employees said that they support the gas tax portion only. She said that this would square away the existing problems.

Mr. Bill Olson, Secretary-Manager of the Montana Contractors' Association, Inc., submitted his testimony in writing (Exhibit 4).

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Ms. Judith Carlson, Montana Chapter of the Association of Social Workers, said that they had worked with SRS and all human service providers in the priorities for people program. She said the providers were asked where cuts could be made and that in asking the Legislature to hold the line in certain areas they knew that they must also support different sources of revenue. Thus, they support this bill.

OPPONENTS

Mr. Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association, submitted his testimony opposed to SB 14 in writing (Exhibit 5).

Mr. Sam Ryan, Montana Senior Citizens Association, said that they oppose the gas tax increase.

Mr. Mike Rice, president of a 2-generation trucking firm, said that Montana is the most transportation intensive state in the union. He said that this is necessary in a natural resource based economy. He said that transportation costs are already a major detriment to the economy. He said that the tax increase would amount to an additional 8 cents/bushel to haul grain. He said that many trucks don't move through Montana now because of the gas taxes. He said the bill would cost already hard hit sugar beet growers from \$11,000 to \$12,000. He said that growth in industry is outside Montana. He said that the trucking industry would only be a tax collector for this and that the taxpayers were the timber and agricultural and resource industries. He said once the tax were added on it would not go down. He said that user fees were a haywire concept in that it was only applied to mass transit and never to things like fire, police protection or to the farm program. He said that the Legislature had to look at other cost cutting possibilities as the trucking industry was already tired and weak.

Representative Paul Pistoria, House District 36, said that the state is in a bind caused by national issues. He said that this session it was hard to be against an increase in taxes. He said that with this bill the tax on a gallon of gas would raise to 29 cents/gallon. He said that the federal government raised its gas tax in 1983. He said that if the committee does act on the bill that they should at least delete the diesel tax. He said the Governor has not given any of the dollars to the counties. He said at least 1 cent should be allowed for county roads and bridges. He said the counties need the help and noted that Cascade County would lay off 20 employees on July 1.

Mr. Robert Vandevere, concerned citizen lobbyist, said that everyone is against this and that the committee should put a cap on the price of fuel at \$1/gallon.

Mr. Terry Murphy, President of the Montana Farmers Union, said that the general fund does have problems, but wondered why the entire revenue increase was coming from transportation. He said that the diesel fuel portion was not justified and was bad policy. He said that Montana farmers already have the highest transportation cost of any producers in the nation. He said that a good highway program is desirable. He said there is an alternative to this tax and that is simply not to replace the dollars. He said that it is not mandatory to do so. He said that in adding 7/10 cent per bushel to the wheat crop hauled out of Montana would add about \$800,000 to \$1 million to the freight bill of the Montana farmer. Please do not pass this bill, he concluded.

Mr. Doug Alexander, President of the Montana Petroleum Marketers Association, said that they are the collectors of the diesel tax. He said that while only two of the membership were present at the committee, they were all opposed to any increase. He said the local economy of the distributors was not in good shape. He said that the decreased fuel prices hurt his industry already. He said they were experiencing increased costs across the board. He said that the existing program should be unchanged. He said that Wyoming taxes gas at 8 cents and that Montana's is much higher. He said the truck stops on the borders have also been hard hit. He said that the industry is already taxed enough. He said there is no provision in the bill to assist distributors in carrying the tax. He said that there are additional expenses to the distributors as they have to administer and collect the tax. He said there had been no increase in the allowance for that function since 1952. He called to the committee's attention a vote in Flathead County where a 2 cent gas tax was defeated resoundingly. He concluded saying that the problems of the industry were real and asked the committee not to pass the bill.

Mr. Steve Visken, Vice President of the Petroleum Marketers Association, submitted to the committee Exhibits 6 and 7 which demonstrate the comparison of Montana gas prices to those of other states.

Ms. Carol Moser, Montana Stockgrowers and Montana Cattlewomen, said that transportation costs represent a hardship for agriculture and that transportation is vital to the agricultural industry. She said that to curb excessive spending is the only solution for state government's fiscal crisis. She said the freeze on state employees' wages would cost them less than this bill would cost farmers and ranchers.

Ms. Lorna Frank, Montana Farm Bureau, said that this will hit farmers and ranchers hard. She said the decreased fuel price had been the first bright spot for agriculture in years. She submitted written testimony to the committee (Exhibit 8).

Mr. Mike Micone, Executive Director of the Western Environmental Trade Association, said that this is a selective sales tax. He said that the added tax liability would have a drastic impact on

a trucking industry that is already operating at a loss. He said the "business climate" of Montana had been debated for years. He said that if SB 14 passes, the perception will harm future economic efforts, and he urged the committee to defeat the bill.

Mr. Bill Getter, Getter Trucking Co., said that his business has been in his family for 50 years. He said that revenues have dropped in half in recent years, and then in half again. He said that at the same time the taxes have increased 450 percent. He said that this is not a user tax, but a consumer tax that the industry cannot pass on.

Mr. Jim Basoloe, Sam's Trucking of Missoula, said that they have 50 employees in their Missoula terminal. He said that they cannot afford the costs as they are now and that they continue to rise tremendously. He said that their insurance cost had gone over \$1 million with the coverage dropping. He said closures are coming frequently in the industry. He said that they are not able to pass all the cost on to the consumer. He emphasized that the motor carrier industry is an important part of the state's economy. He said that the Bureau of Business and Economic Research at the University of Montana had been commissioned to study Missoula County and discovered that trucking was the third largest basic industry, ahead of the University of Montana in the size of its payroll. He said they spent \$146 million in revenue in Missoula. He said that the basic industry markets are outside the area. He submitted to the committee details of the report (Exhibit 9)

Mr. Jay E. Williams of Jay E. Williams Trucking, said that he opposed any fuel tax increase. He said that if the industry doesn't get a break he will not be able to hear his son talk about a family business.

Ms. Vera Cahoon, Missoula County Freeholders Association, said that it is not the fault of Mr. and Mrs. Taxpayer that government cannot manage within its budget. She said the problem should be fixed where it happened. She asked the committee not to consider this tax. She said the private sector has to cut when they do not have the income and that now government should do the same.

Mr. Jack Traxler, Missoula, said that he represented the largest special interest group in the state--the people who pay the bills. He said the private sector has to take cuts and that the public should do that too. He said the raid on the coal depletion trust fund should be done. He said to take money from people was robbery anyway you looked at it. "Sheriff Plumber was hung for less," he said small businesses were closing, big businesses were leaving. He said that in 1975 the enrollments K through 12 were 177,000 statewide. He said that in 1985 there were 151,000 students. He said that in 1975 the schools had received \$188 million and now with decreased enrollments wanted \$464 million. He said that with \$612.2 million in total funding, schools can stand to take a 4 percent cut. He said that Montana has the third highest per capita cost and the third highest dollar spent on education. He said that

we educate our kids and then cannot employ them. He said it is up to Legislators to have the courage and guts to stand up to this. He concluded saying that his group was watching the next election process carefully.

Mr. John Brombeck, Energy Scav. Company, said that they are opposed to the bill.

Mr. Dean Mansfield, Chairman of the Montana Highway Users Federation, said that they are opposed to the bill.

Mr. Tom Harrison, representing the Montana Automobile Dealers Association and the Montana Automobile Association, said that if the gas tax were passed alone we would be the only state in which the gas tax exceeded the diesel tax. He said that our climate is poor, our distances great and that our transportation problems would not be helped by this tax. He said it would make it even more expensive, even more costly. He said the problems of transport in our state should be ameliorated not exacerbated.

Senator Bill Farrell, Senate District 31, said that at a free breakfast put on by the highway department they had suggested the possibility of a 3 cent tax on both diesel and gasoline. He said now the policy decision must be made and that his conclusion was, "There is no such thing as a free breakfast."

Questions from the committee were called for.

Senator Towe asked why it was implemented on August 1. Mr. Gary Wicks, Director of the Department of Highways said that it was a function of not being able to do it procedurally before then. They then discussed and clarified the collection figures. Senator Towe asked about dropping the diesel fuel portion, saying that it would only represent a \$3 million loss. Mr. Wicks pointed out that it would be \$3 million over many years and would accumulate to an \$18 million impact.

In answer to a question from Senator Lybeck, Norris Nichols, Administrator of the Motor Fuels Tax Division, said that it would cost the Department of Revenue about \$36,000 to administer a local option tax if only one county participated.

In response to a question from Senator Hager, Senator Neuman said that the bill cannot contain a sunset provision because of the implications on the bonding authority of the highway department. He said that a higher interest rate would have to be paid if the bill were to have a sunset provision.

Senator Hager commented that many people were in the trucking industry and that many people were dependent on that industry. He said that his own business was dependent on the trucking industry's health.

Senator Neuman closed thanking those who testified. He said that the state's fiscal crisis created a difficult time for all of us.

He said that the opponents of the bill should be appearing at the appropriations committees with proposals about where the \$20 million could be cut. He said that priorities are such that cutting another \$20 million would be unlikely. He said that fuel and oil costs are down so that people could afford the tax. He said that a scale back of the highway program at this point would be reckless. He said the farmers can get a tax refund for all off road use, and said that he felt the users should pay more. He said he supported the user tax concept in other areas as well. He said the diesel tax should probably be looked at again as it was not his intention to drive the trucking business out of Montana.

CONSIDERATION OF SB 17: Senator Dorothy Eck, Senate District 40, was recognized as chief sponsor of the bill. She said that the bill was a reflection of the idea of the committee that this concept should be saved for a time of great need. She said the bill would change the withholding of state income tax funds submitted on a monthly or bimonthly basis. She said it would be a one-time help to the general fund. She had asked for introduction of the bill under the scope of the call because it related to an accounting procedure and not a new tax. She said that this would produce new revenue for 1987, possibly as much as \$14 to 18 million. She said most states do use this method at least with employers whose monthly tax bill is high. She noted that the Bozeman Chamber of Commerce considered this one of the three bills originally introduced that they could support. She said the administrative problems could be discussed and suggested that the bill would need amendment. She said it could be amended to exclude local governments, school districts and universities. The impact of that would be around \$4 million.

PROPONENTS

Ms. Terry Minnow, Montana Federation of Teachers and Montana Public Employees Association, said that the bill represented one of the only creative solutions to address the deficit.

Mr. Tom McGree, Mountain Bell Telephone Company, said that they support the bill. He asked for two amendments, one to allow payment on a weekly basis and another to allow reporting on a quarterly basis.

Ms. Nadine Jensen, Executive Director of the State County and Municipal Employees, said that 30 states now require this already. She noted that more frequent reporting would allow better tracking of the economic trends.

Mr. Phil Campbell, Montana Education Association, said the bill was a painless way of raising \$18 million. He said that amount could address both the Foundation Program and the pay freeze.

Mr. George Oschensky, Environmental Information Center, said that he was pleased to testify for a bill. He said that this was a wiser method of addressing the problems than most.

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Mr. Tom Teilly, Northern Plains Resource Council Board of Directors, said that they are opposed to other one-time quick fixes, but that this one was acceptable because there was no chance for dependence on it.

Mr. Dan Bucks, Department of Revenue, said they appeared neither for or against the bill, but offered some technical comments. He said that it does cost money to implement the measure and they estimated the cost at \$176,000. He related that to forms, computer programs, information to employees, etc. He noted that the House had already cut the budget of the Income Tax Division.

Chairman Towe said that Ms. Karla Gray, Montana Power Company, was not able to appear, but that she said her company supported the bill and would request the same changes as those indicated by Mountain Bell.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Mazurek asked who this would affect. Mr. Dan Bucks said that as of fiscal year 1985 there were 1643 employers in the state who paid upwards of \$12,000 annually. He said they were private and public employers and that confidentiality precluded discussion that would identify them. He said that all of these would be already paying more frequently to the feds than they are to the state. He said the estimate of \$17 million could be revised downwards as some federal agencies are already paying this way.

Senator McCallum asked if those who paid less than \$12,000 annually would be exempt. Mr. Bucks said that if the tax owed was less than that amount it could continue to be paid on a quarterly basis.

Senator Eck reserved her right to close on the bill at a later time.

Chairman Towe recessed the committee until 1:30 pm.

The committee reconvened at 1:40 pm. All members of the committee were present. Chairman Towe said that the majority leader had requested that the committee take some executive action.

MOTION: Senator Neuman moved that SB 14 be amended to be certain that the coal tax goes to the earmarked account and not the general fund on line 23, page 9. He also clarified effective dates and applicability dates, changed the allocation to apply to coal mined after March 4, 1986 and to be certain which payments would be covered by the bill. (The attached Standing Committee Report reflects the correct form of the amendments.)

The motion carried unanimously.

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MOTION: Senator Neuman moved that SB 14 be amended per Exhibit 10. This would move the gas tax from 5 to 6 cents and the diesel tax from 3 to 1 cent. He said that this would produce \$24 million and create an exact wash for the Department of Highways.

Senator Towe questioned the figures and discussed the fiscal note with Senator Neuman. The relationship between the funding for the general fund and the earmarked account was clarified.

Senator Brown said the amendment would raise \$1.5 million if the tax on diesel were eliminated and the tax on gas raised. He asked for clarification of the 10 month vs. 12 month affect on revenue. The committee discussed how the fiscal note would be affected by the amendments.

MOTION: Senator Brown moved as a substitute motion that SB 14 be amended to eliminate the tax on diesel fuel entirely. He said that would have relatively minor fiscal impact and that it would help the loggers in his part of the country as diesel was fundamental to their livelihood.

Senator Neuman opposed the motion saying that it was an issue of fairness and that the grief should be spread around. It was not unreasonable, he felt, to ask diesel users to pay a penny.

Senator Goodover said that there will be a confrontation between the bureaucracy. He said more taxes are not needed to balance the budget. That part of state government is still untouched by cuts and that this was no time for a gas tax at all was his opinion.

Senator Brown said that it was not just a matter of spreading the grief, but of creating public policy. He said that truckers are in serious economic trouble. Senator Towe noted for the committee that the Neuman amendment did what Senator Brown wanted done.

Question was called on the Neuman amendment. Senators Severson, McCallum and Goodover voted no. All other committee members voted aye. The motion carried.

Senator Mazurek asked what an appropriate increase would be for tax to go to jobbers who collected the tax. Mr. Wicks said that over \$1 million would be diverted if 2 percent of the total went to them, rather than the 2 percent of six cents that they get now.

MOTION: Senator Goodover moved that SB 14 be amended per Exhibit 11.

Mr. Steve Visken, Vice President of the Western Petroleum Marketers Association said that it would have no impact if some capped items were balanced with the shrinkage allowance. He said that in 1952 2 percent of the first 6 cents was allowed and that has never been modified while the handling costs of the jobbers have gone up. He noted that the costs of holding the gasoline were also significantly up.

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Mr. Visken continued in response to a question from Senator Towe. He said that after buying the gasoline he owes the tax on the inventory before he can sell the fuel. He said there is also a loss through evaporation and tax is paid on that as well. He said that now he employs one full-time person at a cost of about \$15,000 to do this function.

In response to a question from Senator Lybeck, Mr. Wicks said that if the amendments were adopted it would be neutral for the Department of Highways but that it would affect the Department of Fish and Game.

