MINUTES OF THE MEETING
TAXATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 16, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on February 16, 1987, at 8 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL NO. 565: Rep. Paul Pistoria, House District #36, sponsor of HB 565, told the Committee the bill is identical to HB 851 which was killed last session. He said the bill would tax private school buses and provided Exhibit #1 in support of the bill. Rep. Pistoria said counties will lose $256,000 in revenue, according to the fiscal note, and added that he personally observed private use of three buses, licensed as school buses, in the Great Falls area.

PROPONENTS OF HOUSE BILL NO. 565: Gene Phillips, Flathead 4-H Foundation, said he was originally opposed to the bill, but would support it with the changes made.

Gordon Morris, Montana Association of Counties, stated his support of the bill.

OPPONENTS OF HOUSE BILL NO. 565: HB 565 was originally scheduled for hearing on February 10, 1987. Because the sponsor had a conflict that date, and because opponents would not be able to return for a rescheduled hearing, their testimony was heard on February 10, 1987.

QUESTIONS ON HOUSE BILL NO. 565: Rep. Raney asked how exemptions were determined now. Greg Groepper, DOR replied that DOR takes the work of the bus companies and depends upon the public for policing bus use. He stated that DOR has reversed a few exemptions, adding that the situation is fairly difficult to monitor.

Rep. Asay asked how great the number of violations is. Greg Groepper replied his office receives 6-7 calls per year.

CLOSING ON HOUSE BILL NO. 565: Rep. Pistoria asked the Committee to give the bill favorable consideration, and closed without further comment.

CONSIDERATION OF HOUSE BILL NO. 512: Rep. Bob Ream, House District #54, sponsor of HB 512, provided amendments (Exhibits #2 and #3), and told the Committee taxation of aircraft

is not a new issue. He said he believes it is time to lower the tax on aircraft and substitute a fee in lieu of taxes. Rep. Ream also provided a county-wide comparison of taxes on aircraft (Exhibit #4).

Rep. Ream commented that the fiscal note shows 3,320 registered aircraft in the state, but only 1,825 of those are registered by Montanans. He said revenue would be returned to the state if legislation were passed to entice aircraft owners to register such craft in Montana.

PROPONENTS OF HOUSE BILL NO. 512: Steve Brown, Montana Pilots Association and Montana Aviation Trades Association, stated his support of the bill.

Ted Mathis, Gallatin Field airport manager, and Chairman, Montana Aeronautics Board, read from a prepared statement in support of the bill (Exhibit #5), and provided a statement from Bruce-Andersen Co. (Exhibit #6).

Mike Riggerstaff, Montana Aviation Trades Association, read from a prepared statement in support of the bill (Exhibit #7).

Bill Bartlette, Corporate Air, Billings, also read from a prepared statement (Exhibit #8).

John Crowley, Washington Construction, read from a prepared statement in support of the bill (Exhibit #9). He said his company presently owns two jets, and paid $17,000 in taxes on a 19 year old plane and $12,000 on a 14 year old plane. Mr. Crowley said Idaho taxes each aircraft at a flat fee of $100, and that his company pays $1.5 million in taxes in Montana. He stated such an amount is unreasonable and that Washington Construction is considering moving its planes to a base in Idaho. He urged the Committee to give the bill favorable consideration.

Jim Pickens, Salt Lake City and native Montanan, told the Committee he sells turbo-prop aircraft. He explained that a new King aircraft purchased in Montana would be taxed at $89,000, or $220 per hour in personal property taxes.

Gordon Berry, Kalispell retail merchant said he was recently forced to sell his plane because he could not afford to pay the Montana tax.

Ray Thompson, Semi-Tool, Kalispell, advised the Committee his business has brought $70 million into the state, with 35% of business coming from Europe and 30% from the San Francisco area. He explained he is forming a new business, Semi-Therm, which will be 8-10 times larger than Semi-Tool, and is looking at headquartering the business in Idaho, because of the tax situation in Montana.

Steven Baldwin, Aerotronics, Billings, said he sells and services aircraft radio systems in the state, and that in the past two years he has experienced a 40% reduction in gross revenue sales. Mr. Baldwin stated he was forced to close his Great Falls office and to reduce his staff by two persons in Missoula. He said aviation is a large industry in Montana and that those aircraft owners who do not register in Montana put the burden on others in the state who do. Mr. Baldwin provided copies of pamphlets for committee review (Exhibit #8).

Bill Rodgers, Lewistown, Chairman of the helicopter division of the Montana Aviation Trades Association, said he paid $219,000 for a new helicopter 8 years ago, and was taxed $7,900 in 1986. He said the tax in Oregon for the same aircraft is $90, giving Oregon operators a contract advantage for government work.

Willie Grimby, Lewistown, told the Committee he has operated his own flying services for 27 years. He said the Montana tax makes operating costs higher and puts Montana operators at a disadvantage in competing with out of state operators. Mr. Grimby stressed that fees for older aircraft and ultra-light aircraft need to be addressed in the bill.

Fred Lark, Montana Aeronautics Division board member, and representative of the Montana Pilots Association, told the Committee he is in the broadcasting business and travels the U.S. He said general aviation is a tool for use of capital and recommended that the Committee pass the bill in an effort to create a pro-business environment.

Bob Dorn, Co-pilot, United Industry, Billings, advised that 1986 taxes represented 30% of operating costs, or $152 per hour, at $40,000 annual tax, to his business. He explained that in a recent survey, it was found that 6 of 9 aircraft in the state are not registered in Montana. He urged the Committee to support the bill.

Robert L. Johnston, Lewistown attorney, told the Committee 11 of his clients are appealing aircraft taxes right now. He said DOR selects only parts of aircraft blue books for appraisal, and suggested that a fee system would eliminate the possibility of litigation. He, too, urged the Committee to pass the bill.

Guy Wilson, Lewistown farmer, said he is seeking equity in taxation, and compared taxes on aircraft to those on farm equipment that he has been able to depreciate out, while taxes on the aircraft have increased.

Mike Ferguson, Administrator, Aeronautics Division, Department of Commerce, said it is impossible right now to make certain that every aircraft in Montana is registered.

OPPONENTS OF HOUSE BILL NO. 512: Dave Hartman, Executive Secretary, Montana Education Association, said passage of HB 512 would result in a reduction of $1.5 million in educational funding.

QUESTIONS ON HOUSE BILL NO. 512: Rep. Gilbert stated that if registration of aircraft in Montana were properly enforced, there would be no financial threat to funding of education. Mr. Ferguson replied that 40-50% of aircraft in the state are not registered in Montana, which is quite an offset.

Rep. Hoffman asked what percent of ad valorem tax a fee would be. Rep. Ream replied it would be about one-third of the present tax.

Rep. Patterson asked if the fee would be based upon electrical equipment in the plane as well. Rep. Ream replied it would not, and said such equipment is not taken into consideration under present assessment procedures.

Chairman Ramirez asked Rep. Ream if he would be willing to make the bill effective, assuming a loss of revenue and either the passage of or a ballot on the sales tax. Rep. Ream replied he would be inclined to go with a fee system bill right now, even if the sales tax is imposed. He commented that the fee system could be adjusted downward later on, if necessary.

CLOSING ON HOUSE BILL NO. 512: Rep. Ream advised the Committee that aircraft are quite different from other Class 8 property, and said he believes the Aeronautics Division has the best handle on aircraft in Montana as well as seasonal operators. He stated that last year, more than 40 tax appeals were filed on aircraft in Montana, and that only 7 of 44 non-commercial aircraft parked at the Billings airport were registered in the state.

CONSIDERATION OF HOUSE BILL NO. 634: Rep. Orval Ellison, House District #81, sponsor of HB 634, said the bill addresses special mobile (SM) plates, which are not subject to the fee system. He explained the plates signify that personal property taxes on a piece of equipment have been paid, and are designed most specifically for road construction equipment.

PROPONENTS OF HOUSE BILL NO. 634; There were no proponents of the bill.

OPPONENTS OF HOUSE BILL NO. 634: There were no opponents of the bill.

QUESTIONS ON HOUSE BILL NO. 634: There were no questions on HB 634.

CLOSING ON HOUSE BILL NO. 634: Rep. Ellison closed without comment.

DISPOSITION OF HOUSE BILL NO. 634: Chairman Ramirez made a motion that HB 634 DO PASS. The motion CARRIED unanimously.

CONSIDERATION OF HOUSE BILL NO. 527: Rep. Dan Harrington, House District #68, sponsor of HB 527, said the bill would put a 20% surtax on income for corporate and individual income tax payers, with a portion of that revenue distributed to counties on a population basis. Rep. Harrington said he hoped the bill would go into the Income Tax Subcommittee until the Committee is ready to make some decisions in this area.

PROPONENTS OF HOUSE BILL NO. 527: Gordon Morris, Montana Association of Counties, said he supported this approach to property tax relief.

Terry Minnow, Montana Federation of Teachers and Federation of State Employees, stated her support of the bill as an effort to raise revenue for services in the state.

Alec Hansen, Montana League of Cities and Towns, stated his support of the bill.

Al Samson, Missoula City Council, stated his support of the bill, and said it is needed to replace revenue taken from local governments in the past.

Terry Carmody, Montana Farmers Union, read from a prepared statement in support of the bill (Exhibit #10).

OPPONENTS OF HOUSE BILL NO. 527: There were no opponents of the bill.

QUESTIONS ON HOUSE BILL NO. 527: Rep. Raney asked why the Department of Commerce would administer distribution of the funds. Rep. Harrington replied that DOC is involved in many community functions now.

Rep. Raney asked how money would be distributed to counties and school districts. Rep. Harrington replied distribution would be based upon population, similar to what it is now.

Rep. Gilbert asked if there would be no reduction in government. Rep. Harrington replied it would be up to the counties to decide that factor.

Rep. Gilbert asked if the bill were not merely a tax shift, as the income taxpayer would be making up for I-105. Rep. Harrington replied it would mean a shift, no matter how the situation is resolved, if services are going to be maintained.

Rep. Ellison asked if the bill would not create inequity among taxing jurisdictions. Rep. Harrington replied that any system has its problems, but larger populations require more services. He said the property tax base is deteriorating badly in some areas now.

