

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - 1st SPECIAL SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on June 26, 1989, at 1 p.m.

ROLL CALL

Members Present: 18

Members Excused: None

Members Absent: 4

Staff Present: Lee Heiman, Legislative Council Staff
Donna Grace, Committee Secretary

Announcements/Discussion: Chairman Harrington announced that he was referring all four bills dealing with taxation of retirement benefits to a sub-committee to be chaired by Representative Stang. Additional committee members will be Representatives Grady and O'Keefe.

HEARING ON HOUSE BILL 47

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A UNIFORM EXEMPTION FROM TAXATION OF BENEFITS FROM FEDERAL, STATE AND PRIVATE RETIREMENT, ANNUITY, PENSION, AND ENDOWMENT PLANS OR SYSTEMS; INCREASING STATE AND LOCAL PENSION BENEFITS GRANTED UNDER TITLE 19 BY 8 PERCENT; PROVIDING FOR A STUDY OF THE TAXATION OF PENSION AND RETIREMENT SYSTEMS AND APPROPRIATING FUNDS FOR THE STUDY; AMENDING SECTIONS 15-30-111, 15030-136, 19-3-105, 19-4-706, 19-5-704, 19-6-705, 19-7-705, 19-8-805, 19-9-1005, 19-10-504, 19-11-612, 19-12-407, 19-13-1003, AND 19-21-212, MCA; PROVIDING AN APPROPRIATION TO FUND THE BENEFIT INCREASE; PROVIDING AN IMMEDIATE EFFECTIVE DATE FOR THIS ACT AND FOR CHAPTER 532, LAWS OF 1987, AND SECTION 3, CHAPTER 617, LAWS OF 1989; AND PROVIDING A TERMINATION DATE."

Presentation and Opening Statement by Sponsor:

The major sponsor of HB 47, Representative Ben Cohen, from Whitefish, stated that this bill was prepared as a result of the hearings held prior to the session. An explanation of Representative Cohen's pension proposal is contained in Exhibit 1. Briefly, it would provide a temporary two-year increase in retirement benefits for public retirees currently receiving a benefit and would provide for a study of all types of retirement plans during the interim. He said the state would be better off to give the retirees an increase to cover the cost of the taxes they would pay than

to give federal and private retirees a tax exemption. The increase would be 8% straight across the board for public employees and teachers. Representative Cohen said he felt this would be the most equitable way to handle the situation.

Testifying Proponents and Who They Represent:

Judith Carlson, Equity in Taxation
Morris Mabry, Equity in Taxation
Mary Craig, CPA, Equity in Taxation

Proponent Testimony:

Judith Carlson stated that it seemed to her that this bill would really make everyone a winner and would take care of a lot of problems. She said the other plans were all very confusing where this bill is relatively simple. It separates the tax treatment from the relationship it has to the state employee. She said she did not think there was any need for a study because the legislature has all the information available right now. She said they would oppose any bill that had a study in it and they would support anything that treats everyone the same. She urged support of this bill.

Morris Mabry said that he felt he should apologize for being so dramatic at the last hearing he attended. However, he said the press had been kind to him and he had heard from a lot of people around the state who said they didn't know who he was but they sure did know he was trying to help them. He said HB 47 recognizes that retirees are all the same. He said he appreciated the committee for listening to him and he urged that this issue, which is a human issue, not be turned into a political issue. He said he would appreciate the committee's support of this bill.

Mary Craig said that she also was in favor of equal treatment. She passed out a copy of some newspaper clippings which said that retirees should be taxed equitably. Exhibit 2. She said she hoped the committee would pass this bill.

Testifying Opponents and Who They Represent:

Gene Huntington, Retired Teachers Association
Doug Williams, President, Montana Public Employees
Terry Minow, Federation of Teachers
Phil Campbell, MEA
Dave Senn, Administrator, Teachers Retirement Board
Larry Nachtsheim, Administrator, Public Employees' Retirement

Opponent Testimony:

Mr. Huntington stated that they would oppose any bill that would tax retirees benefits however he did think there were some

good things in the bill. In a trade-off they would support the study. He said he felt this was a very complex issue and could not be settled in one week or one bill. He said that they liked the idea that the bill recognizes that they are not dealing with tax policy but they are dealing with compensation policy.

Doug Williams stated that he was an opponent only because of the \$3,600 tax exemption which they could not in good conscience support; however, the bill does have some redeeming qualities particularly on the low end of the retirement scale. They would support the study provision and sunset provisions of the bill.

Terry Minow said that she was a reluctant opponent to this bill and would applaud the intent of the bill regarding the whole issue of tax on retirement information. She said there was not enough information to support the bill at this time and in a year and a half, maybe the problem can be solved.

Phil Campbell stated he was also a reluctant opponent; however the position of the MEA is to oppose any taxation of retiree benefits. He said they have supported this concept in the past and gotten themselves in a whole lot of hot water. He said they would support the study. The Senate has dealt with this matter and put it to rest. He said he would like to see the House do the same and they could wait and see what develops at the federal level.

Dave Senn said that according to the handout received from Representative Cohen, the increase would be 8% and will cost \$19.3 million; however, the bill in Section 17, page 20, only provides \$2.2 million -- he said that was a long way to go to get an unfunded liability.

Larry Nachtsheim stated that he would oppose the bill on the basis of Section 17 in the retirement system. He said they don't have the money to provide the 8%.

Questions From Committee Members: Representative Cohen asked Mr. Nachtsheim if the 8% would be compounded each year. The answer was no. They took the actual benefit as of May times 8%. It would take \$19 million to fund this bill.

Representative Gilbert asked Representative Cohen what portion of income tax goes to fund education. Representative Cohen said that 32% of all income goes to the Foundation Program. Representative Gilbert then commented that he thought it was odd that the representatives of the educational community were protesting paying income tax. Mr. Campbell stated that was one of the reasons he stood up as a reluctant opponent. He said he represented a large group across the state and until he gets in touch with his board, he didn't think he had any choice but to follow what they had directed and he did not think it was strange.