Senator Halligan said that the committee did not have all the information necessary to make this decision. Mr. Wicks said that he did not think that the affected agencies were aware of the reduction represented by the amendments. It was further clarified that the tax did not apply to the aeronautics. Senator Goodover said that none was deducted from the aviation tax on gasoline.

Question was called. Senator Halligan, Hirsch, Neuman and Towe voted no. All others voted yes. The motion carried.

MOTION: Senator Hager moved that SB 14 be sunsetted after one year.

Senator Neuman said that he was against the amendment as it would affect the bond rating and thus affect state interest rates on bonds. Senator Towe said that planning for the highway department would also be a concern.

Senator Hager said they are working on a bonding program now and all the sunset would do is revert the process to current law.

Senator Neuman said that another source of income must be pledged if the bonds were taken from this program. Senator Brown said that bond buyers must know that the Legislature can act anyway. Senator Towe said that buying bonds with it would make the state's position stronger.

The question was called. Senators Brown, Goodover, Hager, Halligan, McCallum and Severson voted yes; Senators Eck, Hirsch, Lybeck, Neuman, Mazurek and Towe voted no. The motion failed on a tie vote.

Senator Towe asked if the committee was satisfied with the bill.

MOTION: Senator McCallum moved that the tax be 5 cents on gasoline and 1 cent on diesel.

Senator McCallum said that also was a fairness issue. He said the income issue was important. Senator Neuman opposed the motion saying that over time not as much could be accomplished and he was, therefore, against the motion.

Senator Goodover asked Mr. Wicks if there was a need for the continuous overlay and maintenance program for the highways. Mr. Wicks

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said that no highways had been overlaid for the last three years. He said that other construction costs continue to rise and that the balance between gas and diesel is not of great concern so long as the income remains overall the same.

Senator Halligan said that he opposed the motion because he wanted 5 cents on gasoline and nothing on diesel.

Question was called. Senators Hirsch, McCallum and Mazurek voted yes. Senators Brown, Eck, Goodover, Hager, Halligan, Lybeck, Neuman, Severson and Towe voted no. The motion failed.

MOTION: Senator Halligan moved that SB 14 be amended to tax gasoline at 5 cents/gallon and that no new tax be added to diesel.

Senator Neuman opposed the motion saying that it would severely cripple the highway program by removal of about \$6 million.

Senator Towe said that highways did get considerable additional funding after the 1981 session.

Question was called. Senators Brown, Eck, Hager, Halligan, Hirsch, McCallum, Severson, Towe voted yes; Senators Goodover, Lybeck, Neuman and Mazurek voted no. The motion carried.

MOTION: Senator Neuman moved SB 14 do pass as amended.

Senator Severson said that the state needs to live within its means. He said this bill is increasing the taxes of people who are already in trouble. He said the people at home sent legislators here to balance the budget without a tax increase. He said that he would oppose the gas tax.

MOTION: Senator Goodover moved that SB 14 be tabled. Question was called. Senators Goodover and Severson voted yes; all other committee members voted no. The motion failed.

Question was called on the original motion. Senators Brown, Eck, Halligan, Hirsch, Lybeck, McCallum, Neuman, Mazurek and Towe voted yes. Senators Goodover, Hager and Severson voted no. The motion carried.

CONSIDERATION OF HJR 1: The Chairman distributed his amendments to the resolution in Exhibit 12. He then recognized Representative John Harp, House District 7, Flathead County. He discussed the assumptions that were made in this draft of the Legislature's revenue estimates. He said that slow economic growth (inflation rates of 1.1 percent in 1986 and 2.9 percent in 1987), a two percent decline in income tax, a one-time gain in Montana Power from the sale of Colstrip IV, a decline in collections, a decline in the production of coal, collections from oil being delayed six months to a year and the price and production of oil were all considerations in this resolution. He also discussed the decrease in the interest on investments from \$166 million to \$100 million. He

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said the Foundation Program was hard hit as Class I and II property decline about \$66 million.

Chairman Towe said that proponents and opponents didn't make sense in terms of the resolution. He said that he had spent hours going over the figures and directed the committee's attention to his proposed amendments.

Representative Harp said that the assumptions on income differed between the LFA and OBPP in how they handled agricultural income. He said that institutional reimbursements will take into account settlement of a case with Warm Springs and increase revenues by \$225,000 (OBPP) to \$300,00 (LFA) annually.

Senator Mazurek asked if a spread sheet could be highlighted and prepared so that it would easily illustrate the difference.

Representative Harp discussed Exhibits 13 and 14 with the Committee. He said that the Department of Revenue believes that the income tax figure should be reduced because of the reduction in the number of auditors.

Senator Towe said that he would do another spread sheet and explanation and go through each of his amendments, but it would be postponed until another time.

Chairman Towe recessed the meeting until following the floor session.

The committee reconvened at 3:40 pm.

CONSIDERATION OF SB 20:

MOTION: Senator McCallum moved that SB 20 do pass.

Senator Mazurek discussed a question he had on the effect of the bill on subdivisions not appraised at market values. He said that he was concerned that the committee do this with its eyes wide open.

Senator McCallum said that amendments had been drafted so that if property does not meet the criteria for improvements, it would be taxed as Class 4. He said that he had no objection to the amendment.

MOTION: Senator Mazurek moved as a substitute motion that SB 20 be amended so that land is taxed at agricultural value but that homes and improvements not get that tax rate unless they clearly met the ag test.

Senator Eck said that she had problems in dealing with the bills at all. She said that farm groups had offered good proposals and that we cannot be changing them recklessly at this time. She said

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that changes need to be made, but do not need to be made now.

Senator McCallum said the tracts of land affected could be indentified within ten days, which was ample time for setting budgets at the local level.

Senator Eck asked if his changes had the agreement of the agricultural groups. Senator McCallum said that they were concerned with the criteria to meet the agricultural test. Senator Eck asked if it applied to 20-acre tracts. Senator McCallum said that it dealt with 20 acres and larger. He discussed valuations going from \$328 to \$48,000, from \$45 to \$26,000, from \$110 to \$30,500, from \$150 to \$37,500. He discussed one 154 acre parcel that went from \$1500 to \$40,000. He said that the problem needs to be addressed now.

Senator Eck said she had discussed this with the Department of Revenue. She said that the land not capable of agricultural production could be readjusted by the local appraisers. She said that the committee could look at land surrounding communities and compare its value. She said land valued at market value contiguous with agriculture show a great difference and that the disparity is not fully addressed.

Senator Halligan talked about four acres of timber on a steep slope being designated as a suburban tract. He said he still had deep problems with the bill.

Senator Towe said that he had prepared amendments for the bill found in Exhibit 15. These amendments would add two classes of property, one for nonproductive land of 20 acres or more and one for nonproductive land 20 acres or less. These amendments, he said keep good faith with Senator McCallum's intentions. Twenty acres or less that was nonproductive and met the agriculture test would be eligible for this class.

Question was called on Senator Mazurek's motion.

Senator Goodover asked if the amendments answered the problem at Livingston where 89 tracts were subdivided and sold and leased back to the church.

Mr. Gregg Groepper, Department of Revenue, said that the old Greenbelt would qualify that as contiguous. He said that now each parcel must qualify with the \$1500 test as individual ownership or that no agricultural relief would occur.

Senator Towe said that it could be contiguous or not as long as it was in the same ownership. Senator Towe and Mr. Groepper discussed this qualification.

Senator Mazurek asked how many parcels would be affected. Mr. Groepper said that there were about 25,000 parcels, but there would be less impact if it was limited to 20 acres and up.

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It was clarified that improvements would take the land out of agricultural designation.

Senator Lybeck said that the committee did not have the time in this special session to come to terms with this bill.

In response to a question from Senator Halligan, Mr. Groepper said that 50,000 properties potentially qualify as greenbelt. He said that it would be a nightmare to roll back the taxes to the last year. He said that it would be very difficult for local governments who were setting their budgets based on the new information. He said that in his thinking SB 431 of last session was still pretty fair and workable.

Senator Towe said that the amendments could put an immediate effective date on the class above 20 acres and a later effective date on that below 20 acres.

Senator Brown said that he felt it would help considerably to pass Senator Mazurek's amendments.

Senator Towe said that contiguous ownership was not required with operation of the farm as one entity.

Senator Mazurek said it could also apply only to those parcels that were not contiguous. He said the problem was that it was beginning to affect other taxpayers.

Senator Severson said that there would be no perfect greenbelt bill. He said this was designed to do one thing, to say what was agriculture and what was not. He said the law had not given the Department of Revenue enough of a guideline. He said that SB 20 does come closer to solving the problem. He said looking at history, a good answer had not been arrived at. He said that he preferred a freeze on the thing. He said the next best thing to that was Senator McCallum's bill and that it could be passed and worked again during the coming session. He said that given time this bill would be a good stop gap measure.

Senator Mazurek said what the impact of meeting the test vs. creating two new classes would be. Mr. Groepper said that adding two new classes would be clear. He said the problems with the tax classes could exist in the counties. He said that he was somewhat indifferent, but did not want to have one acre split out.

The committee discussed whether or not they would want to create two new classes or try to grapple with defining the agricultural deduction. Senator Hirsch said that he tended to favor the Towe amendments as a compromise that was liveable.

MOTION: Senator Halligan moved that SB 20 be amended per Exhibit 15.

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Senator Goodover asked if the amendments would use the same appraisal as is being used now. Senator Towe said yes, unless it was not in keeping with fair market value and then it could be reduced.

Senator Towe said that basically the amendments created two different classes for land over 20 acres and under 20 acres that did not meet the agriculture test. He said that houses were at 4 percent as in the Mazurek amendment.

Senator Mazurek objected to Section 3 which required the taxpayer to make an application to get the benefit. He said that is the kind of burden that frustrates the taxpayer.

Mr. Groepper said that Class 18 would be easy to determine. He said that in terms of the ordinances of local governments Class 19 would be difficult to tell without application.

Senator Hirsch said that the portion of the bill for less than 20 acres would take separate amendment.

Senator Hager said that a Class 19 would be the only way to preclude subdivision status for that property.

Senator Towe suggested that on amendment 4 the following language be added "or are unusable for commercial, residential, industrial uses for other reasons."

Senator Hager said he would like that language to be added.

Senator Halligan said he would so amend his motion.

Senator Eck asked what the market value policy was on land that the taxpayer could show as not developable. Mr. Groepper said that was easy to designate. He said that adjustments are being made and it would be discounted below market price excepting the residence itself. Senator Towe said that was covered by the change.

Senator Goodover said that this changes the intent of the bill.

Senator McCallum agreed, but said that he did not want to put it off. He said the time element required action to get the bill to the floor of the other house. He said any disagreement could be worked out in conference committee. He said that the bill would be killed if another hearing were asked for. He said that the bill was not just for his district, but was necessary all over the state. He said there was no simple remedy to cure the ailment and asked the committee to vote first for the Towe amendments and then for the bill.

Senator Severson said the committee could not do the correct thing in this amount of time. He said the matter needs committee work.

Senate Taxation Committee
June 24, 1986
page sixteen

Senator Neuman clarified that land under covenant would fall into the new Class 19 property class.

Senator Towe said that he felt it critically needed to be done. He asked if the committee want to give those property taxpayers a 50 percent break or no break at all. He said the compromise is to put the land in a separate classification so that it would be constitutionally clear. He said that the bill without amendment would be subject to a court challenge.

Question on the amendment was called. Senators Brown, Goodover and Mazurek voted no. All others voted aye. The motion carried.

Senator Mazurek said that he was concerned about the time for appeal and was concerned that this was an appraisal problem, not a classification problem.

Senator Towe said that 15 days after receipt of notice or by August 1 was the appeals deadline, whichever came later. He said that Class 18 the Department would do automatically and that Class 19 had until August of this year and that there was good language in Senator Christiaens' bill.

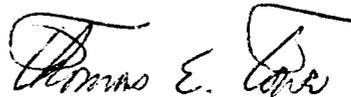
Senator Mazurek suggested a specific exception to 15-15-102.

MOTION: Senator Mazurek moved that SB 20 be amended to clarify the appeal deadlines to 15 days or August 1 whichever was later.

The motion carried unanimously.

Chairman Towe then called a question on the original motion to pass the bill. Senator Goodover voted no, all else voted aye. The motion carried.

Chairman Towe adjourned the meeting.



Chairman

RETAIL PRICES FOR UNLEADED GASOLINE

June 19, 1986

<u>STATE</u>	<u>PRICE/GAL</u>
Arizona	1.14
California	1.09
Nevada	1.09
Nebraska	1.05
Washington	1.05
Wisconsin	1.01
Minnesota	.989
Oregon	.979
Idaho	.969
South Dakota	.959
Utah	.959
New Mexico	.909
Colorado	.899
North Dakota	.889
Montana	.880
Kansas	.879
Oklahoma	.849
Wyoming	.849
Texas	<u>.769</u>
Average	= .958

<u>MONTANA CITY</u>	<u>PRICE/GAL</u>
Missoula	\$.929
Dillon	.919
Billings	.889
Helena	.889
Kalispell	.869
Miles City	.859
Havre	.859
Great Falls	<u>.829</u>
Average	= .880

Pre-Fourth gas price dip expected

LOS ANGELES (AP) — Motorists willing to pump their own gasoline are paying less than 90 cents a gallon, and prices will continue to fall this week in an unprecedented pre-Fourth of July plunge, an oil industry analyst said Sunday.

"It is an amazing drop," Dan Lundberg said after tabulating results of his twice-monthly 50-state survey of 17,000 gasoline stations. "It is sort of an Arabian summer in early bloom."

But for the petroleum industry, he said, this will be "the summer of unprecedented doldrums."

The Lundberg Survey shows the average price of regular leaded gasoline at self-serve pumps, including all taxes, is now 82.95 cents per gallon. Regular unleaded is 88.70 cents per gallon and premium unleaded is 102.50 cents.

He notes the average for all self-serve gasoline is 89.75 cents a gallon, while the average price of gasoline at full-serve pumps for all grades is \$1.1564.

"People are happy enough to sit in their cars and pay almost 26 cents a gallon to receive service, and you know what the service is — 'Can I fill your tank?'" he said.

The \$5.61-cent average price for all grades of gasoline will likely decline further, perhaps by 3.4 cents a gallon later this week, because wholesale prices dropped 4.74 cents a gallon in the past few days, he said.

"That's a startling unseasonal cut on the eve of the July 4th holiday, which usually ushers in retail and wholesale price increases," Lundberg said. "July 4th is the big season opener for the gasoline business."

"What you are seeing now for most of the country is gasoline at or below a dollar."

"You have to go back to 1978 to find a price like that."

The average price of gasoline has dropped 25.84 cents a gallon this year, he said. In 1985, gasoline declined 6 cents a gallon in the first quarter, but recovered by about 6.5 cents a gallon in the second quarter and continued to rise to an end-of-the-year plateau of \$1.21, he said.

NOTICE TO CREDITORS
Probate No. CDP-44-152
In the District Court of the Eighth Judicial District of the State of Montana, in and for the County of Cascade.

In the matter of the Estate of Ruth E. Lindseth, Deceased.

Notice is hereby given that the undersigned has been appointed personal representative of the above-named estate. All persons having claims against the said deceased are required to present their claims within four (4) months after the date of the first publication of this notice or said claims will be forever barred.