Rep. Ellison asked if sparsely populated areas would cost more than densely populated areas. Rep. Harrington replied the effect would be just the opposite.

Rep. Williams said the fiscal note states that $20 million will go to the foundation program in FY88-89, and asked if this were a break even point from other losses. Rep. Harrington replied it would be hard to say without knowing what bills will be passed.

Chairman Ramirez asked if the $24 million for 1988, in the fiscal note, would go to the counties or to the general fund. Rep. Harrington replied the bill could be amended both ways.
Gordon Morris, MACO, responded that on page 2, section 4 of the bill, 16 2/3% of the surcharge goes to local government property tax relief and the remainder, to the general fund.

Chairman Ramirez asked if that were enough property tax relief, and stated it is his belief that it isn't. He stated that $17 million in 1988 and $21 million in 1989 will provide only a 2-3% reduction in overall property tax relief, which would not be enough to satisfy the majority of taxpayer concerns in CI-27. Rep. Harrington replied he hoped it would be sufficient.

Chairman Ramirez explained that a 40% surcharge in 1989 is necessary to achieve a 20% reduction in property taxes, and asked if the Committee needed to amend the bill to meet this level. Rep. Harrington replied it is possible that only 9-10% property tax relief can be provided, and said the problem will have to be addressed when the Revenue Estimating Subcommittee meets during the coming week. He added that more would be known at transmittal.

Chairman Ramirez asked if the 20% surcharge would come on top of the 20% windfall. Rep. Harrington replied that it would.

<u>CLOSING ON HOUSE BILL NO. 527</u>: Rep. Harrington explained that in 1981, the inventory tax was cut, and tax indexing and fees on vehicles were implemented. He told the Committee he believes the bill is progressive and would replace this revenue.

<u>CONSIDERATION OF HOUSE BILL NO. 395</u>: Rep. Ray Brandewie, House District #49, sponsor of HB 395, said he believes it is important that the Legislature address a cap on property

taxes (Exhibit #9). He explained his exhibit is based on LFA information and proposes a 3/4 of 1% cap on personal property. Rep. Brandewie said he realizes this is not possible, and said the second page denotes different property classes and taxable and market value as of 1986. He added that he believes there will be a property tax constitutional amendment in 1988.

PROPONENTS OF HOUSE BILL NO. 395: There were no proponents of HB 395.

OPPONENTS OF HOUSE BILL NO. 395: Gordon Morris, MACO, told the Committee he believes that, based on $27 billion, a reduction of 3/4 of 1% would raise $207 million, compared to the current level of $590 million, for a net loss of $393 million. He said he would resist the effort to put this bill on the ballot.

Alec Hansen, Montana League of Cities and Towns, said he agreed with Mr. Morris on the severity of the loss of property tax revenue. He stated he sees a problem with application of rates across the state, and said Anaconda, for example, has the highest mill levy, but the lowest cost of government. Mr. Hansen stated that, in his estimation, 195 mills would come out even, and the more mills, the greater the loss of revenue.

Mr. Hansen explained Richland County would experience an 8% loss, while Deer Lodge County would experience a 59% loss. He said applying a flat rate does not recognize the radical variation of values across the state.

Al Samson, City of Missoula, advised the Committee there are three different school districts and urban transportation districts in Missoula, which could be paid for from 3-4 different levies. He asked what happens then, and if each district would get prorated cuts for different services. He added that the bill would cut revenue by 64% in Missoula.

Ron Preston, Finance Officer, City of Missoula, requested that the Committee kill the bill.

TECHNICAL COMMENTS ON HOUSE BILL NO. 395: Greg Groepper, Property Assessment Division Administrator, DOR, told the Committee DOR effective tax rates are under 1.5%, but in excess of 1%. He said that more specifically, real property is at 1.14% and personal property, at 1.5%.

Chairman Ramirez requested the effective tax rate for real and personal property by class. Greg Groepper replied that providing this information by class is misleading, as there is no even distribution.

Rep. Raney requested tables using average statewide mill levies.

CLOSING ON HOUSE BILL NO. 395: Rep. Brandewie explained that bonding and SID's are addressed on page 1, line 20, contrary to statements made by opponents from Missoula.

DISPOSITION OF HOUSE BILL NO. 565: Rep. Williams made a motion that HB 565 DO PASS, and commented that his committee bill would take care of non-profit, licensed hospitals.

Rep. Patterson said he believes the Committee is going around in circles, because school districts will end up paying for the legislation.

Rep. Gilbert stated one could find a thousand exemptions, based upon the current situation.

Rep. Hoffman stated he believes HB 565 is a good bill and would take the load off local governments.

Rep. Asay reminded the Committee that education testified they would lose funds if the bill were to pass.

Rep. Ream asked if the effective date could be set back to allow for changes in contracts. There was no response.

Rep. Ream made a motion to amend the bill's effective date to "after December 31, 1988", and then asked to reconsider his motion and to change the date to "after December 31, 1987". The motion CARRIED, with all members voting aye, except Reps. Raney, Ramirez, and Asay, who voted no.

Rep. Williams made a motion that HB 565 DO PASS AS AMENDED. The motion CARRIED, with all members voting aye, except Rep. Ream, Asay, and Keenan, who voted no.

DISCUSSION OF OTHER BUSINESS: Chairman Ramirez advised that no bill hearings would be scheduled for the coming week, to allow the Committee to review pertinent bills and subcommittees to meet on income and property tax issues.

Rep. Schye stated he was concerned that some bills which have not been heard may need to meet transmittal. Chairman Ramirez advised he was attempting to work out an agreement whereby any bills in Taxation or Appropriations would be considered revenue bills.

Greg Petesch, Staff Attorney, Legislative Council, advised that Rep. Ream's aircraft bill doesn't have to meet transmittal, and could be considered either an appropriations or a revenue bill.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:55 a.m.

Jack Ramirez

Representative Jack Ramirez,
Chairman

2-16-87

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-16-87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP			✓
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

CS-30

STANDING COMMITTEE REPORT

FEBRUARY 16 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 565

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, line 7
   Following: "PURPOSES;"
   Strike: "AND"
   Following: "MCA"
   Insert: ";AND PROVIDING AN APPLICABILITY DATE"

2. Page 5, line 6
   Following: line 5
   Insert: "Section 3. Applicability. This act applies to tax years beginning after December 31, 1987."

FIRST reading copy (WHITE color)

STANDING COMMITTEE REPORT

FEBRUARY 16 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 634

☒ do pass
☐ do not pass
☐ be concurred in
☐ be not concurred in
☐ as amended
☐ statement of intent attached

Representative Jack Ramirez, Chairman

FIRST reading copy (WHITE color)

2-16-86

#1 2-16-8

Montana School Transportation Association

9-83 565

For H.B. 865 1987 session

M. S. T. A.

FROM THE PRESIDENT'S DESK

REC'D - Tues. Oct. 18, 1983 mine. Paul Pistoria

Congratulations and welcome aboard to the new Board member, Orin Beaty, from Anaconda, and welcome again to Bob Beach and and Doc McCulloch for another term on the Board.

Rev. Dept. issued this directive in Sept. 1983

* The good news for the year and one of the biggest projects tackled in some time has paid off after two sessions with the legislature and several meetings with the Department of Revenue. Property tax exemption for buses owned by contractors and used for route transportation is a reality. The following is needed to get buses on exempt status: Form AB30 Rev. 10-8[illegible], Application for property tax exemption must be filled out. This form can be obtained from your local appraiser or Department of Revenue, Property Assessment Division, Mitchell Building, Helena Montana 59620. You need a picture of the front of each bus that clearly shows the license plate of the bus and enough of the bus that it can be identified. You also need a list[illegible] each bus you are requesting property tax exemption on, and must include the following information: year of the vehicle, make of vehicle, serial number, license number, title number, and your unit number. All of this information must then be taken to your local assessor's office. He then fills out his portion of the form and it is sent to Helena for processing.

ASS END OF THE BUS.

Many thanks to all who have worked on this project, especially Charlie Simonsen, Bob Beach, Marty Bates, Don Hall, Jerry Perkins, Karl Hinter, Hugh Grove, and many others. Thanks also to Terry Brown from O.P.I. office for assistance with information, etc.

FOR H.B. 565 [illegible]

Agency seeks to tighten up exemption

Tribune Capitol Bureau

HELENA — The state Revenue Department Friday suggested limiting tax exemptions for parsonages to "ordained clergy" rather than just to "clergy" as the law now reads.

But members of the Legislature's Revenue Oversight Committee thought that could open up exemptions to mail-order "phoneys" while denying them to genuine ministers who don't believe in ordination.

Gregg Groepper, head of the department's Property Assessment Division, said applications for tax exemptions on the residences of religionists range from "the legitimate to the bizarre." About 90 percent are legitimate, he said.

"We have had people say, 'I am the church, therefore my house ought to be exempt,'" he said. "They call themselves clergy and worship by themselves."

When in doubt, the department denies the application, he said. If it is upheld by the State Tax Appeal Board, then the exemption is applied to others in similar situations.

The department suggested limiting the exemptions to ordained clergy to tighten up the law, which was passed in 1975.

Sen. Bill Norman, D-Missoula, replied that he could get ordained by mail from Los Angeles, and wondered about religions who don't ordain, such as the Hutterites and Mennonites.

Rep. Dan Yardley, D-Livingston, noted that the state had long been exempting parsonages as part of the general exemption for religious property. The 1975 Legislature was merely trying to "legalize the status quo," he said, not grant broad new exemptions.

Rep. Paul Pistoria, D-Great Falls, appeared before the committee to take the department to task for granting exemptions to private school bus operators after the Legislature had twice rejected them.

"I think Revenue has too much power, determining issues contrary to the Legislature," he said.

He said Cascade County stands to lose $30,000 to $35,000 from the exemptions.

Rep. Mel Williams, D-Laurel, agreed that it was "not the intent of the Legislature to exempt private buses."

The department's reasoning, according to lawyer Larry Schuster, is that as long as the property is used exclusively for an educational use, the fact that it's privately owned is inconsequential. Their own [illegible]

Sen. Tom Towe, D-Billings, suggested that the law be revised to allow exemptions only for property owned by schools and other exempt entities. Rep. Jack Ramirez, R-Billings, objected that if an entity leases property for tax advantages, it shouldn't be denied the exemption.