Representative Gilbert asked Mr. Campbell if that was basically what his position was. Mr. Campbell replied that he would acknowledge that taxing of retiree benefits above \$3,600 would bring money into the state and over 30% would go to the Foundation Program. However, he said he thought there was more involved in this in terms of retirement benefits. The teacher retirement benefit was sold to teachers as part of a compensation package and, because of that, his organization has to be opposed to any taxation of retirement benefits. At a time when every dollar is going to count, any plan that will take \$2 million or \$16 million or \$19 million out of the system that could be used for funding should not be the main focus. He said his first position would be that the legislature not do anything with the system until the regular session and at that time they will know what the ramifications would be.

Representative Gilbert asked Mr. Campbell if he believed that private pensions should continue to be taxed and state and federal employees should not be taxed because they are different classes of people. Mr. Campbell replied that it has been that way for a long time. He said the state benefits are substantially less than even the federal system and that is true of some private as well. He again stated that he thought any action on this should be postponed until the regular session.

Representative Driscoll stated that the bill states that the increase would be temporary. He asked Representative Cohen if they give the 8% increase if they could ever take it away. Representative Cohen replied that it also says that the taxation is temporary. He said it had been his hope that the benefit would be given in some other form, such as health insurance.

Representative Raney asked Representative Cohen how the \$2 million would cover the \$19 million. Representative Cohen said that there was no one at the hearing from the Department of Revenue. However, the representative of the DOR had indicated that he would provide some financial data. Cohen said it was his understanding that the way the bill was written, an appropriation would be made and the money would be paid back in taxes.

Chairman Harrington inquired about railroad annuity and said it was his opinion that it could not be taxed. Representative Cohen said that was a federal law and they could not violate a federal law. Representative Cohen asked Mr. Heiman if they had put anything in the bill regarding the railroad retirees. Mr. Heiman said this would not change anything but he knew there was some concern within the railroad community that their annuities might be taxed; however, they would still be tax free.

Representative Good stated that the educators were supporting a

pretty hefty 10% surcharge on income tax and she asked Mr. Campbell if that was true.

Chairman Harrington said that the questions were going to the Education Association and they represent some retired people but not a lot of the them. Representative Good said she was just curious because apparently, if they do retire, they will be exempt from taxation and she thought it strange they were pushing so hard for a 10% surcharge on some of the other bills and yet they won't have to pick up any of that tab and she didn't think it was fair. Mr. Campbell stated that teachers are not exempt from taxes. If this legislature puts a 10% surcharge on taxes, teachers will pay it just like everyone else. Representative Good said that she was referring to the time after they retire.

Representative Kadas said he would like to follow up on Raney's question which dealt with revenue. He said he was more concerned in the difference in cost that the DOR is seeing and the retirement system is seeing. Why is there such a difference? The gap is \$17 million. Mr. Senn said he was not sure what Steve Bender from the DOR was referring to but looking at the numbers that Representative Cohen passed out, Mr. Bender used a 5% and with these numbers and 5% you could assume the benefit would be about \$100 million in a two-year period. So it would cost about \$5 million dollars and they would collect about \$4.1 million. This bill calls for an 8% increase and still talking about \$100 million in benefits a year with all retirement systems combined. Over a two year period they would still be a ways away from it. There is one addition revenue this will generate but the bill only provides for a \$2.2 appropriation. Mr. Cohen pointed out that they needed a number to put in the bill to get it drafted and it was hoped that Mr. Bender would be here and they would have done a further analysis to find out what the percentage would actually be to provide for balance. He said he understood that the lower income retirees are not paying taxes now with the \$3,600 deduction so they know that they won't receive as much back in taxes as they would have paid out. The DOR must have assumed that 5% was enough to hold them harmless.

Representative Kadas asked Representative Cohen how they came up with the 8% figure. He asked Mr. Heiman to reply and he explained that Senator Eck had done some work on this matter also and she determined that was a hold harmless point under the tax rate as it appears in the code. Representative Cohen said that he had expected that he would have some good numbers before the bill was released.

Closing by Sponsor: Representative Cohen said that he would like to thank everyone for a good hearing. His goal in having the bill drafted was to find a way to reduce the impact on state revenue, treat all retirees fairly, and come up with the numbers to do that and this bill would provide a

mechanism. He said the committee should keep in mind the fact that this state has a high percentage of retirees and in coming years there will be a continuing increase. Retirees are willing to pay their fair share and he suggested they treat them all equally and not take them off the tax rolls because there are already more people who don't pay taxes than those who do and there must be a way to retain a tax base.

HEARING ON HOUSE BILL 48

"AN ACT GENERALLY REVISING THE CLASSIFICATION OF PROPERTY FOR PROPERTY TAX PURPOSES; AMENDING SECTIONS 15-1-101, 15-6-133, 15-6-134, 15-6-136, 15-6-138, 15-6-145, 15-6-201, 15-8-205, 15-10-402, 15-16-611, 15-24-1102, 15-24-1103 AND 67-3-204, MCA; REPEALING SECTIONS 15-6-139, 15-6-140, 15-6-142, 15-6-146, THROUGH 15-6-148, 15-6-150, AND 15-6-155, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

Presentation and Opening Statement by Sponsor:

Representative Cohen, House District 3, Whitefish and chief sponsor of House Bill 48 said this bill is similar to House Bill 475 that was amended and passed by this committee and by the House and sent to the Senate where it languished. He said he had the bill redrafted as it was sent to the Senate with a few changes. He said the former bill had 10 classes, this one has 13 classes because some of the property was at different rates but in the same class; this bill attempts to keep all property in the same class at the same rate. He walked the committee through the bill pointing out changes in the bill as well as similarities or actual language. He referred to (EXHIBITS 3). On the cover page is a total drop state wide of taxable value of \$9.5 million, a total drop state wide in the tax take of \$3.14 million. He said many people have talked about more for personal property and as a result has asked Mr. Heiman to draft an amendment which is a way to do more for personal property than this bill does.