Claims must either be mailed to Gail E. Grimes, the personal representative, return receipt requested, at P.O. Box 4747, Missoula, Montana 59806, or filed with the Clerk of the above-entitled Court.

Dated this 13th day of June, 1986.

GAIL E. GRIMES;
Personal Representative.

Personal Representative's Attorney: Warden, Thane & Haines, P.C., P.O. Box 4747, Missoula, Montana 59806.

(23187) 6/16,23,30.

NOTICE TO CREDITORS
Probate File No. CDP-44-159
In the District Court of the Eighth Judicial District of the State of Montana, in and for the County of Cascade.

In the matter of the Estate of Virginia J. Hovious, Deceased.

Notice is hereby given that the undersigned has been appointed personal representative of the above-named estate. All persons having claims against the said deceased are required to present their claims within four (4) months after the date of the first publication of this notice or said claims will be forever barred.

Claims must either be mailed to Virginia Catherine Wieck, the personal representative, return receipt requested, at the offices of Smith, Baillie & Walsh, Executive Plaza Building, Suite 2-A, P.O. Box 2227, Great Falls, Montana 59403, or filed with the Clerk of the above-entitled Court.

Dated this 18th day of June, 1986.

VIRGINIA CATHERINE WIECK;
Personal Representative.

Personal Representative's Attorneys: Smith, Baillie & Walsh, Executive Plaza Building, Suite 2-A, P.O. Box 2227, Great Falls, Montana 59403.

(23211) 6/23,30, 7/7.

REQUEST FOR QUALIFICATIONS FOR RECLAMATION OF GOLDEN MAPLE MINE

GILTEDGE, MT
The Hardrock Bureau of DSL and the Water Quality Bureau of DHES request statements of Qualifications from all interested contractors to provide services, equipment, and materials for water treatment and discharge, mine process water at Gold Maple Mine near Giltedge, Montana.

The project consists of treating and discharging approximately 1,250,000 gallons of process water. The process water must be treated to less than .005 mg/l free cyanide at the discharge point with a specific conductance of not more than 3,500 micromhos. The anticipated method of discharge is sprinkler irrigation on two adjacent hillsides covering about 20 acres, but other methodologies may be appropriate. Monitoring of the discharge waters and the irrigated areas will be required at frequent intervals.

Statements of Qualifications should address the following:

- a. Past experience with reclamation work.
- b. Familiarity with cyanide compounds and heavy metal sludges.
- c. Resources available to perform all phases of the work.
- d. Familiarity with water treatment, spray irrigation, monitoring, and water quality.
- e. Experience and availability of personnel and subcontractors proposed for use on the project.
- f. Past experience in working with Montana State agencies.

Statements of Qualifications must be sent to: Hardrock Bureau, Department of State Lands, Attn.: Terry Grobko, 1625 11th Avenue, Helena, MT 59620. (406)

All information must be not later than 5:00 p.m. (M) The Department will evaluate and select three to file submit a detailed scope methodologies, and detailed proposals.

The Department anticipates receiving final proposal on July 25, 1986, and awarding a contract on August 1, 1986. The selected contractor shall

Exhibit 2 -- SB 14
June 24, 1986

NOTICE OF DEFAULT AND TRUSTEE'S SALE

Notice is hereby given that the beneficiary has requested the trustee, Daniel L. Falcon of the law firm of Swanberg, Kobay, Swanberg & Matteucci of Great Falls, Montana to sell at public sale real property hereinafter described pursuant to the "Small Tract Financing Act of Montana," MCA, Section 71-2-201.

Number 366

TRUSTEE'S SALE

Trustee's Sale, on June 17, 1986, at 10:30 o'clock a.m. at the steps of the Cascade County Courthouse, Great Falls, Montana, real property in Cascade County, Montana: Lot 13, Block 48, Addition to the City of Cascade County, Montana, plat thereof, on file in Cascade County Clerk and Recorder's Office.

and Cynthia S. Ayles, wife, as Grantors, contrary to Fidelity National Mortgage Company as Trustee in Default, to Charter First National Bank, a Montana corporation, as Beneficiary, by a Trust Agreement dated November 1978 and December 1978 on Reel 127, Cascade County records of Cascade County, Montana, beneficial interest in said real property assigned to Security National Corporation by a Trust Agreement dated November 1978 and December 1978 on Reel 128, Cascade County records of Cascade County, Montana, beneficial interest in said real property further assigned to Cascade Mortgage Corporation by a Trust Agreement dated November 1984 and December 1984 on Reel 171, Cascade County records of Cascade County, Montana.

named as Successor Trustee, dated February 25, 1986, on Reel 171, Cascade County records of Cascade County, Montana.

Cynthia S. Ayles, described property in Trust Agreement dated July 24, 1980 on Reel 239, records of Cascade County, Montana.

Successor in Interest and Cynthia S. Ayles, as Beneficiary, secured by a Trust Indenture by Charter First National Bank and account of Charter First National Bank, dated hereinafter.

defaulted in the performance of the obligations by failure to pay the obligations due on the above-mentioned Trust Indenture for the month of November and December, 1985, and for the month of January, 1986, and would have been in default of the obligations due on the above-mentioned Trust Indenture (if the insurance and proceeds of the property or loan, as provided for in the obligation the above-mentioned Thousand Nine Hundred Fifty Dollars, interest thereon at the rate of nine percent (9.5%) per annum, 1985 plus interest and late charges, and other expenses and costs, and the costs of the County Treasurer's Office, Great Falls, Montana 59403.

sell the subject property and has the authority to do so.

1986.

A. BRIESE,
Trustee,
Box 21328,
Great Falls, Montana 59401-1328.
Telephone: 406-256-5029.
Yellowstone.

before me, I have appeared for the purpose of being acknowledged to be the grantor of the foregoing and acknowledge

A few of the projects now underway or planned through the early 1990s are:

- Desmet-Evaro, Kalispell-South, Elmo-Rollins, and Darby North and South on US 93
- Libby-Troy on US 2
- Dickey Lake North and South on US 93
- Hungry Horse-West Glacier and Elk Hill-Lyons Springs on US 2
- Avon-Elliston on US 12
- South of Culbertson on MT 16
- Savage-Crane on MT 16 and Sidney-Fairview on MT 200
- Loma-Big Sandy on US 87
- Sidney-East on MT 23
- Circle-North on MT 13

WHAT WILL IT TAKE TO CONTINUE?

In 1983, the Legislature only approved funding for the first four years of the ten-year program. Without additional funding, the program will grind to a stop.

In order to continue, the Governor has proposed an additional fuel tax, restructuring of outstanding highway bonds and issuance of additional highway bonds.

The proposed 5¢ per gallon gas tax increase will cost the average motorist about \$3 per month.

The proposal would also transfer "non-user fee" revenue—mineral royalties and coal tax funds—to the state's General Fund. As a result, the highway program would be 100% user-funded—highway users will pay all the costs. The proposed 5¢ per gallon gas tax increase will cost the average motorist about \$3 per month.

The proposed 3¢ per gallon diesel tax increase will cost motor carriers about \$50 per month, assuming the carrier travels 100,000 miles per year. It's important to remember, however, that most of the revenue from the diesel tax increase, about 61%, will be paid by out-of-state operators.

The additional fuel tax is an essential part of the program. Without it, the program to rebuild Montana's primary highway system can't continue.

A good highway system is critical to Montana's future. Transportation of Montana's products to national markets, access to natural resources and recreation, and distribution of goods to a widely dispersed population all depend on the highway system.

In addition, the program puts state and federal money into the Montana economy and provides a wide range of employment opportunity. The highway program benefits all Montanans.

WHY?

Engineering studies confirm what every Montanan already knows: our roads are in poor shape.

In 1983, the Legislature and the Schweidert Administration kicked off a program to change that. The program was based on recommendations from the Governor's Council on Management, the Governor's Transportation Advisory Council, a Joint Subcommittee on Highways, and a legislative audit report.

It's goal is to reverse the deterioration of Montana's roads and prepare a transportation system for the twenty-first century. The legislature authorized a highway bond program, restructured the highway districts and, most importantly, created a 10-year program to fund much-needed repairs to the primary highway system.

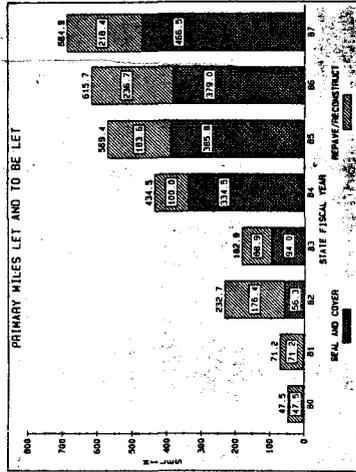
With state funding authorized for up to \$40 million annually an ambitious program began, the Reconstruction Trust Fund, or RTF program. A commitment was made to rebuild Montana's roads with Montana dollars.

Most of Montana's roads were built in the 1930s. Until 1983, funding didn't even allow for a preventive maintenance program. Fifty percent of Montana's primary highways needed reconstruction or repair. Forty percent of the state's bridges were sub-standard. Four major gaps still prevented completion of the interstate system.

Federal funding is just not enough to take care of Montana's highway needs.

WHAT'S BEEN DONE?

Last year, due to the RTF and a shift in priority to the primary system, Montana repaved or reconstructed nearly 600 miles of roadway. That number will continue to grow in 1986 and 1987.



In 1980, less than fifty miles of primary highway were repaved or reconstructed and there was no preventive maintenance program. With the RTF, Montana is able to address reconstruction and repaving needs and extend the life of good roads with preventive maintenance and repair.

HOW ABOUT MY ROAD? WHO DECIDES?

Today, the Montana Highway Commission selects and prioritizes future projects, often 5-7 years in advance of construction.

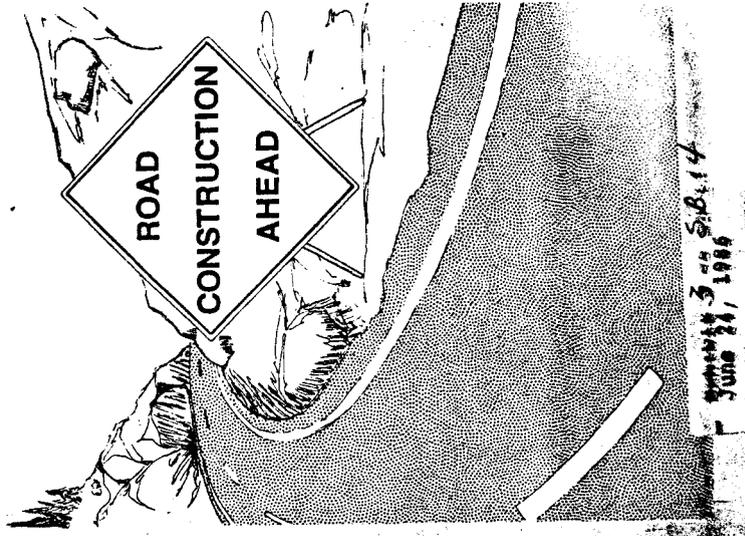
Recommendations come from field staff and from local people. Potential projects are analyzed according to:

- Pavement condition.
- Available funding.
- Cost effectiveness.
- Geographic balance based on a formula approved by the Legislature.
- Sufficiency, including soundness of the structure, existence or lack of safety and design hazards, and capacity to handle existing traffic.

In the past, there was no system for project selection based on need, cost effectiveness, or available funding. Projects were undertaken with no assurance they would ever be let to contract.

Clearly, the Department needed a systematic documented system of selecting and prioritizing construction projects.

The system provides an objective analysis of highway needs and ensures that the work is done where it's most needed.



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Montana Highway Dept
June 24, 1985
S.B. 14

MONTANA CONTRACTORS'

Association, Inc.



William Olson, Sec.-Mgr.
Phone (406) 442-4162

1717 11th Ave., P. O. Box 4519
Helena, Montana 59604

CHAPTER OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.

Testimony on SB 14
Senate Taxation Committee
June 24, 1986

Mr. Chairman and members of the committee, for the record I am Bill Olson, Secretary-Manager of the Montana Contractors' Association, located in Helena.

I am here today to testify in support of Senate Bill 14, which increases fuel taxes and also reallocates various funds now in the highway earmarked account. It is important to remember that the increased fuel taxes do not increase highway funding, but replace highway funds allocated to the general fund.

Positive aspects -

- Would provide funds for properly planned program on primary system up to 1993.
- Economists state that \$1.00 in construction has a multiplier effect which creates \$2.35 in economic activity. Thus, any funds withdrawn from the Highway funds must be replaced and the replacement must be permanent - no sunset. A long range program such as the RTF needs permanent funding.
- Justifying any tax can be tough. In this case, the fuel tax is as justifiable as a tax can be. It's a users tax, where the revenue is dedicated to our states highway construction program.
- I'm sure that the opponents to this bill will be testifying that the increase in gas tax will discourage tourism. Tourists come to Montana for its scenic beauty and our outdoor recreation. If a tourist used 100 gallons of gas while in Montana which would equate to 1500-2000 miles of travel, the additional 5¢ tax would add \$5.00 to the cost of the vacation. It is ridiculous to think that a tourist who likes our scenery, fishing and other outdoor recreational will not vacation in Montana because of a \$5.00 bill.

JUNE 24, 1986

PAGE TWO

- If anything would stop tourists from coming to our state, it would be an unsafe highway system, in disrepair because of lack of funding. That is a good solid reason why the funds for highway construction must be replaced with the gas tax to offset the transfer of funds to the general fund.
- Opponents to the increase in fuel taxes, such as the Motor Carriers, will undoubtedly come forth with varied statistics on the impact of the 3¢ diesel increase. A trucker driving 100,000 miles a year and getting 5 miles per gallon would be faced with an additional \$600 in fuel costs. What has to be considered is that the \$600 goes for an improved highway system which ultimately results in reduced costs to the users.

In summary -

The options open for solving the budget crisis are diminishing. The bill before you today, although it will not be joyous news to motorists, is a viable solution, in part, and deserves bipartisan support. Past legislatures have deemed the Highway RTF program essential by earmarking coal tax money to that program. Assuming allocation of these monies to the general fund, replacement funds are essential, and to that end, we urge your support of SB 14, the increase in fuel taxes.

Respectfully submitted,



WILLIAM OLSON
Secretary-Manager
Montana Contractors' Association, Inc.

WO:pp

SENATE TAXATION
EXHIBIT NO. 4
DATE 06-24-86
BILL NO. S.B. 14

MMCA STATEMENT TO THE MONTANA LEGISLATURE
SENATE TAXATION COMMITTEE
ON SENATE BILL 14

Mr. Chairman and members of the Committee...For the record, I'm Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association.

The Montana Motor Carriers Association has some 450 Carrier and Supplier Members, all of whom are employers and range in size from a one-truck operation to medium size companies operating fleets of trucks up to 400 plus in numbers. 95% of our Montana based trucking companies operate in interstate commerce under ICC authority in several states, some in all 48 states.

MMCA is opposed to the increase in diesel fuel tax by 3 cents per gallon as proposed in SB 14.

The motor carrier industry in Montana is sympathetic to the resolving of the state's budget problems. If a tax increase is necessary, it should not be a selective tax increase on the trucking industry in the State. A three cent a gallon increase in the diesel fuel tax disproportionately hits the trucking industry in Montana when it is struggling to survive economically.