Schuster told the committee there is also a gray area in the exemption laws regarding what are termed "institutions of purely public charity." That "antiquated" terminology is given "very liberal interpretation" by the State Tax Appeal Board, he said. "They are willing to apply an exemption to any organization with a benevolent attitude." TOO MUCH POWER.

The committee also discussed the confusion surrounding exemptions for "quasi-government" entities. Rural fire districts recently sought exemption for all their personal and real property, according to Schuster.

"Perhaps there is a valid public policy reason for exempting such property," he said in a memo. "However, the Legislature has not provided such an exemption and thus one must not be implied. Nevertheless, the State Tax Appeal Board recently decided that such property is tax-exempt."

Note - the Rev. Dept. is now for this Bill 100% & helped amend it.
It has since been a problem for them & costly to inspect these Busses, they have found many abusing their [illegible]

Why should they themselves issue a directive to exempt Private owned buses, especially wherein the 2 previous sessions they were turned down, yes they went against the Legislature & took away their Legislative power. Lets let the Revenue Dept know who is Boss. They can't legislate. Paul D. Pistoria

FLATHEAD 4-H FOUNDATION, INC.

"SERVING YOUTH - OUR MOST PRECIOUS RESOURCE"

March 26, 1985

Rec'd - Sat - Mar. 30, 1985

~~Re: HB 851~~

H.B. 565 - (1987 Session)

HEAD

Paul Pistoria
House of Representatives
Capitol Building
Helena, Montana 59601

Dear Rep. Pistoria,

HEART

The Flathead 4-H Foundation is very appreciative of your efforts supporting amendments to HB 851 which kept 4-H owned camp property tax exempt under Montana Law. The Flathead 4-H Foundation built a camp at Loon Lake near Bigfork in 1981-82 and it was an arduous task involving lots of volunteer labor and donated materials.

The camp has been a very useful facility for 4-H in Western Montana since all the western counties use it for camping programs. HB 851 as originally written would have placed the facility back on property tax rolls even though the Flathead 4-H Foundation has its own 501(c)3 federal tax exemption. We would have been treated differently than other youth group owned property. It would have forced large increase in our camp use fees, and we try to provide camping experience to youth at minimal cost.

HANDS

Therefore, we thank you sincerely for your support and efforting in successfully amending HB 851.

In appreciation,

Darrell E. Fenner, Extension
4-H Program Coordinator
Flathead County

Marjorie Olsen

Marjorie Olsen, Chairman
Flathead 4-H Foundation

HEALTH

HB 512
Ex #2

#2
2-16-87
HB 512

HOUSE BILL 512 - Aircraft Fee

Summary by sponsor - Bob Ream

What does this bill do?

-- Removes aircraft from class 8 property.

-- Substitutes a fee in lieu of class 8 taxes.

-- Gives Montana Aeronautics Division responsibility for collecting the fee.

-- 90% of fees collected will go back to the counties where collected, and distributed as before.

-- A penalty of five times the fee will be assessed to anyone that fails to register an aircraft.

-- The fee will lower the effective tax rate on each aircraft.

Why do we need it?

-- Montana aircraft taxes are way out of line with other states.

-- Many aircraft have been moved out of Montana.

-- The present system for assessing, collecting and enforcing the tax simply is not working because:

a. Many aircraft registered in Montana are not taxed (only 1825 of 3320 registered pay the tax.

b. Aircraft are very mobile personal property.

c. Aircraft are often moved to other states.

d. Aircraft are often kept at an airport away from the property owner, often in a different county.

e. The Montana Aeronautics Division registers aircraft, but taxation is carried out as with other property tax.

-- Montana commercial aircraft operators are at a competitive disadvantage with seasonal operators from other states for spraying, fire surveys, fire fighting, and other contracts, because of our tax. Although, they are supposed to register their aircraft and pay the tax, most do not.

Bob Ream

#3
2-16-87
512

PROPOSED AMENDMENTS

HB 512

1. Page 2, lines 21 and 22.
Following: "account" on line 21
Strike: "of the agency fund type"
Insert: "in the state special revenue fund"

db/dw3\amends\h512-1

TT
2-16-87
512

AIRCRAFT TAXES BY COUNTY

	81			82			83			84					
														Appraised	Taxes
PARK	0	0	0	0	1,800	198	0	0	0	0	0	0	15	343,689	37,797
PETROLEUM	4	23,007	2,531	3	15,310	1,684	5	24,323	2,676	5	27,470	3,023	0	19,603	2,154
PHILLIPS	40	964,262	106,069	40	661,027	72,713	48	657,585	72,332	51	717,081	78,886	49	584,306	64,280
PONDERA	22	375,100	41,261	22	272,508	29,976	21	248,494	27,334	26	751,364	82,650	21	290,664	31,973
POWDER RIVER	42	505,840	55,642	43	551,890	60,708	41	379,414	41,736	40	449,692	49,469	41	620,600	68,269
POWELL	5	73,750	8,113	6	35,327	3,886	3	12,971	1,427	9	169,610	18,657	6	115,500	12,749
PRAIRIE	8	93,183	10,250	9	76,870	8,456	10	89,304	9,823	10	91,073	10,010	8	83,625	9,134
RAVALLI	67	1,235,210	135,873	63	867,924	95,472	76	880,150	96,817	64	1,242,482	136,685	62	864,497 ?	95,104
RICHLAND	35	1,000,410	110,045	0	938,459	103,230	0	329,716	36,259	0	1,331,127	146,392	0	621,657	68,387
ROOSEVELT	12	295,800	32,538	25	478,030	52,583	35	865,218	53,669	19	586,050	64,471	36	685,234	75,380
ROSEBUD	30	410,760	45,184	30	316,586	34,824	37	380,287	41,834	39	421,824	46,407	30	316,784	34,851
SANDERS	9	152,160	16,738	14	211,217	23,234	8	112,607	12,386	14	155,148	17,069	15	143,701	15,814
SHERIDAN	0	408,100	44,891	0	291,654	32,082	0	420,721	46,286	0	510,811	56,197	15	600,550	66,948
SILVER BOW	20	641,200	70,532	0	484,078	53,249	0	453,864	49,925	0	518,112	56,994	12	667,462	73,422
STILLWATER	0	289,575	31,853	13	195,396	21,494	3	180,511	19,855	13	226,536	24,919	19	223,879	24,629
SWEET GRASS	14	300,637	33,070	16	172,420	18,966	16	215,919	23,750	16	206,030	22,666	15	199,320	21,928
TETON	27	355,395	39,093	33	666,785	73,346	35	426,179	46,879	36	486,032	53,486	36	515,782	56,689
TOOLE	41	660,790	72,687	41	978,069	107,588	40	964,565	106,103	39	936,850	103,053	37	813,140	89,445
TREASURE	9	152,500	16,775	9	128,477	14,132	10	107,054	11,775	10	111,225	12,236	11	120,200	13,225
VALLEY	52	1,094,285	120,371	43	658,949	72,484	54	852,706	93,801	66	989,566	108,858	52	876,429	96,414
WHEATLAND	4	56,000	6,160	4	40,136	4,415	3	30,022	3,303	5	45,776	5,037	6	38,420	4,228
WIBAUX	10	89,005	9,791	9	90,606	9,967	8	69,750	7,685	9	67,505	7,430	9	69,360	7,632
YELLOWSTONE	182	10,949,182	1,204,410	209	12,484,258	1,373,268	224	12,566,149	1,382,286	229	12,896,607	1,418,666	200	10,139,328	1,115,347
TOTAL	1515	44,695,366	4,916,503	1511	43,187,348	4,750,608	1410	42,416,996	4,624,342	1783	49,990,719	5,499,157	1789	41,829,770	4,601,855