Representative Cohen distributed a spread sheet (EXHIBIT 4) and said the amendment would probably make some additional changes in the rates as presented in this bill and also addressed the concerns that small businesses across the state have with their personal property taxes. He said that the single category of personal property requires the most administrative expenses and impacts the greatest amount of small business men is furniture and fixtures. He said on this spread sheet he has taken the rate for furniture and fixtures from 13% to zero percent to be removed from the tax rolls. He said in addition, he would drop from 11% to 10.9% on personal property. He said this would be paid for by a small increase on real property and said he dared to do this because most of the home owners in Montana should receive a significant property tax reduction following the passage of

an education equalization bill. He referred to the cover page of the exhibit, and stated that instead of a reduction there is an increase of \$2.4 million. He said a 40 mill increase in education is \$1 million by increasing the statewide taxable value. He said this would show a small reduction in taxes collected because the average mill levy on various kinds of property differ. He said the average mill levy on real property is higher than on personal property with the exception of furniture and fixtures.

Testifying Proponents and Who They Represent:

None

Proponent Testimony:

None

Testifying Opponents and Who They Represent:

Gary Langley, Executive Director, Montana Mining Association
Alec Hansen, Montana Association of Cities and Towns
Gordon Morris, Association of Counties

Opponent Testimony:

Mr. Langley said his concern is in Section 2, Subsection (b), where it appears to give non-productive patent mining claims to be taxed at 30% of their productive capacity. He said in 1986 during special session they passed a bill place non-producing patent mining claims in a special category where they were taxed at a very low rate on the assumption that once they began to produce they would pay production taxes. He said he was not sure if the intent of this section is to tax mining claims at 30% of their productive capacity for mining purposes or for agricultural purposes. He hoped the committee would keep this in mind so no changes in taxation are made in the patent mining claims.

Mr. Hansen said he doesn't fall into the category of either proponent or opponent, but would like to point out a couple of things from the perspective of the cities and towns in Montana. He said essentially this bill pays for the slight reduction of most personal property and the total elimination of tax on furniture and fixtures with an increase in residential and commercial real property tax rates. He said according to their calculations for cities and towns it is about a washout since the taxes would go down about \$3.3 million and there would be a corresponding increase on residential and commercial real property of about the same. He said he felt this was a policy decision as to how to collect the taxes.

Mr. Morris said he wanted to go on record as an opponent and thereby reserve the right to answer any questions the

committee might have. He said, as to the effects of this, he appreciated Representative Cohen's effort in regard to House Bill 475.

Questions From Committee Members: Representative Raney asked Mr. Morris if there are some big differences that come about within individual counties and wouldn't it possible that one county would have a lot of furniture and fixtures that go off the roll and they would have to increase their mill levy to make up the loss? Mr. Morris said Rep. Cohen had alluded to that fact when you take a look at the increase in total taxable value. He said when you approach this from a state wide perspective, the composition of property taxes in Lewis and Clark County is not a perfect match for the statewide composition, so you could have a situation where one county could lose significantly and another county would win.

Representative Raney asked if this was something that would be easy to dig out and Mr. Morris said with the working relationship they have now between the Association of Counties and the Department of Revenue we can do a break out by county on the furniture and fixtures class alone.

Chairman Harrington said he would like to see a breakdown of that information before the committee acts on the bill.

Mr. Hansen said he would like the same information about the cities and with the help of the Department of Revenue they could do a city by city analysis.

Closing by Sponsor: Representative Cohen closed by saying there was more discussion on the proposed amendments than on the bill itself, but since they had all heard the bill, that might be fitting. He said he would address his comments to the amendments and give an example. He referred to the Department of Revenue's biennial report which gives the taxation value of every county and a statewide total. He referred to Yellowstone County, and said it has a good chunk of furniture and fixtures. He said it shows in 1988 a taxable value of \$8.3 million, statewide is \$41.2 million, so Yellowstone has 20% of all the furniture and fixtures in the state. He said the question then for Yellowstone County is, with that kind of tax relief, are the rates on real property going to compensate? He said he could not answer that question, but members should remember that there is a real difference as to whether it is in the city or the county as to who will benefit.

HEARING ON HOUSE BILL 49

"AN ACT TO RECLASSIFY MANUFACTURING MACHINERY, FIXTURES, EQUIPMENT, NONEXEMPT TOOLS, AND SUPPLIES FROM CLASS EIGHT PROPERTY TO CLASS SEVEN PROPERTY; AMENDING SECTIONS 15-6-137, 15-6-138, AND 15-16-613, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Patterson, House District 97, Custer, chief sponsor of House Bill 49 said the fiscal note was just printed and is in the books. He referred to the last session when the Budweiser bill was before the Legislature to exempt the Budweiser Brewery Company in Yellowstone County and had placed them at a very low rate. He said just a few days ago this same committee acted on a bill for the rapeseed processing plant in the city of Butte to give them a tax rate of about 3%. He said they heard the question "how come you're giving all these tax breaks to new businesses and yet the Budweiser deal in Billings never came to the state?" Someone asked, "why don't you give existing businesses here a break?" He said this bill would take care of the flour mill in Great Falls, the Western Sugar Factory in Billings, the sugar factory over by Sidney, Roscoe Steel and a factory up in Kalispell that does machine tools. He said these are existing businesses in the state, and the bill does not exempt them from taxation, it will lower the rates. He said Agriculture is not being shifted, they will still remain in the same class. He said this is not an Ag exemption bill, it is a business bill for business operations in the state of Montana. He referred to the fiscal note and said it would have some effect on the local school districts, local cities and counties and to the state. He said the fiscal impact is about \$4 million each year.

Testifying Proponents and Who They Represent:

None

Proponent Testimony:

None

Testifying Opponents and Who They Represent:

Gordon Morris, Association of Counties
Phil Campbell, Montana Education Association
Alec Hansen, League of Cities
Anne Prunuske, Alliance for Progressive Policy

Opponent Testimony:

Mr. Morris said in anticipation of his remarks Representative Patterson had pointed out the flaw in the bill. He said he would like to go on record in opposition to the bill and pointed out that this is a continued piecemeal attempt at property reform that has led us to the reason for this special session.