MMCA has and continues to support an affordable highway program in Montana. The trucking industry has paid its fair share of the cost of our highway system. MMCA supported a diesel fuel tax increase in 1983 and the Legislature that year raised state diesel fuel taxes from 11 cents to 17 cents per gallon, a 55% increase.

According to information in the Legislative Fiscal Analyst report, \$19,228,727 was collected in diesel fuel taxes in 1985 plus \$24,254,407 in GVW fees or 42% of the highway user taxes paid into the highway fund.

In 1983-84, federal diesel fuel taxes were increased 275%, from 4 cents to 15 cents per gallon over a two year period. The total state and federal diesel fuel taxes of 32 cents per gallon is 8 cents higher...33% more...than the total state and federal taxes on gasoline of 24 cents. An additional tax of 5 cents per gallon on gasoline would still leave a 3 cent per gallon differential on the total state and federal taxes between diesel and gasoline.

Also in 1983-84, other federal taxes on trucks were raised. The federal use tax on heavy trucks was increased 162%, from \$210 to \$550 per truck. Excise taxes increased 32% and taxes on truck tires increased 45%.

The impact of total increased state and federal highway taxes on a typical five axle semi is major: An 80,000 pound five axle tractor semitrailer combination paid approximately \$5,429 in Montana taxes, an increase of 36% over taxes prior to July, 1983, and with all the federal tax increases, paid an additional \$4151 for a total of \$9,580 per year per. And that cost of \$9,580 is based on 70,000 miles of driving. The average mileage of over-the-road trucks in Montana is closer to 100,000 miles. State diesel fuel tax costs at the current rate of \$.17 per gallon based on 100,000 miles at 5

miles per gallon is \$3,400 per truck per year. An additional 3 cents per gallon diesel fuel tax would add an additional \$600 cost per year per truck. Federal diesel fuel taxes add another \$3,000 per year per truck.

Currently, the total state and federal taxes on a five-axle semi equates to a cost of 14 cents per mile and approximately \$.08 per bushel when transporting grain from Montana to the West Coast. Any additional tax increase will reflect in even higher transportation costs to the Montana farmer.

Motor carriers currently pay the state's general fund over \$1 million per year in vehicle registration and identification stamps collected by PSC because we operate under a regulated system. In addition, motor carriers pay a 16% property tax rate on trucks and trailers.

Montana trucking industry liability insurance rates have been and are increasing dramatically, ranging from 100% to 400% on up to 1000% because of government required liability limits for carriers of \$750,000, \$1 million for non-bulk hazardous materials, and trucks carrying bulk hazardous materials \$5,000,000....many carriers can't buy liability insurance at any cost.

Cargo insurance rates have increased from 50% to as high as 370%...these rates are not manual rates, or not published in a book, but are based on certain criteria of the company...the most important is the carrier's perceived financial health...in other words, the poorer a company's financial status, the higher the rate.

Montana Workers' Compensation premiums for truckmen increased 50% two years ago and are threatened with an additional 35% hike...before the 1987 session can review this matter. A truck driver earning \$20,000 a year costs \$3,400 a year for workers' compensation in Montana, but only \$832 in North Dakota, \$2100 in Idaho, and \$1800 in Utah, for example. We simply can't afford any more taxes!

Many Montana motor carriers are facing difficult times and are desperately attempting to solve their financial problems.

For example, some 138 regulated livestock haulers have collectively filed to the PSC for a rate increase, averaging 6.7%, the first such rate request in more than 40 months. These carriers collectively reflect a 97.84% operating ratio or an average 2.16% profit for 1984. If granted, the rate increase will reflect an average operating ratio of 96.72% or 3.28% profit. Although there are 138 tariff members, only 47 actually hauled livestock under the tariff in 1984. Livestock shippers are protesting the rate increase...not because they do not believe the carriers need it...but because the farmers and ranchers simply cannot afford it...and they can't afford any additional taxes that could lead to ever higher rates.

I mentioned federal fuel tax increases for the highway program in 1982-83....

We're still being threatened with more federal fuel tax increases...We've been told by our national association, American Trucking Associations, as part of the budget reconciliation, Congress will give serious consideration to raising the excise tax on gasoline and diesel fuel by at least 5 cents a gallon and on up to 25 cents a gallon. This decision will be made in June, and will be earmarked for deficit reduction not the Highway Trust Fund. About 95% of the MMCA Carrier Members are operating in interstate commerce with ICC authority.

Right now, over 30% of the industry in interstate commerce is operating at a loss. This equates to almost 10,000 of the 33,000 carriers with ICC operating authority, which is only one part of trucking. These 10,000 companies employ approximately 140,000 people whose immediate jobs are in jeopardy if such a tax increase were passed. With a 5 cent per gallon increase, the number of ICC authorized carriers operating at a loss would become 35%. With a ten cent per gallon increase, the carriers operating at a loss would be 41%. And with a 25 cent per gallon increase, the majority of ICC authorized carriers would be operating at a loss with some 219,000 jobs in jeopardy, according to ATA.

I mentioned MMCA is sympathetic to resolving the state's budget problem. This Legislature will have to determine, in our opinion, which fund has the greatest priority,...the general fund or the highway fund.

The Governor has proposed to back out of the highway fund certain funds that can be classified as general fund monies. Although we don't like to see it happen, that is the prerogative of this Legislature to set policy for spending. If transferring the \$7.9 million in mineral royalties, \$6.5 million in coal tax monies, \$4.1 million in interest earnings from the highway fund to the general fund and shifting the \$2.9 million highway patrol funding to the highway fund is the policy that this Legislature adopts....so be it. But in our view, it doesn't necessarily follow that user taxes must be increased to replace these dollars. There is another option....cut back in the Highway Funding Program and pay for a highway program we can afford without any tax increase and, in particular, a diesel fuel tax increase, that is not even needed in our opinion.

I refer you to page A123 of the Legislative Fiscal Analyst report....

It shows that after increasing gasoline and diesel fuel taxes and shifting the monies I mentioned, that the highway fund is increased by a net of \$3,076,802....almost the amount equal to the proposed 3 cent diesel tax increase of \$3,573,000....

The Montana Motor Carriers Association respectfully requests that this committee amend SB 14 to delete the proposed increase in diesel fuel taxes from 17 cents to 20 cents per gallon...Thank you.

SENATE TAXATION
EXHIBIT NO. 5
DATE 06-24-86

Table 3
Comparison of Legislative Fiscal Analyst and Executive Revenue Projections
for Issue Gov. 2 - Fiscal 1987

	<u>LFA Projections</u>	<u>Executive Projections</u>	<u>LFA Over Executive</u>
Gasoline Tax Increase	\$20,942,640	\$ 20,756,000	\$ 186,640
Diesel Tax Increase	<u>3,573,000</u>	<u>3,490,000</u>	<u>83,000</u>
Tax Increases	24,515,640	24,246,000	269,640
Less: Mineral Royalties	(7,914,750)	(6,705,000)	(1,209,750)
Coal Severance Tax	(6,464,537)	(6,211,000)	(253,537)
Interest Earnings	(4,100,000)	(6,764,000)	2,664,000
Highway Patrol Shift	<u>(2,959,551)</u>	<u>(2,928,610)</u>	<u>(30,941)</u>
Increase to Highways	<u>\$ 3,076,802</u>	<u>\$ 1,637,390</u>	<u>\$ 1,439,412</u>

Table 4 is a combined fund analysis of the special revenue account and reconstruction trust account showing the effect of: 1) the additional motor fuels taxes estimated to be generated from the tax increases, 2) the elimination of the coal severance taxes, mineral royalties taxes, and the interest earnings in fiscal 1987, 3) the funding switch for the highway patrol, and 4) the 5 percent reduction to those budgets funded by these two accounts. LFA revenue projections for motor fuels tax increases, mineral taxes, coal severance taxes, and interest earnings are included in table 4.

Table 4
Combined Highway Special Revenue and Reconstruction Trust Accounts
Fiscal 1985 and 1987 Biennium

	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>
Beginning Fund Balance	\$ 62,787,602	\$ 74,908,467	\$ 57,231,957
<u>Revenues</u>			
Gasoline Tax (15c gallon)	60,957,345	60,086,700	63,218,750
(5c gallon)	-0-	-0-	20,942,640
Diesel Tax (17c gallon)	19,278,727	19,140,300	20,100,700
(3c gallon)	-0-	-0-	3,573,000
U.S. Minerals Taxes	8,890,580	7,629,584	-0-
Coal Severance Taxes	-0-	1,683,781	-0-
GVW Revenue	24,254,407	23,388,853	23,772,742
Interest Income	-0-	4,100,000	-0-
Stores	-0-	13,050,700	13,309,443
Prior Year Revenue Adjustment	<u>803,060</u>	<u>-0-</u>	<u>-0-</u>
 Total Revenues	 <u>\$114,184,119</u>	 <u>\$129,079,918</u>	 <u>\$ 144,917,275</u>
 Total Funds Available	 \$176,971,721	 \$203,988,385	 \$ 202,149,232
<u>Disbursements and Appropriations</u>			
Highway Traffic Safety	\$ 65,468	\$ 72,525	\$ 73,946
5 Percent Reduction	-0-	-0-	(3,535)
Department of Justice	6,432,468	6,836,202	6,662,869
5 Percent Reduction	-0-	-0-	(467,676)
Highway Patrol Funding Switch	-0-	-0-	2,959,551
Department of Revenue	690,612	725,055	726,086
5 Percent Reduction	-0-	-0-	(36,920)
Department of Commerce	75,000	75,000	75,000
5 Percent Reduction	-0-	-0-	(3,750)
Pass through to Local Governments	14,000,000	14,000,000	14,000,000
Long Range Building	425,649	726,799	947,069
Department of Highways	80,374,057	135,384,138	156,378,477
5 Percent Reduction	-0-	-0-	(7,289,885)
Change in Construction Schedule			
Special Revenue	-0-	(2,341,765)	(8,230,731)
Reconstruction Trust	<u>-0-</u>	<u>(8,721,526)</u>	<u>1,545,895</u>
 Total Disbursements	 <u>\$102,063,254</u>	 <u>\$146,756,428</u>	 <u>\$167,336,396</u>
 ENDING FUND BALANCE	 <u>\$ 74,908,467</u>	 <u>\$ 57,231,957</u>	 <u>\$ 34,812,836</u>

Table 4 shows that after the funding changes, budget cuts, and tax increases in the Governor's budget, projected fund balance at the end of the biennium is \$34.8 million. Without the additional \$24.5 million of fuel taxes, the fiscal 1987 fund balance would be \$10.3 million.

CURRENT STATE DIESEL TAX RATES

(AS OF 10/18/85)

CENTS PER GALLON

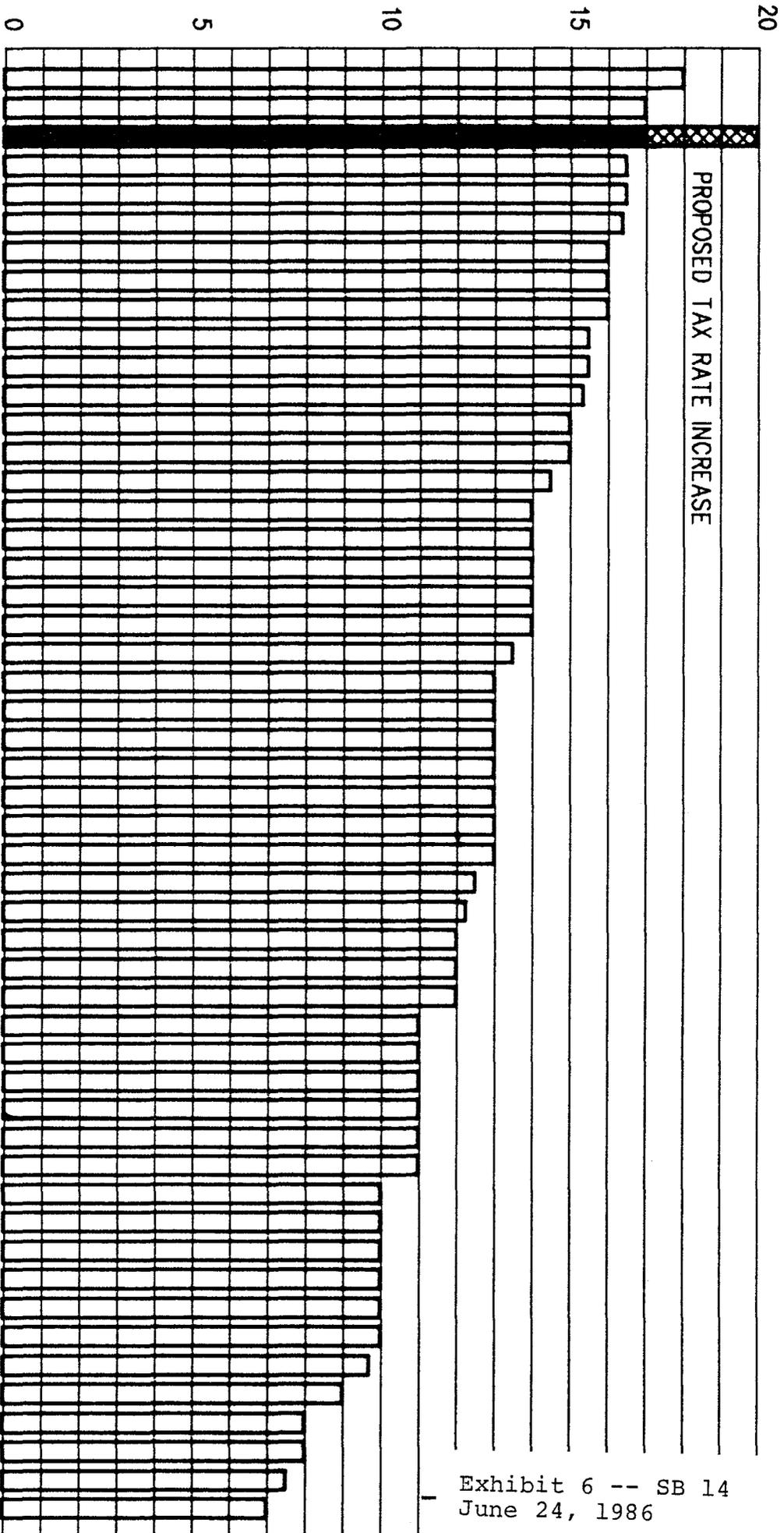


Exhibit 6 -- SB 14
June 24, 1986

STATES

CURRENT STATE GASOLINE TAX RATES

(AS OF 10/18/85)