AIRCRAFT TAXES BY COUNTY

COUNTY	1981 NO.	APPRAISED VALUE	TAXABLE VALUE	1982 NUMBER	APPRAISED VALUE	TAXABLE VALUE	1983 NUMBER	APPRAISED VALUE	TAXABLE VALUE	1984 NUMBER	APPRAISED VALUE	TAXABLE VALUE	1985 NUMBER	APPRAISED VALUE	TAXABLE VALUE
BEAVERHEAD	41	963,815	106,020	38	956,558	105,221	28	647,632	71,239	28	428,203	47,105	25	366,992	40,371
BIG HORN	27	479,700	52,767	27	439,576	48,353	28	439,310	48,331	30	475,388	52,299	31	501,426	55,162
BLAINE	80	1,039,245	114,317	0	586,305	64,494	48	732,384	80,562	41	696,565	76,622	60	942,078	103,629
BROADWATER	0	1,080,001	118,800	0	65,497	7,205	0	178,349	19,618	0	68,750	7,563	0	84,750	9,323
CARBON	21	284,600	31,306	18	193,569	21,293	16	192,301	21,154	21	342,400	37,668	23	472,781	52,009
CARTER	32	346,850	38,154	31	327,540	36,029	30	285,900	31,449	15	228,580	25,144	27	269,750	29,684
CASCADE	54	4,949,685	544,465	77	5,890,642	647,971	0	6,018,623	662,051	116	4,787,990	526,687	118	3,235,645	355,933
CHOUTEAU	53	883,600	97,196	56	777,695	85,546	55	737,575	81,133	61	838,102	92,191	58	811,773	89,295
CUSTER	29	807,900	88,869	37	915,260	100,679	39	976,095	107,372	50	984,940	108,348	46	853,859	93,928
DANIELS	15	146,900	16,167	22	216,092	23,770	22	274,280	30,172	21	293,060	32,238	24	295,597	32,519
DAWSON	29	478,411	52,625	21	215,910	23,750	28	395,376	43,490	25	335,534	36,914	27	383,750	42,217
DEER LODGE	3	57,500	6,325	3	31,412	3,455	4	53,665	5,903	3	45,900	5,049	3	30,600	3,366
FALLON	43	669,425	73,637	34	464,903	51,139	36	524,560	57,699	41	613,409	67,481	38	557,290	61,305
FERGUS	49	893,705	98,308	46	612,320	67,355	50	841,128	92,524	53	1,048,670	115,355	48	828,173	91,104
FLATHEAD	0	63,961	7,036	0	61,177	6,729	0	120,087	13,209	73	2,400,479	264,052	84	1,690,788	185,987
GALLATIN	57	1,819,744	200,172	92	2,237,165	246,088	49	1,473,490	162,014	62	1,418,056	155,994	97	2,304,929	253,552
GARFIELD	18	327,950	36,075	20	305,382	33,592	25	609,301	67,021	25	602,719	66,304	25	559,783	61,577
GLACIER	28	594,900	65,439	38	1,237,820	136,160	45	1,311,320	144,249	49	1,939,949	213,401	49	1,477,882	162,570
GOLDEN VALLEY	1	3,450	380	1	11,401	1,254	2	11,401	1,254	2	21,130	2,324	2	19,696	2,167
GRANITE	7	67,910	7,470	7	60,347	6,638	9	87,010	9,570	7	74,615	8,209	6	63,500	6,986
HILL	30	1,451,950	159,715	41	610,673	67,174	59	1,332,493	146,576	57	1,346,528	148,127	69	1,224,889	134,744
JEFFERSON	10	257,000	28,270	6	192,280	21,151	7	175,375	19,292	4	69,150	7,607	10	245,319	26,986
JUDITH BASIN	9	210,250	23,128	11	107,042	11,775	0	116,034	12,764	11	183,550	20,192	11	190,986	21,009
LAKE	23	543,870	59,826	17	308,847	33,973	20	303,767	33,415	38	622,011	68,424	32	595,475	65,958
LEWIS AND CLARK	46	1,329,645	146,261	57	2,102,097	231,231	49	1,017,558	111,932	73	2,438,303	268,214	0	1,204,247	132,467
LIBERTY	0	145,200	15,972	5	153,735	16,911	0	196,840	21,654	16	277,271	30,505	23	373,006	41,032
LINCOLN	25	397,950	43,775	28	326,292	35,892	0	278,757	30,661	0	324,188	35,666	0	280,770	30,889
MADISON	21	514,000	56,540	23	375,125	41,264	24	431,508	47,476	23	419,031	46,096	24	416,594	45,825
MC CONE	37	443,478	48,783	30	296,515	32,617	31	254,433	27,993	36	346,388	38,107	32	337,310	37,106
MEAGHER	9	81,020	8,912	11	548,072	60,288	9	68,935	7,583	8	73,830	8,122	9	87,230	9,597
MINERAL	0	18,500	2,035	3	9,950	1,095	0	10,607	1,167	2	8,736	961	6	28,909	3,180
MISSOULA	75	3,835,600	333,916	68	1,774,605	195,207	0	1,686,746	185,542	73	2,028,993	223,189	75	1,758,400	193,425
MUSSELSHELL	10	181,500	19,965	11	157,768	17,354	20	366,647	40,332	19	1,270,322	139,738	12	374,135	41,154

ELS
4-9-86
#7

#5
2-16-87
HB 512

TESTIMONY IN FAVOR OF HB512

"An Act Imposing a Fee in Lieu of Tax on Aircraft"

by Ted Mathis, Chairman, Montana Board of Aeronautics

My name is Ted Mathis. I am the Airport Manager at Gallatin Field, Bozeman, and serve as Chairman of the Montana Board of Aeronautics and President of the Montana Airport Management Association representing the airport operators of our state.

The State Aeronautics Board has representatives from: Montana's Fixed Base Operators and Flying services, Montana Pilots Association, Airlines serving Montana, League of Cities and Towns, State Chamber of Commerce, County Commissioners, Aviation Education, and the Montana Airport Management Association. The Aeronautics Board unanimously supports this bill as does the Montana Airport Management Association.

In recent years we have seen a terrible outward migration of general aviation aircraft and associated jobs. We have also witnessed corporate officials who were considering basing aircraft in Montana, take their aircraft and associated jobs elsewhere once they discovered how much the tax bill would be in Montana. At our airport, the number of based aircraft has dropped from 117 to 87 in the past two years. Other airports throughout the state report similar declines.

If our valuable general aviation industry is going to continue to provide service to Montana and jobs for Montanans, we must have a more equitable tax system for these aircraft.

We urge your favorable support of House Bill 512.

Ex #5
2-16-87
HB 512

#6
2-16-87
512

BAC

Bruce-Andersen Co., Inc.

STATEMENT BY

BRUCE-ANDERSEN CO., INC.

IN SUPPORT OF HOUSE BILL ~~572~~ 512

Bruce-Andersen Co., Inc., is a Small Business Construction Company with its Home Office in Bozeman, Montana.

It performs construction work throughout Western United States. While good business and economics would suggest establishing its main office in California, it maintains its Main Office in Bozeman only because the owners of the company like the life style there. The company employs 10 local people and pays State Income Taxes and local Property Taxes.

To maintain its office in Bozeman and to administer its construction work in other states, it has acquired a Cessna Citation corporate jet. It pays in excess of $18,000 a year in local property taxes.

This is excessive and oppressive--no adjoining state charges this size of tax. It is anti-small business. It is this type of tax treatment that scares off small business from the state.

House Bill 572 is an equitable approach to this problem. It deserves your support.

BRUCE-ANDERSEN CO., INC.

By: James J. Bottomly
James J. Bottomly
Vice President
Contract Administration

P.O. Box 1370 • Bozeman, Montana 59771-1370
(406) 587-0771

X #7
2-16-87
512

MONTANA AVIATION TRADES ASSOCIATION
MONTANA PILOTS ASSOCIATION

2-16-87
HB 512

SUMMARY OF TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE ON HB512, FEBRUARY 16, 1987

House Bill 512 will result in everyone who owns an aircraft in Montana paying an equitable annual fee. This bill is much more than a revenue bill it addresses a very serious commerce issue, the ability of corporations to operate from Montana. Passage of this bill will:

1. Keep aircraft and jobs in Montana.
2. Allow aviation business in Montana to compete with operators in neighboring states.
3. Foster and promote additional aircraft to base in Montana.
4. Be equitable to all aircraft owners.
5. Be easier to enforce.

HB512 is not revenue neutral but neither is the current law. Aircraft are leaving the state and lowering the tax base. For example, the taxable value of aircraft in Cascade county has gone from $662,000 in 1983 to $356,000 in 1985. In Yellowstone county it went from $1,419,000 in 1984 to 1,115,000 in 1985.

The legislature can take action now and by imposing realistic fees on aircraft keep the aircraft and jobs in Montana or do nothing and lose the revenue by losing the tax base.

HISTORY:

In 1978 an attempt was made to lower taxes on aircraft when the tax on Class 8 property was changed from 20% to the current 11%. At the same time the way aircraft were appraised was changed. This change increased the appraised value of aircraft by 268%. The net result was that in 1978, 180 fewer aircraft were on the tax rolls but the taxable value of those aircraft increased by more than 1-million dollars.

Department of Revenue figures show that the taxable value of aircraft has remained relatively unchanged since 1978, although there were 251 more aircraft paying taxes in 1985 than in 1978. This is the issue. Aircraft of higher value are being registered in adjoining states where registration and/or taxes are significantly lower.

YEAR	NUMBER	APPRAISED VALUE	TAXABLE VALUE
1975	1,400	$12,343,952	$2,468,781
1976	1,527	13,909,967	2,781,993
1977	1,708	16,637,630	3,327,526
1978	1,528	39,896,057	4,388,569
1979	1,520	40,613,239	4,467,456
1980	1,455	39,058,875	4,296,476
1981	1,515	44,695,436	4,916,503
1982	1,511	43,187,348	4,750,608
1983	1,410	42,416,996	4,624,342
1984	1,783	49,990,719	5,499,157
1985	1,789	41,829,770	4,601,855

Taxation in Surrounding States conducted by the Montana Department of Aeronautics February 1986)

Current Tax Structure Inequitable: Currently only about 57% of Montana aircraft owners are paying taxes. Federal Aviation Administration records indicate that 3,800 aircraft are registered in Montana. Although some of these aircraft might have been sold or have left the state, the Department of Aeronautics estimates that there are between 3,000 and 3,200 aircraft in the state.

Department of revenue figures show that 1,825 aircraft were taxed last year.

Enforcement: Current law is not enforceable as evidenced by the fact that almost half of the aircraft registered in Montana are not being taxed and the cost of enforcement under current law is excessive considering the amount of tax generated. County assessors had to prepare for appeal hearings involving almost one third of the aircraft assessed last year.

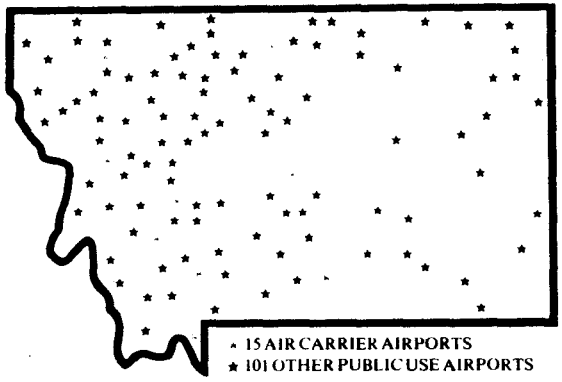
HB512 transfers responsibility for enforcement from the Department of Revenue to the Department of Aeronautics. The Department of Aeronautics has access to the information necessary to find and bill current aircraft owners.

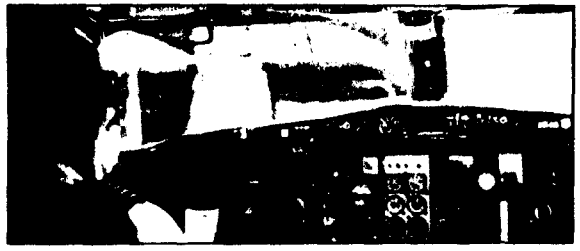
HB512 also provides for the paying of a fee by transient aircraft which will enable Montana businesses to compete on the same basis with out of state operators

HB314 NOT THE ANSWER TO THE AIRCRAFT TAX PROBLEM:

HB314 would lower Class 8 property taxes from 11% to 6%. Although this bill would provide a great amount of tax relief to other Class 8 property owners it would not solve the commerce issues of aircraft. Nor would HB314 address the equity problems caused by the lack of depreciation in aircraft values.