Mr. Campbell said that he hadn't been going to say anything until he saw the fiscal note. This is a substantial hit on the

schools at the very time when the purpose of the special session is to fix the school funding system. This bill would take millions of dollars from the schools by shifting the tax rolls by it's piecemeal approach to tax reform.

Mr. Hanson said if the committee would look at the last part of the fiscal note it is obvious why he would be opposed. He said it represents a \$191,000 loss to cities and towns. He stated that the \$191,000 is about 1/2 of 1% of all the property taxes collected in the cities. He said a reduction without replacement simply will not work in the cities, especially now with the financial conditions as they are.

Ms. Prunuske said she would like to echo the comment made earlier that you can't erode our tax base any further.

Questions From Committee Members: Representative Giacometto addressed a question to Mr. Campbell asking how this takes money from education when all these bills are coming in with 120 and 160 mills? Mr. Campbell answered it is a further tax erosion as you can see on the fiscal note. He said it is not totally calculated here but you can see it would amount to over \$1 million throughout the state and 60% of that will go to the school districts.

Representative Giacometto asked, if you come in with a bill that puts 120 mills and a 40% surcharge on, schools will be funded. He asked how does this take money from schools? If you come through with a 100% funding bill and they will give you the authority to bypass 105, how can it take money away from education? Mr. Campbell answered that he did not know which bill will pass, but if all the projections of costs in those bills that they are looking at does not take this into consideration. He said he supports the concept of reducing personal property tax, but the issue here is the eroding of the tax base without replacement. He said he thought the bills that are going through that deal with school funding do not anticipate another \$2 million to \$3 million loss in the tax base.

Representative Giacometto said he sees this as a major issue in the entire session. MEA is pushing for education reform and people are coming in saying we are eroding our tax base, but if we keep putting these high mills on, there is no further eroding of tax base than to force businesses out, so if you come in with a bill like this, we know we are going to fund education, but bills like this in the end won't matter because we will go ahead and fund education regardless.

Closing by Sponsor: Representative Patterson said last Friday his Yellowstone County Treasurer was up here and he had asked him how many taxes they had collected from the Billings Packing plant and the Treasurer had replied none. He had then asked him how many tax dollars had been collected from Roscoe Steel and was told none. He then

asked how many taxes they had collected from Pierce Packing and was told they were trying to sell Pierce Packing. He asked why and was told they said the property taxes were too high, and that is why the commissioners now own the property. He said he realized this is a piecemeal tax reform, but he was trying to get the people to realize how far out of line the property taxes are.

DISPOSITION OF HOUSE BILL 4

Motion: Motion was made that House Bill 4 do pass.

Discussion: Chairman Harrington said the problem brought out in the committee was how does the county assessor tell what these cars are? He was told honesty. Senator Hofman said there aren't enough people nor enough money involved in this to make that much difference if a few people would want to cheat on it. He said the idea of the bill is to correct something that is wrong in the appraisal process.

Chairman Harrington said Lee Heiman had handed him a sheet that was part of the registration slip. It has gas #1, Diesel #2, LPG #3 and then it is marked as to which the car actually is.

Rep. Giacometto said he would speak in favor of the bill because it is a matter of equity. Since this is on the registration it shows a way to prove it is a diesel engine, and if it is a diesel engine then the committee should give it a fair review.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion CARRIED unanimously to DO PASS.

DISPOSITION OF HOUSE BILL 42

Motion: Motion by Representative Giacometto that House Bill 42 do pass.

Discussion: Representative Giacometto said if he remembered from the testimony this would make sure that no matter what happens in this session the schools will be able to open and operate. He said the numbers can be jacked up or down in all the bills, but they should make sure that after this is over the schools will be able to open.

Representative Rehberg said he would assumed that if this bill and if one of the bills on education should pass that would add money to this that would take precedence over this since this is the Governor's base.

Representative Harrington said this is the Governor's base, but it is at a zero/zero and this is what you are voting for in

this bill.

Representative Rehberg said if the House passes something the Governor vetoes the problem would not be solved then nothing can get done until something like this is passed.

Chairman Harrington said there is a possibility of that, but in essence, this committee would be passing out a zero/zero funding of education.

Representative Kadas said he felt they had already passed a bill that deals with the Foundation Program for fiscal year '90, and the House has spoken once and does not need to say the same thing in 5 different ways.

Representative Giacometto said that no matter what the stands is on education, he felt it was ironic that they would chance, no matter what happens, this is just a proposal put out to make sure that our schools will be funded at least at current level.

Representative Driscoll said it seemed to him that they were taking 20% of the 38% of the coal tax trust fund and putting it into the equalization aid instead of the so-called trust fund. He said, if you don't like where the money is going, get rid of the appropriation. He said if you don't pass the bill you will have this educational trust fund there for another biennium, and it is not really a trust fund, it is only a savings account.

Chairman Harrington said in the equalization bills you do the same as in this bill, you do away with the trust and commemorate that forevermore into education.

Representative Giacometto said he could not see where they were getting zero/zero out of this bill but it would get rid of the educational trust fund.

Chairman Harrington said they did that on the 4% already passed.

Representative Giacometto said to clarify it, it takes up to the current funding for the last biennium for schools. He said it takes it out of the education trust fund to guarantee that the schools will have the spending authority to go back up to the last biennium spending.

Representative Raney asked Rep. Giacometto if he was saying it is just a coincidence that all the money left in the education trust fund and all the appropriations for this year turns out to be just the same amount as the short fall to reach the zero? Rep. Giacometto said he could not answer that but perhaps Lee could answer it since he would have the numbers. He said he just had the basic concept of the bill from the hearing.

Chairman Harrington said it was his understanding from the testimony that one of the moves behind this bill is to fund at zero/zero, but to use the rest of the educational trust in the direction of personal property tax relief. In answer to Rep. O'Keefe's request to "run that by again" Chairman Harrington said if this bill is passed out, they are giving the Governor the opportunity to veto the 4% and take this bill and go zero and zero. He said if it is the Senate and House feeling that we want to fund 4% and 0, then it should be up to the Governor to veto that 4% and call us back in if he vetoes it.