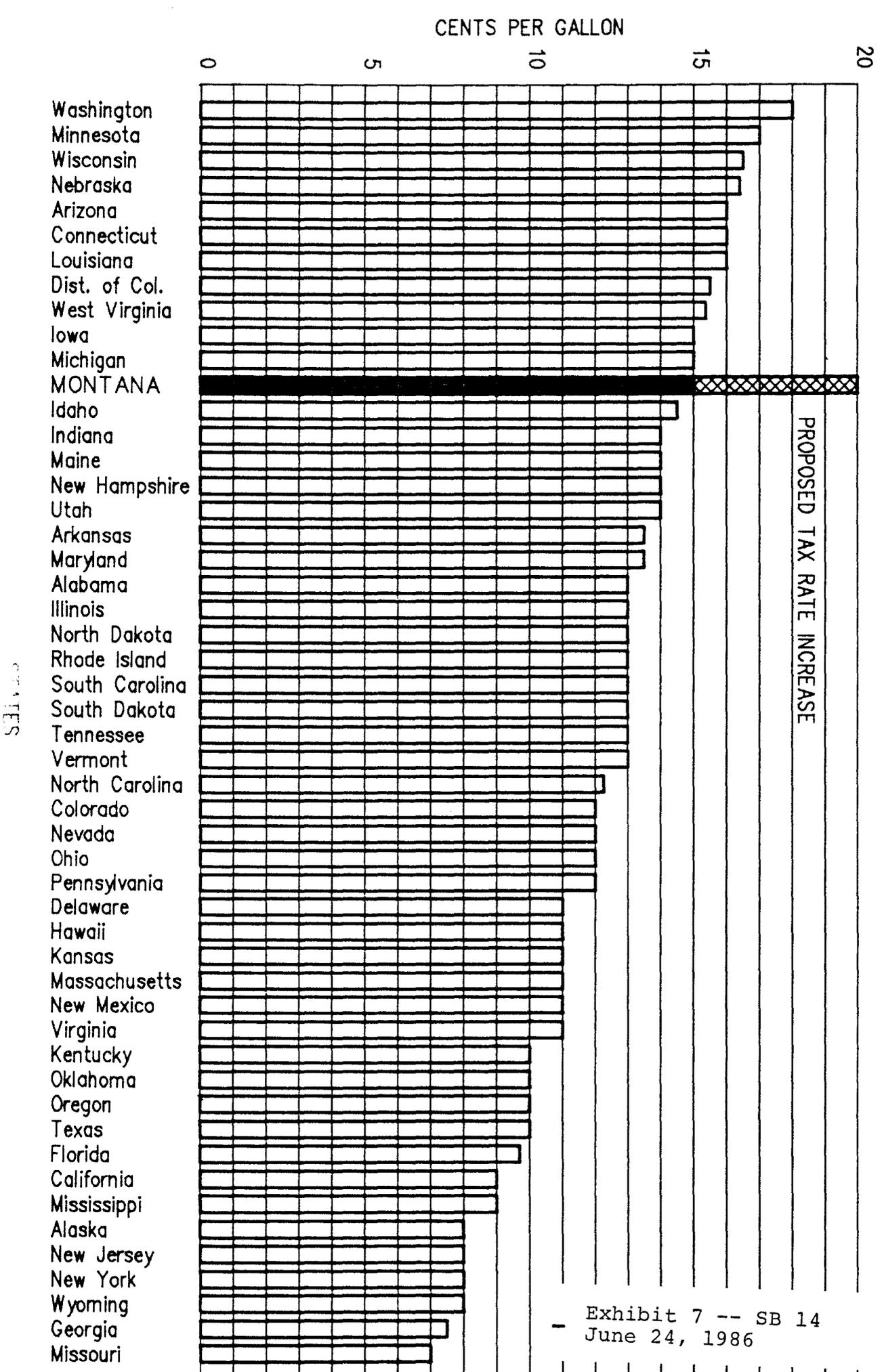


Exhibit 7 -- SB 14
June 24, 1986



502 South 19th

Bozeman, Montana 59715

Phone (406) 587-3153

TESTIMONY BY: Lorna Frank

BILL #: SB 14 DATE: June 24, 1986

SUPPORT _____ OPPOSE YES

Montana Farm Bureau opposes both the gas and diesel tax increase and supports using some of the coal severance tax money instead of raising the gas and diesel taxes.

Farm Bureau opposes this bill because we consider this a new tax.

Farmers and ranchers would be hit hard by this proposal because many of them live long distances from town. Some may have a wife, daughter or other family member working in town because they need the cash flow. This did not happen 5 years ago.

Also many farmers and ranchers have semis or other trucks in which to haul their products to market, often great distances.. By the use of computers, they are doing more innovativesselling by transporting cattle to Denver, Fort Collins, Tuson and Los Angeles, or grain to ~~an~~ elevators.

Even if they do not have a truck, the increased gas and diesel tax will be passed on to the consumer through higher shipping costs.

Although farmers and ranchers get a refund on some of their gas tax by filing for a refund, they do not get a refund for the many miles traveled on public roads.

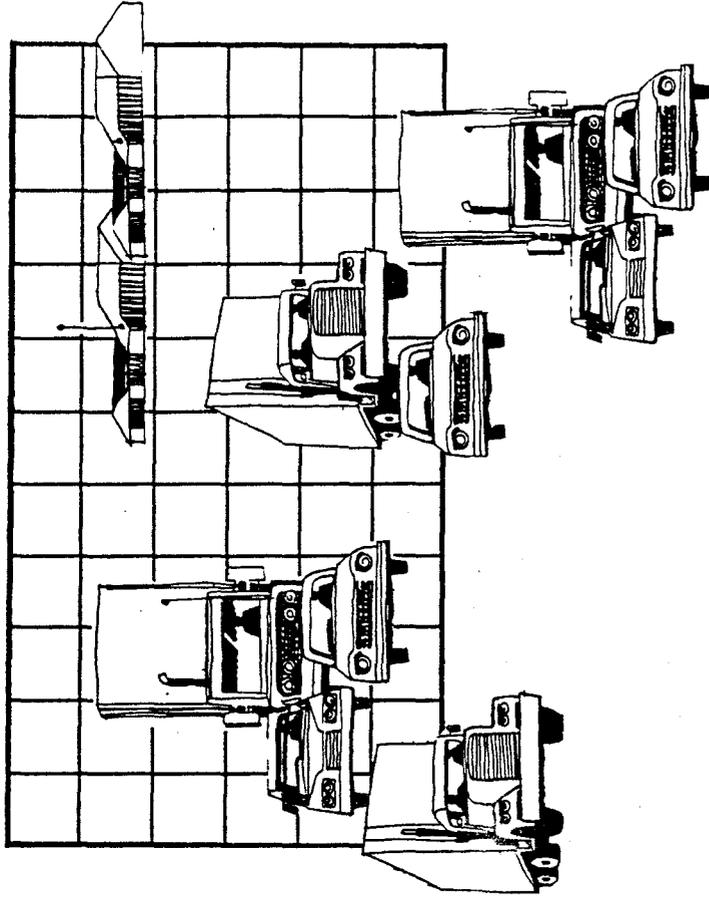
With the price of gas and diesel finally going down, it is one of the bright spots for farmers and ranchers, a way for them to reduce costs...

This increased tax is going to hurt the people who are doing their best to keep the farm and ranch going.

Montana Farm Bureau members are well aware of the problems currently facing this legislature and Montana. They are willing to do their share to help, however we feel this proposal is a tax increase and we urge you to oppose it.

SIGNED: Lorna Frank

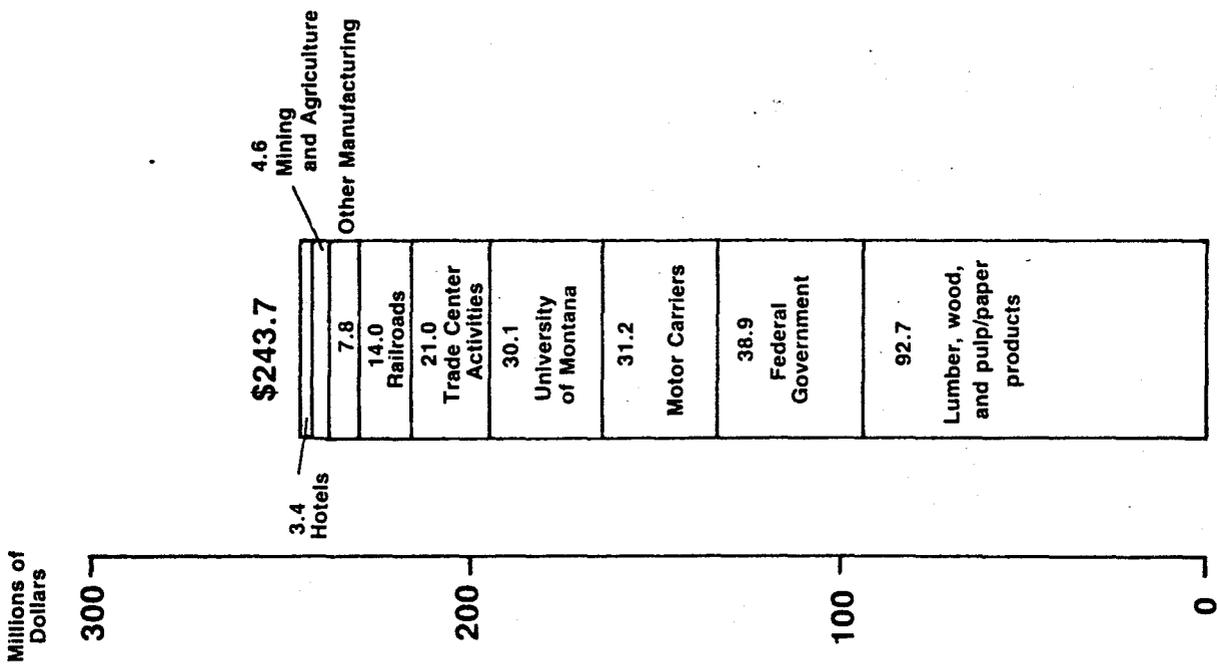
Missoula County 1984



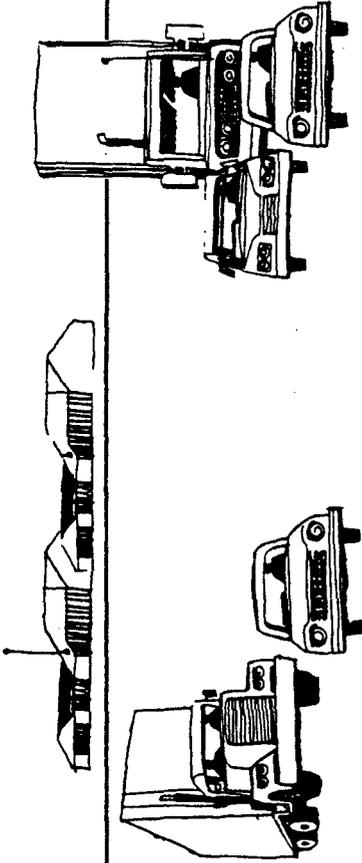
Industry Update: Missoula County Motor Carriers

Presented to the
Montana Motor Carriers Association
September 18, 1985
by the
Bureau of Business and
Economic Research
University of Montana

Exhibit 9 -- SB 14
June 24, 1986



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Montana Department of Labor and Industry; and University of Montana, Bureau of Business and Economic Research.



Highlights of a recent study funded by the Missoula Chapter of the Montana Motor Carriers Association indicate that in 1984:

- Motor carriers were the third largest basic industry in Missoula County, tied with the University of Montana.
- About 1,500 people — including wage and salary employees plus the self-employed — worked in the industry.
- Labor income (that includes wages and salaries, fringe benefits, and the income of self-employed drivers with permanent Missoula County addresses) amounted to over \$31 million.
- Total revenue for Missoula County motor carrier offices and operations came to almost \$146 million.

**Employment, Labor Income, and Revenue
Missoula County Motor Carriers
1984**

Employment ^a		
Drivers	1,122	
Others	375	
Total	1,497	
Labor Income ^b		
Drivers	\$ 22,700,000	
Others	8,400,000	
Total	31,100,000	
Labor income per worker		
Drivers	\$ 20,232	
Others	22,400	
All workers	20,775	
Total Revenue ^c		\$145,800,000

Source: Bureau of Business and Economic Research, Missoula Trucking and Warehousing Data Collection Study, unpublished data, Missoula, Montana, University of Montana, 1985.

^a Persons with permanent residence in Missoula County.
^b Includes wages and salaries, fringe benefits, and self-employment income of persons with permanent residence in Missoula County.
^c Revenues for Missoula County offices/operations only.

Amend Senate Bill 14
Introduced copy

1. Title, lines 7 and 8.

Following: "BY" on line 7

Strike: "5 CENTS AND TO INCREASE THE TAX ON DIESEL FUEL AND
VOLATILE LIQUIDS BY 3 CENTS"

Insert: "6 CENTS"

2. Title, line 14.

Following: "15-70-204,"

Strike: "15-70-321,"

3. Page 2, line 1.

Following: "15"

Strike: "20"

Insert: "21"

4. Page 2, line 12 through line 4, page 3.

Following: line 11

Strike: section 2 in its entirety

Renumber: subsequent sections

5. Page 9, lines 23 and 24.

Following: "(1)" on line 23

Strike: "Sections 1 and 2 are"

Insert: "Section 1 is"

6. Page 9, line 25.

Following: "Sections"

Strike: "3 through 9"

Insert: "2 through 8"

(Amendment to limit amount of diversion to snowmobile, motorboat and aeronautics accounts, and revise shrinkage allowance on gasoline)

1. Title, Line 8

Following: "CENTS;"

Insert: "LIMITING THE AMOUNT CREDITED TO THE STATE PARK ACCOUNT, THE SNOWMOBILE ACCOUNT AND THE AERONAUTICS ACCOUNT; INCREASING THE DEDUCTION FOR GASOLINE EVAPORATION;"

2. Title, Line 14

Following: "15-70-204"

Insert: "15-7-205,"

3. Title, Line 15

Following: "44-1-501"

Insert: "60-3-201,"

4. Page 9

Following: Line 20

Insert: Section 8. Section 60-3-201, MCA, is amended to read:

"60-3-201. Distribution and use of proceeds of gasoline dealers' license tax.

(1) All money received in payment of license taxes under the Distributor's Gasoline License Tax Act, except those amounts paid out of the department of revenue's suspense account for gasoline tax refund, shall be used and expended as provided in this section. So much of that money on hand at any time as may be needed to pay highway bonds and interest thereon when due and to accumulate and maintain a reserve therefor, as provided in laws and in resolutions of the state board of examiners authorizing such bonds, shall be deposited in the highway bond account in the debt service fund established by 17-2-102. Subject to that provision, 9/10 of 1% of all the money raised by 15 cents of the gasoline dealers license tax shall be deposited in the state park account, 1/2 of 1% of all the money raised by 15 cents of the gasoline dealers license tax shall be deposited in a snowmobile account in the state special revenue fund, and 1/25 of 1% of all the money raised by 15 cents of the gasoline dealers license tax shall be deposited in the aeronautics revenue fund of the department of commerce under the provisions of 67-1-301.

The remainder of the money shall be used by the department of highways on the federal-aid highways in this state selected and designated under Title 23, U.S.C., and on highways leading from each county seat in the state to the federal highway system of federal-aid roads where the county seat is not on the system and on the other roads which have been or may be authorized by the laws of Montana and for collection of the license taxes and the enforcement of the Montana highway code under Article VIII, Section 6, of the constitution of this state.

(2) The department shall, in expending this money, carry forward construction from year to year, using the money expended through the matching up of federal-aid allotments to Montana upon the federal highway system in the various parts of the state in accordance with 60-3-204 through 60-3-2-6. Nothing in this title conflicts with Title 23, U.S.C., and the rules by which it is administered.

(3) The department may enter into cooperative agreements with the national park service and the federal highway administration for the purpose of maintaining national park approach roads in Montana.