Lowering the tax on a corporate jet from $100,000 to $55,000 would not bring aircraft back to the State. Lowering operating costs to pay taxes from $79 to $43 per hour for a helicopter operator will still not allow him to be competitive with out of state operators. Only HB512 will accomplish this.

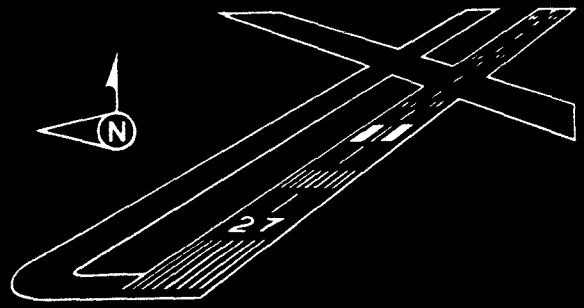




116 PUBLIC USE AIRPORTS in Montana geographicly cover all sections of Big Sky country. Certainly without aviation the economy, as we know it, would not exist. Business requires the advantages of air transportation. People depend upon it. Everyone benefits because the airport and aviation are vital:

- It means time and lives saved
- It means freedom and mobility
- It means recreation and tourism
- It means products and jobs
- It means business!

EX #8
LB 512
2-16-87
#8
2-16-87



MONTANA'S AIRPORTS MEAN BUSINESS!

LOCAL AIRPORT IMPACT

DIRECT AIRPORT EXPENDITURES

$

LOCAL PURCHASES BY VISITORS

$

INDUCED ADDITIONAL LOCAL RESPENDING

$

TOTAL AIRPORT ECONOMIC EFFECT

$

AIRPORT JOBS _____

TOTAL LOCAL JOBS DUE TO AIRPORT _____

FOR MORE INFORMATION CONTACT: _____

GROWTH AND DEVELOPMENT of Montana is directly intertwined with aviation. A key factor in any business decision to expand or relocate involves the health of area air transportation. *It's a fact — Montana airports attract economic growth.* The challenge is to continue to build on the state's vital aviation resource to the benefit of all.

ALF A BILLION DOLLARS AND GROWING...

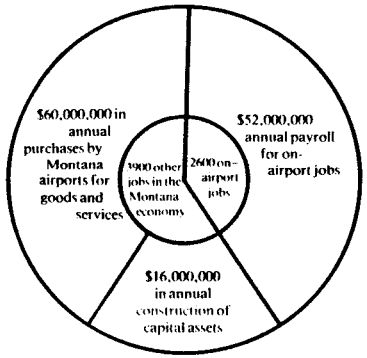
AVIATION IN MONTANA is far more than a vital mode of transportation---it is an important industry that *means millions to communities* across the state and over *half a billion dollars to the statewide economy.* To measure this impact, the Montana Airport Management Association commissioned a 1985 study and airport survey by Venture Research Corporation. This information was developed with methodology assistance from the Illinois Department of Transportation, the National Aircraft Owners and Pilots Association, The Montana Department of Travel Promotion, and the United States Travel Data Center.

ECONOMIC IMPACT RELATED TO AIRPORTS can be viewed in three parts: (1) Direct dollars which are the expenditures of the "Providers" of airport and aviation services, (2) Indirect dollars which are the purchases of the "Users" of aviation services, and (3) Induced impact or the "Spinoff" multiplier effect of dollars being spent and respent within the local economy.

Total Impact of Montana Airports in 1985 was conservatively calculated from survey to be:

+ **$132.2**	million of Direct airport expenditures
+ **$88.1**	million of Indirect purchases by users of airports
+ **$363.5**	million of Induced spending by others in the community
= **$583.8**	million annual statewide Economic Benefit of Airports

WE ALL DEPEND UPON AVIATION.

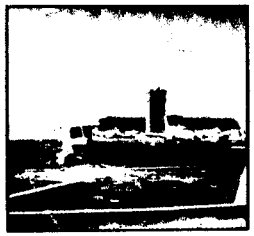


WITH OVER HALF A BILLION DOLLARS of *annual statewide economic impact,* the aviation industry is a key business segment. Each year Montana aviation is:

- An employer of 6500 of your friends and neighbors
- A purchaser of $60 million of goods and services
- An investor of $16 million in capital assets
- A taxpayer of $4.2 million in aircraft property taxes and state income taxes

And revenues to support airports stem largely from charges to those who directly use the airport, such as airlines, other terminal tenants, and on-site businesses.

EMPLOYMENT ON AIRPORTS in Montana results in significant impact to local economies. 2600 men and women work directly on airports for the airfield or its tenant businesses. Annual payroll for these people reaches 52 million dollars. For each on-airport job, another 1½ jobs are created in the local economy making the full effect of aviation related employment at 6500 jobs. This important industry is the livelihood and the support for approximately 20,000 Montanans.



FLIGHT ACTIVITY IS GROWING at Montana airports. Each day 120 airline flights by 8 different air carriers move 4500 passengers and hundreds of tons of cargo. General aviation airports across the state accommodate 900 business flights daily. In one year's time, 1.6 million airline passengers and 1 million light plane passengers pass through state airports.

#9
2-16-87
SB2

Market Value Statewide	% Market Value	% Taxable Value	Average Mils	Total Tax 1986
27.7 billion all classes	100		256	590.94 million
18.9 billion classes 3,4, 12, 13 and 14	68.2	35.5		210.03 million
7.85 classes (5-11) (15-19)	28	33.9		200.38 million
.95 classes 1 and 2	3.8	30.6		180.53 million

Assumptions based on statewide average mill levy of 256 mils.

Property Classes	Effective tax rate as a % of Market Value.	Tax Relief/Year in millions	Taxes paid 1986	% Cut
(5-11) (15-19)	2.55	0	200.38 million	0.0
	2.00	43.22	157.16 million	21.6
	1.75	62.86	137.52 million	31.4
	1.5	82.51	117.87 million	41
	1.25	102.15	98.23 million	51
3, 4, 12, 13, and 14	1.11	0.00	210.03 million	0
	1.00	20.80	189.22 million	10
	.90	39.74	170.29 million	19
	.80	58.66	151.37 million	28
	.75	68.12	141.91 million	32

All figures based on an average statewide mill levy of 256 mils.

Basis of this information supplied by LFA.

Property Tax Class	Market Value Tax Year 1986	Tax Rate	Taxable Value Tax Year 1986
1 Net Proceeds	$560,268,212	100.00%	$560,268,212
2 Gross Proceeds	$400,437,981		$144,795,713
3 Ag Land	$460,867,721	30.00%	$141,288,692
4 Other Land and Improvements	$16,073,681,443	3.86%	$602,998,059
5 Co-ops/New Industry	$1,017,759,625	3.00%	$30,553,404
6 Livestock	$732,937,708	4.00%	$31,066,368
7 Small Telephone & Electric Co-ops	$97,704,115	8.00%	$8,869,910
8 Agric & Mining Equip	$1,332,920,075	11.00%	$201,737,378
9 Commercial Prop	$363,744,728	13.00%	$47,418,731
10 Other Property	$183,970,398	16.00%	$29,543,487
11 Centrally Assessed	$2,839,632,550	12.00%	$340,547,997
12 Mobile Homes	$391,017,456	3.86%	$15,365,175
13 Timberland	$171,873,768	3.84%	$5,600,120
14 Improvements on Ag Land	$1,788,492,241	3.088%	$55,176,802
15 Railroads	$698,690,259	12.00%	$83,847,680
16 Noncommercial Personal	$46,319,142	11.00%	$5,095,158
17 Airlines	$33,634,675	12.00%	$4,036,518
18 Mining Claims	$0	30.00%	$0
19 Nonproductive Real <20 acres	$5,909	2.00%	$118
TOTAL	$27,695,957,996		$2,308,229,522
Classes 3, 4, 12, 13 and 14	$18,885,932,629 68.19%	4.34%	$820,428,848 35.54%
Classes 5,6,7,8,9,10,11,15,16,17,18,19	$7,849,319,174 28.34%	9.97%	$782,736,749 33.91%
Classes 1, 2	$960,706,193 3.47%	73.39%	$705,063,925 30.55%

2-16-87
527

WITNESS STATEMENT

NAME Terrence D Carmody BILL NO HB-527

ADDRESS Box 204, Townsend, Mt. 59644 DATE 2/16/87

WHOM DO YOU REPRESENT? Mont. Farmers Union

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

If revenue has to be raised we would rather see the 20% surtax than a sale tax.

Terrence D Carmody

2-16-87
512

GREAT
FALLS AREA
CHAMBER OF COMMERCE

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

February 2, 1987

TO: House Taxation Committee
Cascade County Legislative Delegation

FROM: Roger W. Young, President

SUBJECT: AIRCRAFT TAXATION REFORM

Following a recommendation from the Transportation Committee, the Chamber's Board of Directors went on record to endorse HB 512 sponsored by Rep Bob Ream which would replace the property tax on non-airline aircraft with a sliding fee scale based on the type and age of aircraft. For example, the charge for a new corporate jet would drop from a property tax of about $100,000 to a $3,000 fee. The same aircraft would be taxed only about $125 in Idaho, Oregon and Washington. The Transportation Committee maintained that although this represents a loss of revenue to state and local governments, the revenue is being lost anyhow. Due to the high unfair rates, the state is having fewer and fewer aircraft to tax, especially the more expensive corporate jets which are being based out of state.

CONSULTANTS:
- Airport
- Industrial
- Planning
- Research

MONGER AND Associates
Post Office Box 597 • Phone 406-388-1882
Belgrade, MT 59714

February 4, 1987

RE: H B 512

2-6-87
512

MEMO TO: Dorothy B. Dick C. Walter S. John V. Norm W.
FROM: Jim Monger

Good morning Gallatin Representatives,

First, and most important, you are doing great and hang in there!

House Bill 512 is beyond a doubt the BEST piece of aircraft taxation legislation I've seen introduced in twenty years.