Representative Rehberg said the he couldn't disagree but the chance you take is if he goes ahead and vetoes it anyway, then we are in bigger trouble. Chairman Harrington said he would have to call the legislators back into special session because schools have to run.

Rep. Gilbert stated that meant that "we are playing with the schools".

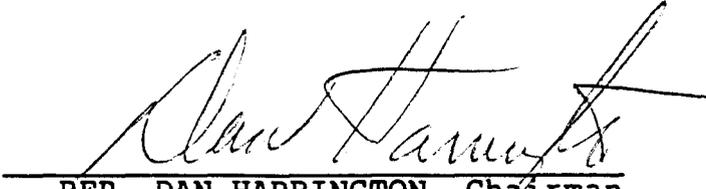
Substitute Motion: A substitute motion by Representative Kadas to table House Bill 42.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The substitute motion to table House Bill 42 was voted. A roll call vote was taken. The motion CARRIED to TABLE HB 42. 11 members voting aye, 9 voted nay.

ADJOURNMENT

Adjournment At: 2:25 p.m.



REP. DAN HARRINGTON, Chairman

DH/dg

150626a.min

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

DATE: *June 26, 1989*

NAME	PRESENT	ABSENT	EXCUSED
Dan Harrington. Chairman	✓		
Bob Ream, V. Chairman	✓		
Ben Cohen	✓		
Jerry Driscoll	✓		
Jim Elliott	✓		
Orval Ellison	✓		
Leo Giacometto	✓		
Bob Gilbert	✓		
Susan Good	✓		
Ed Grady	✓		
Marian Hanson	✓		
Robert Hoffman	✓		
Mike Kadas	✓		
Francis Koehnke	✓		
Mark O'Keefe	✓		
John Patterson	✓		
Bob Raney	✓		
Dennis Rehberg	✓		
Ted Schye	✓		
Barry Stang	✓		
Jessica Stickney	✓		
Chuck Swysgood	✓		

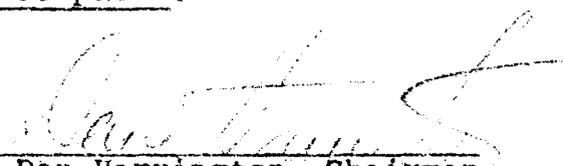
STANDING COMMITTEE REPORT

"An Act Setting an Addition or Deduction
for Tax Purposes on a Diesel-Powered Vehicle"

June 26, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that HOUSE
BILL 4 (first reading copy -- white), do pass .

Signed: 

Dan Harrington, Chairman

Representative Cohen's Pension Proposal

Key Features

Under this Davis proposal, equity in the taxation of federal retirement benefits is created by changing the taxation of state and local employees so they are taxed the same as federal retirees. This is accomplished by:

- 1) Subjecting state and local retirees to taxation, but allow them to exclude up to \$3,600 in retirement benefits from taxation.
- 2) Increasing benefits to current and future retirees to compensate for the tax on their benefits.

Fiscal Impact

Revenue Gains:

\$3,600 Exemption for State and Local Government Retirees	\$1.5 million
Ability to Tax Federal Retirees under \$3,600 Exclusion	<u>\$2.6 million</u>
Total	\$4.1 million

Cost of Increased Benefits:

Across-the-Board Benefit Increase for Current State and Local Government Retirees (5%* of FY 88 benefits paid totaling \$99.95 million)	\$5.0 million
Increased Employer Contribution for Current Employees (2% increase in total contribution)	To Be Determined <u>By Actuary</u>
Total	\$5.0 million +

Net Change in Revenues and Expenditures (\$0.9 million) - increased employer contribution

* State retirement benefits in excess of \$3,600 will face an average marginal tax rate of 4.82% based on Department of Revenue analysis.

EFFECTS OF HB 47

June 23, 1989

TEACHERS' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$49,221,623
House Bill 47 Increase	8%
Reimbursement Due the Teachers' Retirement System	<u>\$ 3,937,730</u>

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$53,385,772
House Bill 47 Increase	8%
Reimbursement Due the Teachers' Retirement System	<u>\$ 4,270,862</u>
Total Cost of 8% Increase	<u><u>\$ 8,208,592</u></u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$51,296,550
House Bill 47 Increase	8%
Reimbursement Due the PERS	<u>\$ 4,103,724</u>

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$61,000,000
House Bill 47 Increase	8%
Reimbursement Due the PERS	<u>\$ 4,880,000</u>
Total Cost of 8% Increase	<u><u>\$ 8,983,724</u></u>

GAME WARDENS' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 595,888
House Bill 47 Increase	8%
Reimbursement Due the GWRS	<u>\$ 47,671</u>

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 650,665
House Bill 47 Increase	8%
Reimbursement Due the GWRS	<u>\$ 52,053</u>
Total Cost of 8% Increase	<u><u>\$ 99,724</u></u>

Ex. #1 p. 3
6-26-89
HB 47

JUDGES' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 1,145,000
House Bill 47 Increase	8%
Reimbursement Due the JRS	\$ 91,600

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 1,259,500
House Bill 47 Increase	8%
Reimbursement Due the JRS	\$ 100,760
Total Cost of 8% Increase	\$ 192,360

HIGHWAY PATROL RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 1,625,000
House Bill 47 Increase	8%
Reimbursement Due the HWPRS	\$ 130,000

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 2,031,250
House Bill 47 Increase	8%
Reimbursement Due the HWPRS	\$ 162,500
Total Cost of 8% Increase	\$ 292,500

SHERIFFS' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 497,360
House Bill 47 Increase	8%
Reimbursement Due the SRS	\$ 39,789

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 530,000
House Bill 47 Increase	8%
Reimbursement Due the SRS	\$ 42,400
Total Cost of 8% Increase	\$ 82,189

EX. # 1 p. 4
6-26-8
HB 47

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 4,388,775
House Bill 47 Increase	8%
Reimbursement Due the MPORS	\$ 351,102

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 4,828,000
House Bill 47 Increase	8%
Reimbursement Due the MPORS	\$ 386,240
Total Cost of 8% Increase	\$ 737,342