(4) Money credited to the state park account in the state special revenue fund shall be used only for the creation, improvement, and maintenance of state parks where motorboating is allowed, except for the payment of refunds under 15-70-221 through 15-70-226. The legislature finds that of all the fuel sold in the state for consumption in internal combustion engines not less

(5) Money credited to the snowmobile account may be used only to develop and maintain facilities open to the general public at no admission cost and to promote snowmobile safety. For the 2 years following July 1, 1977, 15% of the amount deposited in the snowmobile account each year shall be used to promote snowmobile safety. Thereafter, 10% of the amount deposited in the snowmobile account shall be used to promote snowmobile safety. The legislature finds that of all fuels sold in this state for consumption in internal combustion engines, not less than 1/2 of 1% is used for propelling snowmobiles on public lands of this state.

(6) Money credited to the aeronautics account of the department of commerce shall be used only to develop, improve, and maintain facilities open to the public at no admission cost and to promote aviation safety. The legislature finds that of all the fuel sold in this state for consumption in internal combustion engines, not less than 1/25 of 1% is used for propelling aircraft in this state."

Section 9. Section 15-70-205, MCA, is amended to read:

"15-70-205. Distributor's statement and payment. (1) Each distributor shall, not later than the 25th day of each calendar month, render a true statement, duly signed, to the department of revenue of all gasoline distributed and received by him in this state during the preceding calendar month and containing such other information as the department may reasonably require in order to administer the gasoline license tax law. The statement shall be accompanied by a payment in an amount equal to the tax imposed by 15-70-204 less any refund credit issued under 15-70-226 and less ~~2~~ 1% of the ~~first 6 cents tax~~ tax imposed by 15-70-204 which shall be deducted by the distributor as an allowance for evaporation and other loss of gasoline distributed by such distributor; provided, however, that no such allowance shall be deducted from the 1 cent tax on aviation gasoline.

(2) Any distributor engaged in or carrying on this business at more than one place or location in this state may include all such places of business in one statement."

Page 9, Line 24

Following: "1"

Delete: "and 2"

Insert: ", 2 and 9"

number: Subsequent sections,

PROPOSED AMENDMENTS TO
HJR 1

THOMAS E. TOWE
State Senator
District 46--Billings

1. Individual Income Tax (FY 86) - \$110,157,000. This constitutes no change in HJR 1. The actual receipts as of June 20, 1986 (Friday) are \$110,193,641. With approximately \$40,000 additional refunds and very few additional receipts expected during the last week this figure should be very accurate.

2. Individual Income Tax (FY 87) - \$118,272,000. I have chosen the Revenue Estimating Advisory Council (hereinafter REAC) figures rather than the LFA figures or the House Taxation Committee (hereinafter "House Tax") figures. The LFA used non-farm income without making any adjustment for farm income in their projections. The Office of Budget and Program Planning (hereinafter OBPP) used total personal income, including an adjustment for farm income. Further, the OBPP had a higher figure for estimated personal income growth but it was still lower than the figure projected by Maxine Johnson. REAC went with the OBPP figure and Maxine Johnson said she was satisfied with that figure. Consequently, I have chosen the REAC figure which, in effect, is the estimates of Terry Johnson from OBPP. The increase in total personal income from calendar year 1985 to calendar year 1986 figures are as follows:

National projections - Wharton's Econometrics - 6.0%
Maxine Johnson - 6.8%
Lowest Montana Growth ever (before 1985) - 4.8%
Terry Johnson (OBPP) - 3.8%
LFA - 1.9%
Actual Montana Growth - 1984 to 1985 - 1.5%

3. Corporate License Tax (FY86) - \$34,500,000. This is \$500,000 higher than House Tax but lower than REAC and higher than the LFA figure. The principal reason for this is that as of June 20, 1986 (Friday) the actual collections were \$34,258,441. This appears to be going up every week, and one additional week should bring in between \$200,000 and \$250,000, leaving a total of \$34,500,000.

4. Corporate License Tax (FY 87) - \$28,101,000. This is the REAC figure. It is \$101,000 higher than House Tax and about \$750,000 higher than the LFA figure. REAC adopted the budget estimates of Terry Johnson (OBPP). The LFA and the OBPP were almost identical in their estimates with the exception of the amount to be collected in audits for FY 87. The OBPP estimates \$6.1 million will be collected. The LFA estimates \$5 million in receipts as a result of the audits. In fact, the historical review indicates \$5.1 million should be received from audits. Terry Johnson, however, contacted Jerry Foster in the Corporation Tax Division of the Department of Revenue and ascertained that Foster expects a larger than normal audit result this coming year. Hence, the extra \$1 million. House Tax rounds off the OBPP figure from \$28,101,000 to \$28,000,000. I assumed no rounding but used the actual projections of Terry Johnson with OBPP as adopted by REAC.

5. Coal Severance Tax (General Fund portion) (FY36) - \$19,995,000. The tax returns are in and this is an accurate figure because no further receipts will be received within the next 7 days. All parties have used the same number. No amendment is necessary.

6. Coal Severance Tax (General Fund) (FY37) - \$15,989,000. No Amendment. The House Committee reduced the figures from both the LFA and REAC because of reports that Western Energy was reducing their predictions for calendar year 1936 by 3.5 million tons. Apparently this reduction would reflect less electricity sold as a result of cheaper hydro power available elsewhere this year. 1.5 million of the 3.5 million had already been taken into consideration by both the LFA and REAC but the additional 2 million had not yet been accounted for. Additionally, since Western Energy's Coal is lower priced coal the Committee justified increasing the figure for the contract sale price from \$8.36 to \$8.46 per ton. The removal of lower priced coal makes the weighted average price for the remaining coal higher. The LFA did a computation for me and the exact increase

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for coal as a result of this adjustment would be 11 cents. I used the House Committee figures because they were based on Terry Johnson's coal revenue estimates. Both the LFA and the OBPP are almost identical in the amount of coal to be mined. The LFA has a slightly higher price per ton (\$8.76 per ton contract sales price). The OBPP believes that with the combination of the loss of the contract by Decker with Huston Ligh and Power and the increased royalty deduction that will take effect this year the lower price is justified. I agree.

7. Oil Severance Tax (FY86) - \$22,900,000. This is higher than House Tax. At the present time the actual collections are \$23,082,764 (as of June 20, 1986). This figure reflects all of the receipts we will receive since there are no more payments to be received in this fiscal year. However, from this figure must be deducted the amount of refund to the counties that the counties would be entitled to as a result of increase in production. I would estimate approximately \$183,000 would be returned to the counties as a result of this provision (the Cornie Thiessen bill for handling oil impacts). Terry Johnson estimates the refund will be \$572,000. I disagree because there aren't that many counties that will show an increase in production this last year.

8. Oil Severance Tax (FY87) - \$14,200,000. Terry Johnson's predictions for the 1986 production and the 1986 price were within \$18,000 (remarkably close). I started with the same production figures that he estimated for FY 87, namely 27,975 barrels. This is the same production figures assumed by House Tax. Also, it constitutes the same exact figure that I received from Shell Oil Co. (Shell pumps approximately 25 percent of the total oil production in Montana) computed at a 5% decline. (Actually Shell used a 2.67% decline but Shell admitted it made no adjustment for production termination on stripper wells). Because of this similarity in the figure from Shell Oil at 5% and the figure used by Terry Johnson,

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I feel comfortable with that production figure. I then used \$15.36 per barrel - the barrel price used by REAC (REAC actually used \$15.00 for calendar year 86 and \$16.50 for calendar year 87 which, when adjusted for FY87 comes to \$15.36). This amounts to \$21,485,000 total tax, of which \$14,323,000 goes into the General Fund. Of this, I assumed \$123,000 would still be refunded to the counties - there will be even less money reverting to the counties because production should not increase in this coming year. This leaves \$14,200,000 - the figure I used.

9. Interest on Investments (FY86) - \$60,001,000. No amendment. The LFA and REAC (OBPP) are almost identical on this issue. They are \$20,000 apart which reflects an assumption of 7.7% average interest rate by the LFA and 7.86% average interest rate by the OBPP. I have taken the OBPP figure simply because it is the same one that House Tax uses and no amendment is necessary.

10. Interest on Investments (FY 87) - \$9,588,000. The interest rates assumed by the various parties are as follows:

REAC - 7.0% (based on testimony from Jim Howeth)
LFA - 7.1% (based on Wharton Econometrics)
OBPP - 7.2%

I used the LFA interest rate of 7.1% (a happy medium). There is little dispute as to the outstanding balance available between the LFA and the OBPP. The method of computing interest however reflects a different philosophy. The OBPP assumed the budget is out of balance and added \$4,655,000 as an adjustment item in their blue book (item #24) to balance the budget. The LFA assumes the budget will be balanced and therefore does not require this type of adjustment. Since the adjustment is in the blue book I have assumed the OBPP philosophy and excluded it at this point in the computation figures. \$152 million average investment balance times 7.1% equals \$10,790,000. Additionally, we must add \$3,450,000 in interest, (7.1% on \$50 million of TRANS (Tax Anticipation Notes) giving us a total of \$14,243,000 from which we must subtract the \$4,655,000

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figure in item 24 of the Governor's budget adjustments in order to make the figures comparable leaving a total of \$9,588,000. In addition to item 24 of the Governor's budget adjustments, we should adjust item 25 (additional TRANS interest) to reflect the sale of an additional \$40,000,000 in TRANS (\$916,000) instead of \$20,000,000 (\$458,000).

11. Long Range Bond Excess (FY 86) - \$35,562,000. This is the same figure used by House Tax with the exception that \$500,000 additional income in the corporate license tax figure for FY 86 (based on actual receipts to date) would require an adjustment of \$86 thousand to the figure used by the House Taxation Committee.

12. Long Range Bond Excess (FY 87) - \$35,560,000. This adopts the REAC figure in total. Since I have adopted the REAC figures for individual income tax and corporate license tax it follows that I must adopt the REAC figure for the Long Range Bond Excess since most of the Long Range Bond Excess is governed by individual income and corporate license tax numbers.

13. Coal Trust Interest (FY 86) - \$31,179,000. This adopts the House Tax figure without amendment. It is based on the bond calls to the date of the hearing and it is the most updated figure available.

14. Coal Trust Interest (FY 87) - \$34,830,000. No amendment. This assumes interest rates of 9.80% for FY 87 which is higher than both the LFA and the OBPP estimates. But the actual experience with the Board of Investments seems to justify this higher rate. It also assumes bond called revenue of \$5.4 million. The figure is also updated as a result of the new coal tax figures used by House Tax to project the coal tax estimates - primarily the reduction by Western Energy.

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15. Insurance Premiums (FY 86) - \$16,907,000. This is the most current figure available and is one week later in time than the LFA projection of \$16,845,000. It is a figure from Terry Johnson of OBPP.

16. Insurance Premium Tax (FY 87) - \$18,398,000. This is the revised figure from Terry Johnson from OBPP. It is slightly higher than the LFA figure of \$18,029,000 but seems to more accurately track what has happened over the last several years.

17. Institutional Reimbursements (FY 86) - \$13,967,000. The OBPP took the SRS budget and used a percentage for Medicaid reimbursement. The LFA took the number of eligible patients times the actual rate at each institution. Consequently, it appears that the LFA was more accurate and more precise in their computation and I used their basic figures. I did, however, add \$300,000 to reflect the additional reimbursement from Boulder as the result of the settlement of the lawsuit which was settled in June after both REAC and LFA figures were presented. (Also, note that the beginning fund balance was increased by \$1.5 million dollars to reflect the settlement of the same lawsuit. The \$1.5 million was added to prior years revenue). The same suit is about to be settled with regard to Warm Springs and when it is settled it should produce an additional \$2 million.

18. Institutional Reimbursements - (FY 87) - \$14,320,000. Again I used the LFA's figures because they seemed more precise. Additionally, the \$300,000 from the settlement of the lawsuit has been added. Additionally, the figures I have used includes an adjustment assuming the pay freeze provided in HB 31 will go into effect. None of the other figures have made this assumption. Also, the sale of the Montana Youth Treatment Center should result in the certification of this facility and should result in Medicaid reimbursements before the end of the fiscal year. No increase has been used.

19. Liquor Profits (FY 86) - \$4,187,000. No amendment. Since the

SENATE TAXATION

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DOR has transferred the exact amount the OBPP estimated in FY 84 and FY 85, I think it is a fair assumption that the OBPP estimates on liquor profits will be accurate for 1986 and 1987. Consequently, those figures are used.

20. Liquor Profits (FY 87) - \$3,817,000. See previous comments. No amendment is necessary to HJR 1.

21. Liquor Excise Profits (FY 86) - \$5,906,000. I have used the REAC figure which was taken from OBPP. It estimates 6,065,000 units would be sold - a decline of 4% from the previous year. The LFA estimates 5,979,000 units sold for a decline of 5.4%. If there is a conversion to agency stores the OBPP figures should be conservative.

22. Liquor Excise Tax (FY 87) - \$5,726,000. Again, I used the OBPP figure of 5,822,000 units sold for a decline of 4% over FY 86. The LFA used the same 4% decline but since they started out with a lower base their number of units were only 5,740,000. Again I used the OBPP (adopted by REAC) figures because with a conversion to agency stores the units should increase and the OBPP figures are undoubtedly quite conservative.

23. Inheritance Tax (FY 86) - \$7,659,000. No amendment to HJR 1.

24. Inheritance Tax (FY 87) - \$7,836,000. No amendment to HJR 1.

25. Metal Mines License Tax (FY 86) - \$998,000. No amendment to HJR 1.

26. Metal Mines License Tax (FY 87) - \$1,053,000. This figure adopts the LFA number. The LFA has tracked the current gold prices and so far has been almost exactly accurate at \$340 per ounce. It therefore appears to be more accurate than the REAC number.

27. Electrical Energy Tax (FY 86) - \$2,530,000. No amendment.

28. Electrical Energy Tax (FY 87) - \$2,547,000. No amendment.

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- 29. Drivers License Tax (FY 86) - \$768,000. No amendment.
- 30. Drivers License Tax (FY 87) - \$790,000. No amendment.
- 31. Telephone License Tax (FY 86) - \$3,241,000. No amendment.
- 32. Telephone License Tax (FY 87) - \$3,419,000. No amendment.
- 33. Beer License Tax (FY 86) - \$1,284,000. No amendment.
- 34. Beer License Tax (FY 87) - \$1,227,000. No amendment.
- 35. Natural Gas Severance Tax (FY 86) - \$2,627,000. No amendment.
- 36. Natural Gas Severance Tax (FY 87) - \$2,633,000. No amendment.
- 37. Freightline Tax (FY 86) - \$1,195,000. No amendment.
- 38. Freightline Tax (FY 87) - \$1,448,000. No amendment.
- 39. Wine Tax (FY 86) - \$944,000. No amendment.
- 40. Wine Tax (FY 87) - \$984,000. No amendment.
- 41. Other Revenue Sources (FY 86) - \$17,804,000. No amendment.
- 42. Other Revenue Sources (FY 87) - \$19,106,000. No amendment.