It will result in everyone who owns an aircraft paying an equitable annual fee. The way it is now, the personal property tax imposed on aircraft in Montana has caused major businesses, such as some Super Markets and Banks, and many other big money folks and corporations, to avoid taxes by basing their aircraft in neighboring states when they should be in Montana. As much as I hate to say it, this truly is an example of what we have all been accused of, and that is having an anti business attitude in Montana.

The existing law also causes many Montanans who own aircraft, to simply not register them, thus avoiding the exorbitant property tax. Sure its illegal, but its easy, and maybe as many as 40% of all aircraft owners in the state have been caught up into this dishonest practice. They feel the gamble of being caught is no big deal because the penalty isn't that bad, and they know no-one is enforcing it. This would not be true with the registration fee as set forth in H B 512.

Anyway the new bill will:

A. Be equitable to all aircraft owners, jets as well as cubs.
B. Foster and promote additional aircraft to base in Montana.
C. Create new aircraft purchasing in Montana.
D. Be easier to enforce the new law.
E. Will in time, result in even a greater fee income as compared to the present tax income paid by a few.

When House Bill 512 goes into committe and when it hits the floor, I respectfully urge your support to it's passage.

If at any time I can be of assistance to any of you, please give me a call.

Thank you for your interest and time.

Mike - this also went to some of the House Tax Comm. — give a copy to Bob Howard please don't have his address

Regards

Jim

FSC

FSC SECURITIES CORPORATION

EXHIBIT
DATE 2-16-87
HB

Paul R. Palmer
Registered Representative
(406) 752-1400

417 East Idaho, Suite #
Post Office Box 307
Kalispell, MT. 59903-307

Thursday
December 11, 1986

State of Montana
Aeronautics Division
ATTN: Mike Ferguson
P. O. Box 5178
Helena, MT 59604

RE: Airplane Taxation

Dear Mike:

As in the past, we are asking for your assistance. Enclosed, herewith, you will find a letter accompanied by many signatures which protest the current Montana taxation system for airplanes. Although this represents only a small portion of the people that are against the present structure, it can give you an idea of the type of public input that would be available if needed.

Please see that the technical advisory committee for the aviation board is given a copy as well as any other board or government body that could influence a positive decision.

Respectfully submitted,

Paul Palmer

Paul R. Palmer

PRP/sp

enc.

SIPC

October 03, 1986

TO WHOM IT MAY CONCERN, AND WE DO HOPE YOU ARE CONCERNED:

We, the undersigned, respectfully solicit your support in providing EQUITABLE TAXATION OF AIRPLANES.

Points to consider:

A. Planes are excessively taxed when compared with other transportation of similar value (motor homes and automobiles).
B. Although planes are taxed as farm machinery (which they are not) the depreciation schedule allowed for the machinery is NOT allowed for aircraft, book value is used instead.
C. Montana is isolated because of the geographic location, minimal highways, and lack of population. Does it make sense to penalize a system that can provide a key for obtaining business and tourism?
E. The airports in Montana are largely supported by the FAA, thus providing opportunity for economic growth at a minimum cost to the state.

PLEASE draft and support a legislative bill that will make taxation bearable!

RECOMMENDATION:

Tax aircraft in the same class as a motor vehicle with a maximum limit equal to the same laws governing the RV's within our state.

Do not increase the aviation gas tax, it is already to a rate that should be considered maximum.

Thank you for giving attention to a very important but understated problem.

SUBMITTED BY THE FLATHEAD HANGAR OF THE MONTANA PILOT ASSOC. AND CONCERNED CITIZENS.

Jerry L. Slack - 425 Sendero Dr. Kalispell

Chester E. Severson 308 Forest Hills Village Kalispell

John Marvin 645 6TH AVE. W. KALISPELL MT

Karen Slack 425 Sendero Dr. Kalispell, MT

Larry Stockhill. 2040 Farm to Mkt. Rd " "

Mitch Steinberg 811 Yoeman Hall Rd, Kalispell, MT.

Frank Boylan 1314 4th St. West, Kalispell, MT

Donald D. Ross 810 5th Ave West Kalispell, MT

Wayne Just 1036 [illegible]

Mike Menke 645 Shadow Lane Kalispell, MT.

Rocky Sykes 737 6AVE E KALISPELL MT

Charles Hanson Box 86 Cut Bank, MT. 59427

Tom Scott 642 Wagner Lane Kal. 752-5195

Dan Claypool 1520 Hwy 2 west Kal

Bill Barba West Shore Polson, MT.

J. E. Bergmann 20 Dace Dr. [illegible]

John G. Hanson 440½ College Ave, KALISPELL, MT

J. R. Archibald 4170 HWY 2 EAST KAL. MT

Estelle Hunt 195 Missy Lane Whitefish, MT

Fay E. Smith 90 Pleasant View Dr., Kalispell, MT.

Jerry Bair 2186 Farm to Market Rd. Kalispell

Chuck Koehler 329 3RD Ave E. #2 Kalispell

Robert Scuiler 4976 WHITEFISH STG. RD. Col. [illegible]

(MORE NAMES ON BACK)

William W Hurst 110 Beach Road Big Fork mt 59911
Fred King Box 609 Eureka Mt 59901
[illegible] 33 Lower Valley Rd Kal mt. 59901
Sydney O. Torgerson 30 Hillcrest Dr Kal mont

Fred Sand 3151 LOWER LOST PRAIRIE ROAD MARION MT 59925

Paul R. Palmer P.O. Box 3070 KALISPELL, MT

Theodora Foss 810-5th Ave. West Kalispell, MT.

Arthur F. Thompson 624 Sylvan Ct Kalispell MT 59901

John H. Williams 588 Aero Lane Bigfork, Mt. 59911

Terry L. Westphal 943 2nd W Kalispell Mt. 59937

John C. Stephens M.D. 845 THIRD AVE E. KALISPELL. 59901

Bruce C. McIntyre, M.D. Mt. State Hosp. Deer Lodge

W. N. McIntyre 150 Aurora Dr., Lakeside 59922

James L. Fleming 140 Sherry Ln. Kalispell MT 59901

Gilma J. Fleming 140 Sherry Ln. Kalispell, Mt. 59901

Sandra D. Palmer P.O. Box 3070, Kalispell, Mt. 59903

Dick Brady 1026½ 4TH ST. W. Kalispell, Mt. 59901

Peter M. Orient. 149 Main Ste. Kalispell Mont

EQUITABLE TAXATION OF AIRPLANES

Myron K Strand
Marilyn Strand
William L. Hodgkiss
Carl J. Heid
Bill Werner
[illegible]
James M. Keller
John A. Hanson

EXHIBIT
DATE 2-16-87

TO THE MONTANA STATE LEGISLATORS

We, the pilots and taxpayers of Montana, strongly urge the enactment of the bill advocating a fixed Fee registration in lieu of the present unfair property tax being imposed on aircraft.

Passage of this bill would not only generate more aircraft and their related activity in the state, therby creating a stronger business climate, but would also place Montana (although still higher), in closer parity to the fee other states collect.

Name	City	Phone No.	Name	City	Phone No.
John T. Dove	Missoula	5490174	John Hedges	Bozeman	586-9294
Russ Tankey	MSCA	721-5835	John Van Heuden	Manhattan	284-6854
Willis A Mavri	Helena	933-5738	Mike Jones	Gardiner	848-7591
Kenneth H Wilhelm	Helena	458-5888	Robert Ruthemeyer	Helena	443-7887
Tom R Johnson	Ct Bk	336-3275	Willis M. Johns	Butte	782-052
[illegible]	[illegible]	[illegible]	[illegible]	Bozeman	587-802
Russ A H McCall		549-2471	Kenneth C. Rogers	Helena	442-8988 442-834
Lee McElwain	Butte	782-6825	John Kamp	Manhattan	282-7911
TERRY WURREN	3-FORKS	285-6733	Donald Moore	Livingston	222-182
Robert A. Taylor	BZN	587-0001	Robert A. Williams	BOZEMAN	587-51
Jerry Jessen	Sup	222-6657	Patrick J. O'Neill	Basin	225-325
Dennis H. Giulio			Russell S. Giulio	Basin	225-35

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Name	City	Phone No.	Name	City	Phone No.
Jerry E. Lehr	Butte, Mont.	494-8468	Kirk Conway	Helena MT	227-8444
Paul Anderson	9 E. LaPlatta Butte	782-5759	Chris Wagner	Bozeman	586-4400
Donald R Farmer	5910 Galen Rd Anaconda	563-5929	A Suzanne Nelled	BZN	587-92[illegible]
John Lutz	1917 Lowell Butte	723-5954	William Gavin	Bozeman	586-6872
[illegible]	140 Shirley Way Fairmont	797-3338	Lyle F. Clow	Helena	458-9473
Bill Bowden	2707 ELM, BUTTE	782-8033	John E. Dunnkeller	BZN	586-6876
Gary E Gray	Butte	494-8273	James H Sheaver	Belgrade	388-48[illegible]
[illegible]	Butte	741-5373	Robert C. Seifert	Belgrade	388-6[illegible]
Cheryl M. Lehr	Butte	494-8468	Doyle J Powell	Helena	442-269[illegible]
R. S. Osier	Butte, MT	782-2023	J. Edward Sanderson	Bozeman,	587-223[illegible]
Robert L Osier	Butte Mt.	782-2023	William E. Nelumaier	Boz.	586-1245
Doug Young	Pony, MT.	685 3387			

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Name	City	Phone No.	Name	City	Phone No.
Ronald R. Carpenter	Ennis Mt	682-4117	Ellis W. Thompson	Virginia City	843-548
Robert H. LeSueur	ENNIS, MT. 59729	682-4659	[illegible]	ENNIS MT	682 7235
Jim Muscat	Big Sky MT 59716	995-4089	Tammy Yedinak	Ennis MT,	682-7431 5972
Nathan Lee	Belgrade MT 59	388-1328	Barry Burgoon	ENNIS MT.	682-4532
Bill Woodhouse	Power Mt 59468	467-2941	[illegible]	[illegible]	682-7348
[illegible]	Power Mt 59468	463-2545 1314R	Hugh T. McClellan	Ennis	682 7147
Robert [illegible]	ENNIS	682-9422	Jess Burgoon	ENN	682-7437
Philip W Hanger	Three Forks Mt	285-3598	[illegible]	Ennis	682-7408
[illegible]	3 Forks, MT.	285-3678	Joe Vujak	Ennis	682-7165
Bob Thompson	Virginia City MT.	843-5487	[illegible]	Ennis	682-42
[illegible]	Ennis 59729		Hugh A Leslie	Ennis	682-42
[illegible]	Ennis	682-4469			