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

Tax Year 1989

Total Estimated Benefits for Tax Year 1989	\$ 4,297,885
House Bill 47 Increase	8%
Reimbursement Due the FURS	\$ 343,831

Tax Year 1990

Total Estimated Benefits for Tax Year 1990	\$ 4,605,000
House Bill 47 Increase	8%
Reimbursement Due the FURS	\$ 368,400
Total Cost of 8% Increase	\$ 712,231

**TOTAL ESTIMATED COST FOR 2-YR, 8% INCREASE
ALL STATE-ADMINISTERED RETIREMENT SYSTEMS**

\$19,308,662

* PLUS 8% FOR 2 YEARS FOR LOCAL POLICE AND FIRE SYSTEMS, AMOUNT UNKNOWN

Ex #4 PS4
6-26-87
HB 49

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax rate	Proposed Tax rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	Total 1988 Taxes Levied	Total Proposed Taxes Levied	Change in Taxes Levied	Avg Mill Levy
Timber Land	3.840%	3.840%	6,488,624	6,488,624	0	1,823,258	149	1,823,407	1,823,407	0	281.02
Airlines	12.000%	11.705%	6,083,033	5,933,492	(149,541)	1,854,517	62,778	1,917,295	1,870,161	(47,134)	315.19
Railroads	10.970%	10.700%	41,311,729	40,294,941	(1,016,788)	10,286,609	360,329	10,646,938	10,384,889	(262,049)	257.72
Class 11 Totals			47,394,762	46,228,433	(1,166,329)	12,141,125	423,107	12,564,233	12,255,051	(309,182)	265.10
Farmstead 1 Acre	3.088%	3.320%	3,857,875	4,147,715	289,840	1,004,984	740	1,005,724	1,081,283	75,560	260.69
Impr. on Ag and Timber Land	3.088%	3.320%	51,273,818	55,125,998	3,852,178	12,350,322	6,648	12,357,168	13,285,557	928,388	241.00
Class 12 Totals			55,131,693	59,273,711	4,142,018	13,355,505	7,387	13,362,892	14,366,840	1,003,948	242.38
Nonproductive Land Under 20 Acres	2.000%	2.000%	86,180	86,180	0	22,727	530	23,256	23,256	(0)	269.86
Class 1 thru 13 Totals			1,937,328,736	1,939,735,693	2,406,957	436,479,370	43,807,225	480,286,595	480,136,319	(150,275)	247.91

Ex. #4 p.3
4-26-85
HB 48

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax rate	Proposed Tax rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	Total 1988 Taxes Levied	Total 1988 Taxes Proposed	Total Change in Taxes Levied	Avg Mill Levy
7 New Industry - Other Property	3.000%	3.000%	2,247,362	2,247,362	0	760,770	703	761,474	761,474	(0)	338.83
7 R & D Improved Improvements	0.000%	3.000%	0	0	0	0	0	0	0	0	0.00
7 R & D Improvements	3.000%	3.000%	20,310	20,310	0	4,871	0	4,871	4,871	0	229.98
7 R & D Land	3.000%	3.000%	876	876	0	201	0	201	201	0	229.98
7 R & D Personal Property	3.000%	3.000%	15,053	15,053	0	3,462	0	3,462	3,462	0	229.98
7 Rural Co-op Companies	3.000%	3.000%	8,957,521	8,957,521	0	2,097,978	71,347	2,169,326	2,169,326	0	242.18
Class 5 Totals			27,096,655	27,096,655	0	5,541,403	138,432	5,679,835	5,679,835	(0)	209.61
8 Rental Equipment	4.000%	4.000%	200,346	200,346	0	55,644	69,891	69,891	69,891	0	348.85
8 Cattle	4.000%	4.000%	20,255,833	20,255,833	0	4,662,144	563	4,662,707	4,662,707	0	230.19
8 Horses	4.000%	4.000%	953,034	953,034	0	232,457	854	233,311	233,311	0	244.81
8 Other Livestock	4.000%	4.000%	57,024	57,024	0	13,675	6	13,745	13,745	0	241.04
8 Sheep	4.000%	4.000%	626,679	626,679	0	137,603	6	137,609	137,609	0	219.58
8 Swine	4.000%	4.000%	109,008	109,008	0	24,683	13	24,696	24,696	0	226.55
Class 6 Totals			22,201,924	22,201,924	0	5,126,208	15,753	5,141,959	5,141,959	0	231.60
9 Indep. Telephone Companies	8.000%	8.000%	626,129	626,129	0	162,372	1,869	164,240	164,240	0	282.31
9 Rural Telephone Property	8.000%	8.000%	67,291	67,291	0	22,564	0	22,564	22,564	0	339.62
Class 7 Totals			693,420	693,420	0	184,936	1,869	186,825	186,825	0	269.42
10 Ag Implements	11.000%	10.900%	55,254,775	54,752,459	(502,316)	12,646,643	10,684	12,657,327	12,542,260	(115,067)	229.07
10 All Other Property	16.000%	10.900%	168,127	114,537	(53,590)	36,507	7,067	43,574	31,047	(14,527)	271.07
10 Buses	13.000%	10.900%	171,932	144,158	(27,774)	41,063	2,543	43,606	36,562	(7,044)	283.62
10 Cable TV Systems	16.000%	10.900%	1,709,878	1,164,954	(544,924)	480,853	110,774	591,629	403,047	(188,582)	348.01
10 CB's and Mobile Phones	13.000%	10.900%	184,541	154,731	(29,810)	45,245	3,589	48,834	40,846	(7,988)	284.63
10 Coal and Ore Haulers	16.000%	10.900%	3,224,823	2,196,912	(1,027,911)	553,235	119	553,354	376,972	(176,382)	171.59
10 Furniture and Fixtures	13.000%	10.900%	41,280,363	24,772,376	(16,507,987)	11,847,420	3,230,132	15,078,553	5,445,568	(9,632,985)	365.26
10 Machinery	11.000%	10.900%	72,926,018	72,265,845	(660,173)	18,301,293	96,722	18,398,015	19,399,998	(1,001,983)	288.92
10 Mining Machinery	11.000%	10.900%	1,315,164	1,315,164	0	348,428	6,656	355,084	345,413	(9,671)	282.71
10 Oil Field Equipment	11.000%	10.900%	19,797,678	19,617,699	(179,979)	3,128,370	2,556	3,130,926	3,110,640	(20,286)	258.57
10 Radio and TV Broadcasting Equip.	16.000%	10.900%	1,159,617	789,989	(369,628)	339,470	52,926	392,396	267,320	(125,076)	338.38
10 Ski Lifts	11.000%	10.900%	390,981	387,427	(3,554)	109,343	0	109,343	108,349	(994)	279.65
10 Supplies and Materials	11.000%	10.900%	6,757,722	6,696,288	(61,434)	1,586,303	91,645	1,677,947	1,663,288	(14,659)	248.39
10 Theaters and Sound Equipment	16.000%	10.900%	4,529,825	4,488,645	(41,180)	34,328	7,560	41,888	28,543	(13,345)	374.20
10 Trailers	13.000%	10.900%	3,776,989	3,166,860	(610,129)	958,532	90,355	1,048,887	879,451	(169,436)	277.70
10 Trucks 1 to 1 1/2 Tons	13.000%	10.900%	7,614,418	7,545,196	(69,222)	1,897,999	127,262	2,025,261	2,006,850	(18,411)	285.98
Class 8 Totals			246,997,274	201,242,725	(45,754,548)	59,644,263	4,798,983	64,443,246	48,437,359	(16,205,887)	281.72
11 Electric Companies	12.000%	12.000%	143,971,122	143,971,122	0	20,481,725	99,623	20,581,347	20,581,347	(0)	142.95
11 Gas and Electric Companies	12.000%	12.000%	128,159,981	128,159,981	0	27,885,674	1,064,235	28,949,909	28,949,909	0	225.89
11 Natural Gas Companies	12.000%	12.000%	978,738	978,738	0	204,781	902	205,683	205,683	0	210.15
11 Pipelines	12.000%	12.000%	43,153,714	43,153,714	0	8,861,126	46,889	8,908,015	8,908,015	0	206.43
11 Telecomm. Companies	12.000%	12.000%	62,137,056	62,137,056	0	17,562,463	3,535,950	21,098,413	21,098,413	0	339.55
Class 9 Totals			378,400,611	378,400,611	0	74,995,769	4,747,598	79,743,367	79,743,367	(0)	210.74