SENATE TAXATION

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BILL NO. H.L.R. 1

Source of Revenue	ACTUAL FY 1984	ACTUAL FY 1985	POST-SESSION FY 1988	REAR FY 1986	LFA FY 1986	HOUSE TAX FY 1986	POST-SESSION FY 1987	REAR FY 1987	LFA FY 1987	HOUSE TAX FY 1987	POST-SESSION FY 86-87	REAR FY 86-87	LFA FY 86-87	HOUSE TAX FY 84-87	HI-REAR FY 86-87
Individual Income Tax	109,321,650	115,376,830	125,286,600	111,385,000	110,157,000	134,066,000	118,272,000	116,160,000	116,160,000	116,160,000	239,352,000	229,637,000	226,325,000	226,325,000	-3,332,000
Corporate License Tax	20,347,117	36,637,611	27,937,000	36,227,000	33,490,000	32,304,000	28,107,000	27,366,000	27,366,000	28,000,000	62,261,000	64,329,000	60,255,000	62,000,000	-2,328,000
Coal Severance Tax	15,739,468	17,381,923	14,689,000	19,975,000	19,975,000	23,419,000	17,411,000	15,989,000	15,989,000	18,084,000	36,729,000	36,729,000	35,964,000	35,964,000	-79,000
Oil Severance Tax	32,639,014	32,582,566	23,382,000	22,526,000	22,836,000	22,526,000	14,463,000	13,468,000	13,468,000	14,268,000	46,496,000	36,572,000	36,349,000	36,349,000	-2,321,000
Interest on Investments	23,527,514	27,555,889	22,656,000	16,001,000	15,981,000	22,961,000	10,208,000	10,208,000	10,208,000	10,208,000	45,617,000	46,417,000	46,209,000	46,209,000	0,000,000
Long-Range Bond Excess	41,625,243	27,555,889	38,733,000	59,079,000	35,454,000	96,538,000	35,569,000	35,569,000	35,215,000	35,181,000	79,071,000	71,630,000	70,575,000	70,575,000	-9,720,000
Local Fund Interest Income	13,794,636	24,629,902	28,128,000	29,074,000	29,443,000	32,570,000	36,104,000	34,489,000	34,489,000	34,489,000	60,417,000	65,178,000	66,309,000	66,309,000	0,000,000
Insurance Premiums Tax	13,621,332	15,831,335	13,079,000	15,943,000	16,843,000	16,520,000	17,370,000	18,029,000	18,029,000	18,029,000	39,313,000	39,313,000	37,944,000	37,944,000	-1,369,000
Public Institutions Retain.	9,117,921	12,393,427	14,488,000	13,284,000	13,676,000	15,283,000	13,638,000	14,288,000	14,288,000	14,288,000	29,711,000	26,916,000	27,944,000	27,944,000	1,028,000
Liquor Excise Tax	5,788,000	4,464,000	5,319,000	4,187,000	4,119,000	5,174,000	4,300,000	4,300,000	4,300,000	4,300,000	8,004,000	8,004,000	8,004,000	8,004,000	0,000,000
Labor Excise Tax	6,415,764	5,935,058	6,478,000	5,968,000	5,818,000	6,613,000	5,764,000	5,764,000	5,728,000	5,678,000	13,029,000	11,632,000	11,494,000	11,494,000	-1,138,000
Interracial Tax	5,394,411	7,664,322	6,656,000	7,639,000	7,813,000	7,072,000	7,569,000	7,569,000	7,372,000	7,366,000	13,728,000	15,932,000	15,932,000	15,932,000	0,000,000
Hotel Taxes Tax	2,639,135	1,977,932	1,853,000	0,974,000	0,974,000	0,974,000	1,170,000	1,170,000	1,033,000	1,033,000	0,763,000	0,763,000	0,763,000	0,763,000	0,000,000
Excise Tax on Energy Tax	2,411,112	2,351,835	2,351,835	2,526,000	2,530,000	2,504,000	2,547,000	2,653,000	2,653,000	2,547,000	4,878,000	5,070,000	5,133,000	5,133,000	0,000,000
Driver's License Tax	9,797,616	0,306,785	0,891,000	0,760,000	0,800,000	0,870,000	0,759,000	0,800,000	0,800,000	0,790,000	1,721,000	1,721,000	1,800,000	1,800,000	0,000,000
Telephone License Tax	2,521,705	2,731,322	3,159,000	3,196,000	3,219,000	3,241,000	3,241,000	3,241,000	3,241,000	3,241,000	6,807,000	6,438,000	6,392,000	6,392,000	0,046,000
Beer License Tax	1,624,236	1,156,186	1,568,000	1,310,000	1,284,000	1,360,000	1,298,000	1,298,000	1,227,000	1,227,000	2,748,000	2,548,000	2,548,000	2,548,000	0,000,000
Resort Use Tax	2,777,936	2,745,172	0,179,000	2,827,000	2,503,000	3,358,000	2,633,000	2,633,000	2,332,000	2,332,000	6,532,000	5,269,000	5,269,000	5,269,000	0,000,000
State Income Tax	1,339,111	1,317,419	1,442,000	1,172,000	1,179,000	1,313,000	1,249,000	1,249,000	1,448,000	1,448,000	2,713,000	2,643,000	2,643,000	2,643,000	0,000,000
Wager Tax	0,707,905	0,752,478	0,752,478	0,744,000	0,752,478	0,949,000	0,748,000	0,748,000	0,748,000	0,748,000	1,668,000	1,668,000	1,668,000	1,668,000	0,000,000
Other Revenue Surplus	12,590,000	13,558,632	13,779,000	17,643,000	17,804,000	22,055,000	16,636,000	15,636,000	19,106,000	19,106,000	44,437,000	36,204,000	36,204,000	36,204,000	9,023,000
GRAND TOTAL	330,305,713	364,521,837	377,477,660	349,468,000	346,921,000	376,633,000	339,863,000	340,697,000	336,352,000	336,352,000	774,130,000	639,333,000	637,320,000	635,722,000	-3,517,000

FEDERATION PROGRAM REVENUE ESTIMATE COMPARISON

Source of Revenue	ACTUAL FY 1984	ACTUAL FY 1985	POST-SESSION FY 1988	REAR FY 1986	LFA FY 1986	HOUSE TAX FY 1986	POST-SESSION FY 1987	REAR FY 1987	LFA FY 1987	HOUSE TAX FY 1987	POST-SESSION FY 86-87	REAR FY 86-87	LFA FY 86-87	HOUSE TAX FY 84-87	HI-REAR FY 86-87
Individual Income Tax	42,556,337	45,454,426	46,930,000	43,043,000	43,000,000	43,000,000	32,376,000	46,206,000	45,378,000	45,378,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000
Corporate License Tax	8,066,286	12,387,333	11,428,000	14,151,000	13,332,000	12,019,000	10,277,000	10,890,000	10,890,000	10,389,000	101,310,000	89,710,000	59,468,000	88,408,000	-1,302,000
Coal Severance Tax	4,141,112	4,587,943	4,125,000	4,297,000	4,207,000	4,924,000	3,362,000	3,362,000	3,685,000	3,685,000	24,321,000	23,772,000	23,772,000	24,219,000	0,000,000
Oil Severance Tax	20,782,514	22,720,211	22,312,000	22,479,000	22,490,000	29,869,000	19,962,000	19,962,000	17,735,000	17,735,000	105,172,000	97,411,000	91,596,000	97,211,000	-6,205,000
Interest on Investments	14,948,330	14,517,534	12,307,000	12,494,000	12,749,000	12,684,000	11,175,000	13,070,000	13,070,000	12,175,000	23,650,000	23,650,000	23,245,000	23,245,000	0,000,000
Long-Range Bond Excess	5,321,705	5,321,705	5,321,705	5,321,705	5,321,705	7,552,000	7,552,000	7,552,000	7,552,000	7,552,000	14,249,000	14,844,000	14,844,000	14,844,000	0,000,000
Local Fund Interest Income	2,142,111	2,142,111	0,750,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000
Insurance Premiums Tax	1,624,236	1,156,186	1,568,000	1,310,000	1,284,000	1,360,000	1,298,000	1,298,000	1,227,000	1,227,000	2,748,000	2,548,000	2,548,000	2,548,000	0,000,000
Beer License Tax	1,624,236	1,156,186	1,568,000	1,310,000	1,284,000	1,360,000	1,298,000	1,298,000	1,227,000	1,227,000	2,748,000	2,548,000	2,548,000	2,548,000	0,000,000
Resort Use Tax	2,777,936	2,745,172	0,179,000	2,827,000	2,503,000	3,358,000	2,633,000	2,633,000	2,332,000	2,332,000	6,532,000	5,269,000	5,269,000	5,269,000	0,000,000
State Income Tax	1,339,111	1,317,419	1,442,000	1,172,000	1,179,000	1,313,000	1,249,000	1,249,000	1,448,000	1,448,000	2,713,000	2,643,000	2,643,000	2,643,000	0,000,000
Wager Tax	0,707,905	0,752,478	0,752,478	0,744,000	0,752,478	0,949,000	0,748,000	0,748,000	0,748,000	0,748,000	1,668,000	1,668,000	1,668,000	1,668,000	0,000,000
Other Revenue Surplus	12,590,000	13,558,632	13,779,000	17,643,000	17,804,000	22,055,000	16,636,000	15,636,000	19,106,000	19,106,000	44,437,000	36,204,000	36,204,000	36,204,000	9,023,000
GRAND TOTAL	133,338,415	137,562,565	151,313,000	139,073,000	139,155,000	138,917,000	127,878,000	117,093,000	118,130,000	117,073,000	281,191,000	236,160,000	232,923,000	233,993,000	-9,170,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000	106,656,000	106,656,000	106,656,000	110,282,000	104,880,000	102,731,000	102,731,000	102,731,000	104,569,000	104,399,000	104,399,000	104,399,000	0,000,000
Charitable Contribution	107,114,900	106,656,000													

OFFICE OF BUDGET & PROGRAM PLANNING
GENERAL FUND REVENUE ESTIMATE COMPARISON

Source of Revenue	ACTUAL FY 1984	ACTUAL FY 1985	LEGISLATURE FY 1986	REAR FY 1986	LFA FY 1986	TOBE FY 1986	LEGISLATURE FY 1987	REAR FY 1987	LFA FY 1987	TOBE FY 1987	LEGISLATURE FY 86-87	REAR FY 86-87	LFA FY 86-87	TOBE FY 86-87
Individual Income Tax	109,021,660	113,816,580	123,286,000	111,393,000	110,137,000	-110,157,000	134,066,000	118,272,000	116,168,000	-118,272,000	134,066,000	118,272,000	116,168,000	-118,272,000
Corporate License Tax	20,541,117	36,657,611	27,737,000	36,227,000	33,470,000	-34,500,000	32,304,000	28,101,000	27,666,000	-34,500,000	32,304,000	28,101,000	27,666,000	-34,500,000
Coal Severance Tax	15,736,900	24,652,900	24,652,900	23,802,000	19,975,000	19,975,000	23,415,000	14,728,000	17,411,000	19,975,000	23,415,000	14,728,000	17,411,000	19,975,000
Oil Severance Tax	32,680,414	32,562,600	23,802,000	22,600,000	22,946,000	22,946,000	22,524,000	14,046,000	13,468,000	22,946,000	22,524,000	14,046,000	13,468,000	22,946,000
Interest on Investments	23,527,815	25,527,889	22,650,000	18,001,000	15,991,000	16,002,000	16,100,000	10,208,000	14,468,000	16,002,000	16,100,000	10,208,000	14,468,000	16,002,000
Long-Range Bond Interest	41,682,643	37,335,668	38,533,000	36,010,000	35,460,000	35,460,000	35,600,000	35,560,000	35,213,000	35,460,000	35,600,000	35,213,000	35,460,000	35,460,000
Coal Trust Interest Income	18,947,635	24,279,902	25,029,000	29,074,000	29,445,000	29,445,000	29,900,000	34,104,000	34,497,000	29,445,000	29,900,000	34,104,000	34,497,000	29,445,000
Insurance Premiums Tax	13,621,332	15,691,565	15,029,000	15,943,000	16,945,000	16,945,000	16,500,000	17,370,000	18,029,000	16,945,000	16,500,000	17,370,000	18,029,000	16,945,000
Public Institutions Reimb.	9,179,921	12,895,427	14,988,000	13,284,000	13,616,000	13,616,000	13,284,000	13,632,000	14,268,000	13,616,000	13,284,000	13,632,000	14,268,000	13,616,000
Liquor Profits	5,782,000	4,466,600	5,319,000	4,187,000	4,119,000	4,119,000	4,119,000	3,817,000	3,631,000	4,119,000	4,119,000	3,817,000	3,631,000	4,119,000
Liquor Excise Tax	6,415,784	5,935,558	6,479,000	5,966,000	5,818,000	5,818,000	5,818,000	5,726,000	5,618,000	5,818,000	5,818,000	5,726,000	5,618,000	5,818,000
Intelligence Tax	5,960,471	7,636,822	6,479,000	7,639,000	7,813,000	7,813,000	7,813,000	7,836,000	7,972,000	7,813,000	7,813,000	7,972,000	7,813,000	7,813,000
Metal Mines Tax	2,630,335	1,973,824	1,850,000	0,949,000	0,949,000	0,949,000	0,949,000	0,697,000	1,053,000	0,949,000	0,949,000	0,697,000	1,053,000	0,949,000
Electrical Energy Tax	2,431,172	2,381,855	0,851,000	0,769,000	0,530,000	0,530,000	0,530,000	0,547,000	0,600,000	0,530,000	0,530,000	0,547,000	0,600,000	0,530,000
Drivers' License Tax	0,799,616	0,809,983	0,851,000	0,769,000	0,800,000	0,800,000	0,800,000	0,790,000	0,800,000	0,800,000	0,800,000	0,790,000	0,800,000	0,800,000
Telephone License Tax	2,521,925	2,931,322	3,265,000	3,166,000	3,217,000	3,217,000	3,217,000	3,419,000	3,318,000	3,217,000	3,217,000	3,419,000	3,318,000	3,217,000
Beer License Tax	1,204,226	1,156,186	1,388,000	1,310,000	1,284,000	1,284,000	1,284,000	1,238,000	1,221,000	1,284,000	1,284,000	1,238,000	1,221,000	1,284,000
Natural Gas Severance Tax	2,797,976	2,943,178	3,114,000	2,627,000	2,503,000	2,503,000	2,503,000	2,633,000	2,382,000	2,503,000	2,503,000	2,633,000	2,382,000	2,503,000
Freight Line Tax	1,334,111	1,379,418	1,492,000	1,195,000	1,195,000	1,195,000	1,195,000	1,249,000	1,448,000	1,195,000	1,195,000	1,249,000	1,448,000	1,195,000
Wine Tax	0,904,905	0,928,000	0,928,000	0,949,000	0,929,000	0,929,000	0,949,000	0,984,000	0,994,000	0,929,000	0,929,000	0,984,000	0,994,000	0,929,000
Other Revenue Sources	12,590,802	13,558,552	21,779,000	17,648,000	17,804,000	17,804,000	22,658,000	18,636,000	19,106,000	22,658,000	22,658,000	18,636,000	19,106,000	22,658,000
GRAND TOTAL	330,305,989	364,521,837	377,497,000	349,468,000	346,921,000	0,000,000	376,683,000	339,865,000	340,899,000	340,899,000	340,899,000	339,865,000	340,899,000	340,899,000