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NAME	CITY	PHONE
Patricia G. Bartelt	Gallatin Gtwy	763-4788
Leonard Healey	Belgrade	388-1538
[illegible]	Missoula	728-7167
Victor B Lutz II	Bozeman	586-4931
[illegible]	Bozeman	586-8144
[illegible]	Bozeman	586-0050
[illegible]	Bozeman	5[illegible]1-0918
[illegible]	"	388-4[illegible]
[illegible]	[illegible]	[illegible]-7621
Gallatin Flying Service Inc. David E. Studley Pres.	Belgrade, Mt.	388-6733
[illegible]	Bozeman	587-[illegible]
[illegible]	"	[illegible]
Norman M. Wortman	Gallatin Gateway	995-4289
Russell [illegible]	Glasgow	228-4364
Donald D. Ross	Kalispell	755-2618
[illegible]	Hamilton	363-4146
Joseph M. [illegible]	Butte	782-9690

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NAME	CITY	PHONE
[illegible]	Whitehall, MT	287-3832
[illegible]	Bozeman, MT	578-2372
John McKenna	Bozeman, Mt	587-5166
Bradley E. Thompson	Bozeman, MT	586-4234
[illegible]	Bozeman, MT	763-4804
[illegible]	Bozeman, MT	358-6209
[illegible]	Bozeman, MT	587-8681
Larry G. Rose	Bozeman	586-6386
[illegible]	Bozeman	388-1351
[illegible]	Bozeman	587-5186
BARRY WARBURTON	BOZEMAN	586-3234
[illegible]	BELGRADE	388-4784
[illegible]	Butte	782-3926
Allan L. Kelly	Butte	782-2019
[illegible]	Helena	443-7481
[illegible]	Butte	494-2733
[illegible]	Butte	782-6582

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NAME	CITY	PHONE
Burton S. Kinyon	Butte	723-5536
Dale A. Werner	Butte	723-7364
[illegible]	Butte	494-2455
Joe Charvat	Butte	494-2455
[illegible]	Butte	782-0572
[illegible]	Butte	494-3514
[illegible]	Whitehall	207-5250
[illegible]	Helena	443-3838
Mike Naegele	Helena	442-4380
Mike Mulroney	Helena	442-7450 (Lun
Harold W. Hamm	Helena	442 3311
Curt Bierwagen	Helena	443 7506
B R Johnson	Clancy	9338335
[illegible]	Butte	494-4901
[illegible]	Butte	423-7082
Robert [illegible]	Bozeman	388,6787
Christine R. Pomeroy	Livingston, Mt.	222-6824
Patty Mitchell	Bozeman	388-6787

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NAME	CITY	Telephone #
Willard L Kemby	LWT	535-5457
Fred Gillett	Lwt	538-8345
Mike Bizzarrotti	Stanford	566-2236

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NAME	CITY	PHONE
Marcia Johnson	Butte	494-8030
[illegible]	Butte	494-8030
Wally Casanotto	Butte	723-7737
John R Gilman	Butte	494-7060
John P Roesti	Butte	494-3691
Fred Burrer	Butte	723-5544
Dave Holman	Butte	723-6614
Don Murphy	Butte	723-6109
[illegible]	Butte	494-3047
[illegible]	Philipsburg	559-3[illegible]
[illegible]	Butte	494-3676
[illegible]	"	782-0572
[illegible]	Whitehall	251-5443
[illegible]	Butte	[illegible]

Dennis P. Walden	Butte	494-2[illegible]22
Ed Shumer	Butte, Mt	[illegible]
Bob Becker	Butte, Mt.	494-8131
Kim Olier	Butte Mt	782-2023
John Micoll	Butte Mt.	782-1432

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NAME	CITY	PHONE
Glen Hargrove	BZN	586-5649
[illegible]	[illegible]	633-4545
Harley A. Lead	BZN	587-8730
David O. Crump	BELGRADE	388-4883
Theodore E. Mathis	Belgrade	388-6632
Robert E. Kamm	Manhattan	282-7497
[illegible] D. [illegible]	BOZEMAN	586-6428
Carol L. [illegible]	Belgrade	388-6827
John A. Lauderdell	BZN	587-8681
Robert R. Green	Belgrade	388-4096
Paul Myhre	Great Falls	727-4185
Ralph E. Green	Three Forks MT	285-6949
Kirby Underdahl	Ledger	627-2271
Jan Auble	BZN	587-0770
[illegible]	Bzn	388-6259
Al L. Newby	Belgrade	388-6696
Donald Ewing	BELGRADE	388-1922
Roger I. Strindley	Belgrade	388-4970

Name	City	Phone
Forrest E. Fogg	Bzn MT	406-586-7393
[illegible]	Cascade Springs, MT	406-348-1351
[illegible]	[illegible]	[illegible]
[illegible]	Belgrade, MT	406-388-1579

Support HB 512

EXHIBIT
DATE 2-16-87
512

TO THE MONTANA STATE LEGISLATORS

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Name	City	Phone No.	Name	City	Phone No.
Lavie Gates	GTF	727-1231	[illegible]	GTF	791-1643
[illegible] Meadow	GREAT FALLS	761-8038	[illegible]	GTF	761-1139
Sherry Meadow	G.F.	761-8038	[illegible]	GTF	[illegible]
Terry V. Morrison	GTF	727-6518	[illegible]	GTF	727-2116
[illegible]	GTF	761-4352	[illegible]		793-5793
Ray Beck	GTF	761-1580	Morris G. Lindsey		453-6392
Dominique Bugnon	GTF	452-0144	[illegible]	GTF	727-0839
Diane Wright	GTF	452-1803	Joe O. Luckman	GTF	761-0471
[illegible]	GTF	761 7301	Michael D. Thorsen		
Richard D. Blevins	GTF	727-7379	Philip Scott		
Tim Feyer	GTF	454-1449	Robert L. Mort	GTF	453-541

2-16-87

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Name	City	Phone No.	Name	City	Phone No.
Donald Peterson	Helena	442-4099	Larry Kincer	GTF	452-2529
Kyle A Altman	HLN	443-4543	Kenneth D. Trebst	Hln.	227-8722
Mike J Banfield	HLN	443-4802	[illegible]	HLN	442-[illegible]
Tom Hartmann		449-8447	[illegible]	HLN	NONE
Eric Jallachurst		323-2153	H. D. Hanson	Helena	7-5607
[illegible]		[illegible]	Robert Van Meter	HLN	227-8510
[illegible] Kelley			Charles D. Simenson		362-4529
[illegible]		[illegible]	HLN [illegible]		[illegible]
David Villa		442-6820	Thomas G. Kupcho		656-2415
William D. West	Helena	449-6691	Gary Semple	Flaxville	229-3312
Candace L. West	Helena	449-6691			

2-16-87

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Name	City	Phone No.	Name	City	Phone No.
Milton Miller Anderson	Dillon, Mt.	683 4444	Byron Bayers	Twin Bridges, Mt	684 5465
Andre Morris	Dillon Flying Service Dillon Mt	683-5242	Dale F. Miller	Bozeman MT	587-3345
[illegible]	[illegible]	[illegible]	Ron Byrd	Dillon	683-5269
[illegible]	Dillon	683-2132	[illegible]	[illegible]	[illegible]
[illegible]	Dillon	683-5292	Randy Eberline	Dillon	683-4020
Guy Terrill	Dillon	683-5660	Jim Day	Dillon	683-5956
[illegible]	Dillon	683-6390			
[illegible]		683-[illegible]			
[illegible]	Dillon	683-4668			
[illegible]	Dillon	683-2882			
[illegible]	[illegible]	842-5577			

2-16-87

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Name	City	Phone No.	Name	City	Phone No.
[illegible]	[illegible]	339-22[illegible]	[illegible]	Cascade	468-2472
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	745-3218
William F Covely	GTF	452-8286	[illegible]	[illegible]	[illegible]
[illegible]	Ct Falls	453-5271	Ray Brennan		452-5777
[illegible]	Ct Falls	761-0[illegible]	[illegible]		[illegible]
John H. Williams	Bigfork	837-4521	Jack Mahood		453-29[illegible]
Marian E Snodgrass	Great Falls	452-5511	George Sch[illegible]		727-2096
[illegible]	GTF	[illegible]	Stephen W McVanena	GTF	761-2029
Loren Smith	GTF	727-3191	[illegible]		727-8023
[illegible]	GTF	727-0799			
Harold L. Gray	Great Falls	452-4250			

VISITORS' REGISTER

HOUSE TAXATION COMMITTEE 16 87 395

BILL NO. HB 395 DATE FEB 16, 1987

SPONSOR

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Gordon Morris	MACo		X

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

TAXATION VISITORS' REGISTER 2-16-87

COMMITTEE 512

BILL NO. HB-512 DATE 2-16-87

SPONSOR REAM

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
CARY DUNCAN	HELENA	X	
FRED LARK	Lewistown	X	
Bill Rogers	Lewistown	X	
Bob Hamm	Helena	X	
Jim Steffeck	Helena	X	
[illegible] Pickens	Salt Lake City	X	
Charles Rogers	Lewistown	X	
Guy Willson	Moore	X	
Mike Biggerstaff	Stanford	X	
Willy Rimby	Lewistown	X	
RAY THOMPSON	KALISPELL	X	
John Hemple	Helena	X	
[illegible]	Kalispell	X	
John Crowley	Missoula	X	
STEVE BROWN	Mt. Pilots Assoc. Mt. Aviation Trades Assoc.	X	
BOB DORAN	Billings	X	
LETA LIVOTI	Helena - Representing Holman Aviation - Gr. Falls	X	
Pat Doyle	TURNER MT	X	
[illegible]	Turner, Mt.	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