Ex. #4 p. 2
6-26-88
HB 48

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax Rate	Proposed Tax Rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	Total 1988 Taxes Levied	Total Proposed Taxes Levied	Change in Taxes Levied	Avg Mill Levy
Net Proceeds	100.000%	100.000%	279,816,735	279,816,735	0	44,469,516	3,854	44,473,369	44,473,369	0	158.94
Gross Proceeds of Coal Strip Mines	45.000%	45.000%	122,610,046	122,610,046	0	13,498,902	8,818	13,498,902	13,498,902	0	110.10
Gross Proceeds of Metal Mines	3.000%	3.000%	7,887,795	7,887,795	0	2,142,285	0	2,142,285	2,142,285	0	272.71
Gross Proceeds of Underground Coal	33.300%	33.300%	0	0	0	0	0	0	0	0	0.00
Class 2 Totals			130,497,841	130,497,841	0	15,641,187	8,818	15,650,005	15,650,005	0	119.93
Eligible Mining Claims	30.000%	30.000%	8,805	8,805	0	2,089	2,561	4,650	4,650	0	528.13
Grazing Land	30.000%	30.000%	38,374,987	38,374,987	0	8,683,151	2,196	8,684,347	8,684,347	0	226.31
Timberland	30.000%	30.000%	1,146,818	1,146,818	0	1,236,449	705	1,941,554	1,941,554	0	1,681.66
Wildway	30.000%	30.000%	5,536,827	5,536,827	0	1,341,917	233	1,341,917	1,341,917	0	242.38
Class 3 Totals			141,088,703	141,088,703	0	32,530,292	7,294	32,537,585	32,537,585	0	230.62
City/town Lots Commercial	3.860%	4.150%	35,613,176	38,288,777	2,675,601	10,128,113	3,346,750	13,474,863	14,487,224	1,012,360	378.37
City/town Lots Residential	3.860%	4.150%	54,481,389	58,574,550	4,093,161	15,536,887	4,757,757	20,294,644	21,819,371	1,524,727	372.51
Exempt Improvements	0.000%	0.000%	0	0	0	0	0	0	0	0	0.00
Exempt Land	0.000%	0.000%	0	0	0	0	0	0	0	0	0.00
Farmstead	2.140%	2.500%	32,400	34,800	2,400	8,353	12	8,365	8,365	0	255.09
Improved Acre - Low Income	1.367%	1.470%	70,004	75,271	5,267	21,287	6,372	27,659	29,886	2,227	395.02
Improved Acre - Top Income	1.367%	1.470%	128,085	135,585	7,500	31,783	863	32,646	34,252	1,606	252.42
Impr. on City/Town Lots Commercial	3.860%	4.150%	100,178,185	107,704,525	7,526,340	28,809,103	9,169,769	37,978,872	40,853,750	2,874,878	379.31
Impr. on City/Town Lots Residential	3.860%	4.150%	170,680,043	183,503,155	12,823,112	48,979,204	14,475,081	63,454,285	68,221,576	4,767,291	371.77
Impr. on Class 20 Out of Production	3.860%	4.150%	0	0	0	0	0	0	0	0	0.00
Impr. on Disparately Owned Ag Land	3.860%	4.150%	785,041	822,518	37,477	166,234	7,396	173,631	186,675	13,045	226.96
Impr. on Hydraulic Power Works	3.860%	4.150%	0	0	0	0	0	0	0	0	0.00
Impr. on Industrial Sites	3.860%	4.150%	22,778,451	24,489,785	1,711,334	5,987,132	487,658	6,454,790	6,939,735	484,945	283.37
Impr. on Qualified Golf Courses	1.930%	2.075%	441,140	474,283	33,143	129,588	5,807	135,395	145,567	10,172	306.92
Impr. on Right of Way	3.860%	4.150%	911,046	872,810	-38,236	60,964	5,807	66,771	62,964	-3,807	322.50
Impr. on Suburban Tracts Commercial	3.860%	4.150%	103,531,799	111,372,245	7,840,446	29,903,973	100,467	30,004,440	31,618,633	1,614,193	284.04
Impr. on Suburban Tracts Residential	2.258%	2.428%	3,740,799	4,022,436	281,637	1,079,391	216,307	1,295,698	1,393,249	97,550	346.37
Industrial Sites	3.860%	4.150%	2,829,515	3,041,020	212,505	824,352	67,911	892,263	959,299	67,036	315.45
Mobile Homes	3.860%	4.150%	15,217,828	16,351,136	1,133,308	4,119,112	352,778	4,511,890	4,850,866	338,976	296.49
Mobile Homes - Retired and Disabled	2.226%	2.393%	274,025	294,583	20,558	77,518	9,932	87,450	94,010	6,561	319.13
Qualified Golf Courses	1.930%	2.075%	199,805	214,816	15,011	57,744	3,088	60,832	65,402	4,570	304.46
Suburban Tracts Commercial	3.860%	4.150%	8,628,060	9,276,282	648,222	2,461,883	97,328	2,559,211	2,751,483	192,272	296.61
Suburban Tracts Residential	3.860%	4.150%	56,384,527	60,620,670	4,236,143	15,834,842	61,018	15,895,860	17,090,108	1,194,249	281.92
Suburban Tracts - Low Income	2.282%	2.453%	1,347,506	1,448,490	100,974	379,549	82,404	481,952	496,568	34,616	342.82
Adjustment for 20% Exempt. of 1st \$40,000	3.737%	4.018%	0	0	0	0	0	0	0	0	339.95
Class 4 Totals			601,434,314	646,620,130	45,185,816	170,803,163	33,653,452	204,456,614	219,817,460	15,360,846	339.95
Class 5 Totals			14,099,825	14,099,825	0	2,113,820	53,929	2,167,748	2,167,748	0	153.74
Gasohol Related Property	3.000%	3.000%	550	550	0	137	137	274	274	0	249.09
Locally Assessed Co-op Improvements	3.000%	3.000%	1,088,977	1,088,977	0	409,893	444	410,337	410,337	0	383.86
Locally Assessed Co-op Land	3.000%	3.000%	10,140	10,140	0	2,532	176	2,708	2,708	0	267.10
Locally Assessed Co-op Perv. Prop.	3.000%	3.000%	58,390	58,390	0	15,638	7,346	22,984	22,984	0	350.36
Locally Assessed Co-op Vehicles	3.000%	3.000%	47,579	47,579	0	10,662	1,646	12,308	12,308	0	218.48
New Industrial Sites	3.000%	3.000%	4,470	4,470	0	1,289	318	1,607	1,607	0	277.13