FOUNDATION PROGRAM REVENUE ESTIMATE COMPARISON

Fund Balance	42,586,587	45,264,290	0,000,000	25,436,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000
Individual Income Tax	8,026,240	14,319,379	48,940,000	43,510,000	43,930,000	43,930,000	52,370,000	46,200,000	45,370,000	46,200,000	46,200,000	45,370,000	46,200,000	45,370,000
Corporate License Tax	4,141,172	4,587,443	11,702,000	14,151,000	13,082,000	13,082,000	12,619,000	10,977,000	10,690,000	10,977,000	10,690,000	10,977,000	10,690,000	10,977,000
Coal Severance Tax	36,992,835	62,070,661	5,193,000	32,249,000	4,207,000	4,207,000	3,982,000	3,522,000	3,665,000	3,982,000	3,982,000	3,522,000	3,665,000	3,982,000
Interest & Income	14,948,536	14,817,634	12,607,000	12,490,000	53,643,000	53,643,000	36,762,000	31,755,000	30,732,000	31,755,000	31,755,000	30,732,000	31,755,000	30,732,000
US Mineral Regalities	5,107,518	5,837,139	6,809,000	6,888,000	7,168,000	7,168,000	7,466,000	11,175,000	13,191,000	7,168,000	7,168,000	11,175,000	13,191,000	7,168,000
Education Trust Interest	2,145,511	0,750,000	0,750,000	0,000,000	0,750,000	0,750,000	0,750,000	8,250,000	7,437,000	0,750,000	0,750,000	8,250,000	7,437,000	0,750,000
Other	113,938,479	147,625,446	151,313,000	139,073,000	134,785,000	134,785,000	129,878,000	117,093,000	118,138,000	129,878,000	129,878,000	117,093,000	118,138,000	129,878,000
TOTAL	113,938,479	147,625,446	151,313,000	139,073,000	134,785,000	0,000,000	129,878,000	117,093,000	118,138,000	129,878,000	129,878,000	117,093,000	118,138,000	129,878,000

Districts Permissive Levy	19,113,000	18,730,000	203,524,000	270,503,000	265,726,000	265,726,000	245,947,000	245,797,000	245,797,000	245,797,000	245,797,000	245,797,000	245,797,000	245,797,000
GRAND TOTAL	203,226,000	281,977,000												
REFRANK COSTS	2,298,000	-11,494,000	-16,234,000											
General Fund Need														

Amend Senate Bill 20, introduced copy

1. Title, line 5.

Following: "AS"

Strike: "CLASS THREE OR"

2. Title, line 6.

Following: "FOUR;"

Insert: "TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR
NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE;
TO ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL
PROPERTY CONTAINING UNDER 20 ACRES THAT IS RENDERED
NONPRODUCTIVE BY LAND USE LAWS;"

3. Title, line 7.

Following: "AMENDING"

Strike: "SECTIONS 15-6-134 AND 15-7-202"

Insert: "SECTION 15-8-111"

4. Page 1, line 12 through line 4, page 8.

Following: the enactment clause

Strike: sections 1 and 2 in their entirety

Insert: "NEW SECTION. Section 1. Class eighteen property
-- description -- taxable percentage. (1) Class eighteen
property includes parcels of nonproductive real property
containing 20 or more contiguous acres under one ownership
that do not qualify as agricultural land, timberland, or
commercial or industrial property.

(2) Improvements to class eighteen property are
taxed as class four property.

(3) Class eighteen property is taxed at 2% of its
market value.

NEW SECTION. Section 2. Class nineteen property --
description -- taxable percentage. (1) Class nineteen
property includes parcels of nonproductive real property
containing less than 20 acres that are precluded from
being developed for residential, commercial, or industrial
purposes because of subdivision or zoning laws,
regulations, or ordinances.

(2) Improvements to class nineteen property are taxed
as class four property.

(3) Class nineteen property is taxed at 2% of its
market value.

NEW SECTION. Section 3. Application for
classification as class nineteen property. A person
applying for classification of property as class nineteen
property shall make an affidavit to the department of
revenue, on a form provided by the department without
cost, stating:

(1) that the property is precluded from being
developed for residential, commercial, or industrial
purposes because of subdivision or zoning laws,
regulations, or ordinances;

(2) what law, regulation, or ordinance precludes such use;

(3) what determinations, if any, by a governmental entity have been made to substantiate the application for classification as class nineteen property; and

(4) such other information as is relevant to the application or as may be required by the department.

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

SENATE TAXATION

EXHIBIT NO. 15

DATE 06-24-86

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property.

(Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 5. Codification instruction.

Sections 1 through 3 are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to sections 1 through 3.

Renumber: subsequent sections

SENATE TAXATION

EXHIBIT NO. 15

DATE 06-24-86

BY S.B.20

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Tom Bannock	Energy Serv. Company	SB-14		X
Fred Blank				
Mike Reed	TRANSYSTEMS INC	SB14		X
Bill Gutter	Gutter Trucking Inc.	SB14		X
J.E. Williams	J.E. Williams Trucking inc	SB14		X
Jim Bando	Sammons Trucking	SB14		X
Ben Hovdehl	Mont Motor Carriers Assn	SB14		X
Edward E. Beach	Missoula County Truckers	SB14		X
Jack E. TRAXNER	Missoula County Truckers	SB14		X
Bill Olson	Montana Contractors Assn	SB14	X	
R. Nadrean Jensen	AFSCME	SB17	X	
Bill Selburg	Dept. of Highways	SB14	X	
Norm Rosteki	OBPP			
Jo Brunner	Co Range			
Morris Melch	Dept of Parks	S. B14		
Barcl Mosher	Mt. Cattlemen	SB14		X
Ted Rollins	ASARCO, INC	SB14	—	—
Lorna Frank	Mont. Farm Bureau	SB14		X
GEORGE OCHENSKI	MT. ENV. INF. CNTR	SB17	X	
Tina Cahoon	Miss. Co. Truckers	SB14		X
Julie Hacker	" " "	SB14		X
Wes Marshall	Mt. Automobile Electric Assoc. Mt. Heavy Vans Education	SB14		X
Fanny Libman	mt. Auto Assn	SB14		
Ann Mason	" " "	SB14		X
Mary Ferguson	NA Sturgeon	SB14		X
Mike Macdon	WETA	SB14		X

NAME: JACK E. TRAXLER DATE: 6/24/86

ADDRESS: 4403 CHARLIE AV. MISSOURI

PHONE: 1-406-251-2963

REPRESENTING WHOM? Missoula County Freeholders

APPEARING ON WHICH PROPOSAL: Tax & Bond Hearing 5B-14

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: Reaction in general - causes and effects

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

STANDING COMMITTEE REPORT

Page] of 4

June 24 19 86

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 14

first reading copy (white)
color

INCREASE GAS AND DIESEL TAX AND REBLOCATE VARIOUS FUNDS FROM THE HIGHWAY DEPARTMENT

(NEWMAN)

Respectfully report as follows: That Senate Bill No. 14
Be amended as follows:

1. Title, lines 7 and 8.
Following: "CENTS" on line 7
Strike: "AND TO INCREASE THE TAX ON DIESEL FUEL AND VOLATILE LIQUIDS BY 3 CENTS"
Following: ";"
Insert: "TO LIMIT THE AMOUNT CREDITED TO THE STATE PARK ACCOUNT, THE SNOWMOBILE ACCOUNT, AND THE AEROSAUTICS ACCOUNT; TO INCREASE THE DEDUCTION FOR GASOLINE EVAPORATION;"
2. Title, line 14.
Following: "15-70-204,"
Strike: "15-70-321"
Insert: "15-70-205"
3. Title, line 15.
Following: "44-1-501,"
Insert: "60-3-201,"
4. Title, line 16.
Following: "DATES"
Insert: "AND AN APPLICABILITY DATE"
5. Page 2, line 12 through line 4, page 3.
Following: line 11
Strike: section 2 in its entirety
Re-number: subsequent sections

~~XXXXX~~

~~XXXXXXXXXX~~

(continued)

Chairman.

June 24

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6. Page 9.

Following: line 20

Insert: "Section 7. Section 60-3-201, MCA, is amended to read:

"60-3-201. Distribution and use of proceeds of gasoline dealers' license tax. (1) All money received in payment of license taxes under the Distributor's Gasoline License Tax Act, except those amounts paid out of the department of revenue's suspense account for gasoline tax refund, shall be used and expended as provided in this section. So much of that money on hand at any time as may be needed to pay highway bonds and interest thereon when due and to accumulate and maintain a reserve therefor, as provided in laws and in resolutions of the state board of examiners authorizing such bonds, shall be deposited in the highway bond account in the debt service fund established by 17-2-102. Subject to that provision, 9/10 of 10 of all the money raised by 15 cents of the gasoline dealers' license tax shall be deposited in the state park account, 1/2 of 10 of all the money raised by 15 cents of the gasoline dealers' license tax shall be deposited in a snowmobile account in the state special revenue fund, and 1/25 of 10 of all the money raised by 15 cents of the gasoline dealers' license tax shall be deposited in the aeronautics revenue fund of the department of commerce under the provisions of 67-1-301. The remainder of the money shall be used by the department of highways on the federal-aid highways in this state selected and designated under Title 23, U.S.C., and on highways leading from each county seat in the state to the federal highway system of federal-aid roads where the county seat is not on the system and on the other roads which have been or may be authorized by the laws of Montana and for collection of the license taxes and the enforcement of the Montana highway code under Article VIII, section 6, of the constitution of this state.

(2) The department shall, in expending this money, carry forward construction from year to year, using the money expended through the matching up of federal-aid allotments to Montana upon the federal highway system in the various parts of the state in accordance with 60-3-204 through 60-3-206. Nothing in this title conflicts with Title 23, U.S.C., and the rules by which it is administered.

(3) The department may enter into cooperative agreements with the national park service and the federal highway administration for the purpose of maintaining national park approach roads in Montana.

(continued)

(4) Money credited to the state park account in the state special revenue fund shall be used only for the creation, improvement, and maintenance of state parks where motorboating is allowed, except for the payment of refunds under 15-70-221 through 15-70-226. The legislature finds that of all the fuel sold in the state for consumption in internal combustion engines, not less than 9/10 of it is used for propelling boats on waterways of this state.

(5) Money credited to the snowmobile account may be used only to develop and maintain facilities open to the general public at no admission cost and to promote snowmobile safety. For the 2 years following July 1, 1977, 15% of the amount deposited in the snowmobile account each year shall be used to promote snowmobile safety. Thereafter, 10% of the amount deposited in the snowmobile account shall be used to promote snowmobile safety. The legislature finds that of all fuels sold in this state for consumption in internal combustion engines, not less than 1/2 of it is used for propelling snowmobiles on public lands of this state.

(6) Money credited to the aeronautics account of the department of commerce shall be used only to develop, improve, and maintain facilities open to the public at no admission cost and to promote aviation safety. The legislature finds that of all the fuel sold in this state for consumption in internal combustion engines, not less than 1/25 of it is used for propelling aircraft in this state."

Section 9. Section 15-70-205, MCA, is amended to read:

"15-70-205. Distributor's statement and payment. (1) Each distributor shall, not later than the 25th day of each calendar month, render a true statement, duly signed, to the department of revenue of all gasoline distributed and received by him in this state during the preceding calendar month and containing such other information as the department may reasonably require in order to administer the gasoline license tax law. The statement shall be accompanied by a payment in an amount equal to the tax imposed by 15-70-204 less any refund credit issued under 15-70-226 and less 2% of the first-6-cents tax imposed by 15-70-204 which shall be deducted by the distributor as an allowance for evaporation and other loss of gasoline distributed by such distributor; provided, however, that no such allowance shall be deducted from the 1 cent tax on aviation gasoline.

(2) Any distributor engaged in or carrying on his business at more than one place or location in this state may include all such places of business in one statement."

Renumber: subsequent sections

June 24

1986

7. Page 9, line 23.
Following: "dates"
Insert: "-- applicability date"

8. Page 9, line 24.
Following: "and"
Strike: "2"
Insert: "8"

9. Page 9, line 25.
Following: "Sections"
Strike: "3 through 9"
Insert: "2 through 7, 9, and 10"

10. Page 9.
Following: line 25
Insert: "(3) Changes in the allocation of coal severance
taxes made under sections 3 and 6 apply to coal mined
after March 31, 1986."

SB14am.txt

**AND AS AMENDED
DO PASS**

TOWE, Chairman

STANDING COMMITTEE REPORT

Page 1 of 4

June 24,

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MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill

No. 20

first reading copy (white)
color

**REVISE CRITERIA FOR CLASSIFICATION OF CERTAIN PROPERTY AS CLASS 3
OR CLASS 4**

(MC CALLUM)

Respectfully report as follows: That Senate Bill

No. 20

Be amended as follows:

1. Title, line 5.

Following: "AS"

Strike: "CLASS THREE OR"

2. Title, line 6.

Following: "FOUR;"

Insert: "TO ESTABLISH A NEW CLASS EIGHTEEN PROPERTY FOR
NONPRODUCTIVE REAL PROPERTY CONTAINING 20 ACRES OR MORE;
TO ESTABLISH A NEW CLASS NINETEEN PROPERTY FOR REAL
PROPERTY CONTAINING LESS THAN 20 ACRES AND THAT IS
RENDERED NONPRODUCTIVE BY LAND USE LAWS;"

3. Title, line 7.

Following: "AMENDING"

Strike: "SECTIONS 15-6-134 AND 15-7-202"

Insert: "SECTION 15-8-111"

4. Page 1, line 12 through line 4, page 2.

Following: the enactment clause

Strike: sections 1 and 2 in their entirety

Insert: "NEW SECTION. Section 1. Class eighteen property
-- description -- taxable percentage. (1) Class eighteen
property includes parcels of nonproductive real property
containing 20 or more contiguous acres under one ownership
that do not qualify as agricultural land, timberland, or
commercial or industrial property.

(2) Improvements to class eighteen property are
taxed as class four property.

(3) Class eighteen property is taxed at 2% of its
market value.

~~XXXXXX~~

~~XXXXXXXX~~

(continued)

Chairman.

June 24, 1986

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NEW SECTION. Section 2. Class nineteen property -- description -- taxable percentage. (1) Class nineteen property includes parcels of nonproductive real property containing less than 20 acres that are precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or that are precluded from being so developed for other reasons.

(2) Improvements to class nineteen property are taxed as class four property.

(3) Class nineteen property is taxed at 7% of its market value.

NEW SECTION. Section 3. Application for classification as class nineteen property. A person applying for classification of property as class nineteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) that the property is precluded from being developed for residential, commercial, or industrial purposes because of subdivision or zoning laws, regulations, or ordinances or for other reasons;

(2) what law, regulation, or ordinance or other reason precludes such use;

(3) what determinations, if any, by a governmental entity have been made to substantiate the application for classification as class nineteen property; and

(4) such other information as is relevant to the application or as may be required by the department.

Section 4. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(continued)

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, and 15-6-145 through 15-6-147, and [sections 1 and 2], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ nineteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, and 15-6-145 through 15-6-147, and [sections 1 and 2].

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. (Subsections (3)(a) and (3)(b) applicable to tax years beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 5. Codification instruction. Sections 1 through 3 are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to sections 1 through 3. Renumber: subsequent sections

5. Page 8, line 8.

Following: "1985"

Insert: ", or 15 days after receipt by the taxpayer of a revised notice of classification and appraisal"

END AS AMENDED
O PASS

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TOWE, Chairman