2-16-87

VISITORS' REGISTER

TAXATION COMMITTEE HB 512

BILL NO. HB-512 DATE 2-16-87

SPONSOR REAM

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Tom McGREE	Helena		
Gordon Morris	MACO		
N L Bill Holter	Great Falls	✓	
Louis Mertzig	Anaconda	✓	
KATHRYN MERTZIG	ANACONDA	✓	
Marvin Barber	Mt Assessors		✓
CLARK D. RICE	Anaconda,	✓	
LARRY VIANO	Kalispell,	✓	
JEFF MORRISON	HELENA	✓	
Myron K "Mike" Strand	Kalispell	✓	
PAUL DRENNON	HELENA	✓	
RUSSELL DAHL (MPA)	GLASGOW	✓	
ERIC RAECKE	BOZEMAN	✓	
HARRY E. NOEL JR.	BELGRADE	✓	
Robert A. Taylor	Bozeman	✓	
Donna Wilhelm	Helena	✓	
Clayton D Wilhelm	Helena	✓	
Brenda Spivey	Helena	✓	
ROGER PHILLIPS	HELENA	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

TAXATON VISITORS' REGISTER

COMMITTEE 2-16-87 512

BILL NO. HB 512 DATE 2-16-87

SPONSOR REAM

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bob Howard	7 Wash Pl Helena	X	
Mike Ferguson	MT. AERONAUTICS	X	
Steven VOLD	2448 Interlachen Bill. (Aerotronic)	X	
BILL BARTLETT	CORPORATE AIR-BILLING, MT	X	
[illegible]	MINES CITY [illegible]	X	
Ralph Wyman	Billings, Mt.	X	
Bob Becker	Butte, Mt.	X	
John Lutz	Butte Mt.	X	
ALLEN EISENBART	Butte, Mt.	X	
Dale Werner	Butte	X	
Burton J. Kenyon	Butte	X	
[illegible]	Denton, Mt.	X	
[illegible]	Lewiston, Mt	X	
[illegible]	Butte, Mt	X	
John R. [illegible]	Butte Mt	X	
William G. Bowden	Butte, Mt.	X	
[illegible]	[illegible] Mt	X	
TED MATHIS	BELGRADE	X	
ROBERT L. JOHNSON	LEWISTOWN	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

2-16-87

HB 512

VISITORS' REGISTER

TAXATION COMMITTEE

BILL NO. HB 512 DATE 2-16-87

SPONSOR REAM

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
~~[illegible]~~ DARRYL McKENZIE	MFA	X	
WALTER H. FOUTS	BOX 61 TURNER MT	X	
[illegible]	Self Cilot	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

HB 527

VISITORS' REGISTER

2-16-87
527

HOUSE TAXATION COMMITTEE

BILL NO. HB 527 DATE FEB 16, 1987

SPONSOR

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Matt Thiel	MSU Students CM	✓	
[illegible] Thiel	[illegible]	✓	
Brian Miller	MFC	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

VISITORS' REGISTER

Taxation COMMITTEE

2-16-87
634

BILL NO. HB 634 DATE 2-16-86

SPONSOR Ellison

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Marvin Barber	MT. Assessors Assn	✓	

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MONTANA SCIENCE AND TECHNOLOGY ALLIANCE

SEED CAPITAL FUND BONDING PROGRAM

HB 700

PROGRAM BACKGROUND

The two most common reasons behind small business failures in our country are a lack of access to business management expertise and inadequate capital. In both regards, Montana is no exception. In particular, there is a significant lack of risk capital in our state which makes it especially difficult for small entrepreneurial businesses to sustain themselves through the early stages of development and growth -- a period when adequate capital is extremely critical.

LACK OF RISK CAPITAL

MSTA - SEED CAPITAL

One of the primary purposes of the Science and Technology Alliance is to provide seed (or very early stage) capital to technology-based businesses. During the past 18 months the Alliance has invested $1.2 million in 9 seed capital projects. The Alliance Board of Directors is convinced that the potential exists to productively invest a considerably larger sum in the future in these kinds of projects.

PURPOSE OF SEED CAPITAL

The need for seed financing in Montana is particularly acute. A surprisingly large number of early stage companies are attempting to develop profitable business ventures throughout the state, but the lack of available capital is the principal impediment. This is the most difficult stage of business development for attracting capital investment. In the past year and a half the Alliance has received funding requests from over 40 such companies for almost $6 million in investment capital.

BONDING MECHANISM

The mechanism being proposed to enable the Alliance to help address this need is a $16 million, 6-year bonding program which would result in the creation of a $15 million seed capital fund. The program would work like this: between $2.5 and $3.5 million in taxable bonds would be sold each year by the Alliance. Proceeds from these issues would be invested in two ways. First, up to $3 million would be invested in as many as 3 private sector certified capital companies for reinvestment in seed and start-up companies in Montana. These funds would

USES OF PROCEEDS

CAPITAL COMPANIES	have to be matched on at least a dollar-for-dollar basis by private investors in the capital company. The result would be the capitalization of three private venture investment funds which would be in a position to provide risk capital to worthy companies throughout the state.
DIRECT TECHNOLOGY INVESTMENTS	The second use of proceeds would be for direct technology investments in seed stage companies by the Alliance. Approximately $3 million per biennium would be available for this purpose, with the investment decisions made by the Alliance board of directors.
DEFERRED COUPON BONDS	The bonds themselves would have a deferred debt service feature and would mature at around 12 years. This would allow the capital companies and Alliance investments adequate time to generate earnings on those investments. These earnings would then be used to retire the bonds. To make the bonds investment grade, the Coal Tax Permanent Trust Fund would be used as security. This means that if earnings on the technology investments were not adequate to make the debt service payments on the bonds when they came due, funds from the Trust would be used for that purpose. The absolute worst case scenario would require a maximum of $38 million from the Trust Fund for debt service after a 12-year period. This would be required only if all the investments made with bond proceeds failed. Because the Trust Fund is involved passage of the legislation to create this program will require a three quarters vote of each house.
COAL TRUST FUND AS SECURITY	
INVESTMENT PROCESS	The process the Alliances uses to make investment decisions is designed to make certain that only very high quality projects with significant earnings and economic development potential are selected for funding. This would apply to both the capital company and direct technology investments. In the case of the former, recipients of capital company investments would have to demonstrate a proven ability to assist in the successful development of new businesses and to make high quality investment decisions.
RIGOROUS EVALUATION AND DUE DILIGENCE	In the case of direct technology investments, the Alliance employs a rigorous evaluation and due diligence process to verify market size and potential, suitability of the product to the market, and adequacy of the management team to grow the company to achieve the business plan objectives.

RETURN ON INVESTMENT CONSIDERATIONS

In return for its investment, the Alliance has and will continue to receive a discounted rate of return of between 15 and 25 percent, compounded annually. which is paid as a percentage of gross sales revenues once the company moves its product to market. In addition, the Alliance usually receives a "sales override" -- an additional percentage of gross sales revenues -- which typically begins after the basic investment is repaid and runs for a predetermined period of time, usually between 5 and 12 years.

RISKS

Typically, risk capital investments are viewed as high risk in nature. However, when considered as a part of a larger fund, the risky nature of such investments can be mitigated by diversifying the entire portfolio by financing a variety of projects, both in terms of time, nature of the company, and location of the company. Still, a program or fund such as this should expect losses. In fact, the industry standard suggests that for every 10 investments made, around 3 can be expected to fail outright, 3 to 4 more will do little better than break even, and the final three can be expected to do very well, returning the original investment as much as several times over. In attempting to determine a break-even point for this program, these assumptions were used, the result being that an average annual rate of return on the successful projects of about 15 percent would enable the bonds to be retired without subsidy from the Trust Fund. But again, it is important to keep in mind that all the projects funded could fail; under those circumstances the maximum risk to the Trust would be $38 million at the end of 12 years.

BENEFITS

The potential benefits of this program are significant. The typical company supported through this type of program is technology oriented with very high growth potential. This can benefit the Montana economy in several positive ways: (1) large numbers of new jobs can be directly created by the portfolio companies themselves (approximately 1,000 could result from the $1.2 million in investments to date); (2) large numbers of new jobs in support industries (i.e., precision machining, breadboard computer assembly, injection molded plastics) could also result from the growth of new technology companies; (3) new tax revenues could be generated at both the local and state level; and (4) Montana's basic industries could become much more competitive on a national scale (many of the companies considered for investment are attempting to develop products for agriculture, forest products, and mining).

SUMMARY

Providing a ready source of seed financing in Montana is crucial to the continued development of the entrepreneurial sector of our economy. However, it does not necessarily involve an indefinite commitment. In fact, it is believed that the 6-year seed fund proposed here would be principally a "pump-priming" measure and that by the end of that period the private sector in our state would be providing the level of risk capital necessary to support these kinds of companies. This program thus provides a significant opportunity to stimulate Montana's economy over the next several years -- it is a long-term in investment in our future that could reap huge rewards.

MONTANA SCIENCE AND TECHNOLOGY ALLIANCE

TYPES OF INVESTMENTS

MSTA FUNDS	MSTA PRIVATE SEED FUNDS	PRIVATE VENTURE FUNDS MSTA	PRIVATE VENTURE FUNDS
APPLIED RESEARCH	SEED CAPITAL	START-UP CAPITAL	EXPANSION CAPITAL
Development of concept Confirmation of research studies	Proof of concept Prototype development Prototype testing Final product design Business plan development Marketing plan development Manufacturing plan	Initiate manufacturing Significant market penetration (mainly regional)	Expand manufacturing to enlarge market and share (i.e., regional to national)

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PROJECTED USE OF SEED FUND BOND PROCEEDS
(000 $)

EXPENDITURE ITEM	FISCAL YEAR 1988	1989	1990	1991	1992	1993	TOTAL
Capital Company Investments	1,000	1,000	1,000				3,000
Direct Technology Investments	1,500	1,500	2,000	3,000	2,000	1,800	11,800
Administrative Costs	73	105	105	105	105	105	598
Costs of Issuance	90	90	90	90	90	90	540
TOTALS	2,663	2,695	3,195	3,195	2,195	1,995	15,938