Amendment HB 48

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax rate	Proposed Tax rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools
Class 1 Net Proceeds	1.000000					
Class 2 Strip Coal Gp	0.450000					
Class 2 Metal Mines Gp	0.330000					
Class 2 Undgrd Coal Gp	0.300000					
Class 3 Ag & mine clat	0.041500					
Class 4 Real Property	0.030000					
Class 5 New Ind., Poll	0.040000					
Class 6 Livestock & re	0.080000					
Class 7 Ind. Rural Tele	0.109000					
Class 9 PERS. PROPERTY	0.038000					
Class 10 Utilities and	0.120000					
Class 10 Airlines	0.109700					
Class 11 Railroads	0.033200					
Class 12 Farmstead, im	0.020000					
Class 13 Under 20 A no						
Taxable Value						1,937,328,736
Proposed Tax Value						1,939,735,893
Change in Tax Value						2,406,957
Taxes ST, CO, SCH						438,479,370
Taxes Cities & Towns						43,807,225
Total Taxes						480,286,595
Proposed Total Taxes						480,136,319
Change in Taxes						(150,275)

Furniture + Fixtures - Removed
Personal Property 10.9%
Real Property 4.15% (7.5% inc.)

EXHIBIT 4
 DATE 6-26-89
 HB 48

Ex. #3 p. 4
6-26-88
HO-47

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax rate	Proposed tax rate	1988 Taxes			1988 Taxes			Total 1988 Taxes Levied	Total Proposed Taxes Levied	Change in Taxes Levied	Avg Mill Levy
			1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	Levied by State, County and Schools	Levied by Cities and Towns	Total 1988 Taxes Levied				
Timber Land	3.840%	3.840%	6,488,624	6,488,624	0	1,823,258	149	1,823,407	1,823,407	0	281.02	
Airlines	12.000%	11.865%	6,083,033	6,016,627	(66,406)	1,854,517	62,778	1,917,295	1,896,365	(20,930)	315.19	
Railroads	10.970%	10.850%	41,311,729	40,859,823	(451,906)	10,286,609	360,329	10,646,938	10,530,472	(116,466)	257.72	
Class 11 Totals			47,394,762	46,876,450	(518,312)	12,141,125	423,107	12,564,233	12,426,836	(137,397)	265.10	
Farmstead 1 Acre	3.088%	3.088%	3,857,875	3,857,875	0	1,004,894	740	1,005,724	1,005,724	(0)	260.69	
Impr. on Ag and Timber Land	3.088%	3.088%	51,273,818	51,273,818	0	12,350,522	6,646	12,357,168	12,357,168	0	241.00	
Class 12 Totals			55,131,693	55,131,693	0	13,355,505	7,387	13,362,892	13,362,892	(0)	242.38	
Nonproductive Land Under 20 Acres	2.000%	2.000%	86,180	86,180	0	22,727	530	23,256	23,256	(0)	269.86	
Class 1 thru 13 Totals			1,937,328,736	1,927,831,676	(9,497,058)	436,479,370	43,807,225	480,286,595	477,146,128	(3,140,467)	247.91	

Ex. #3 p.3
6-26-87
AB 47

Estimated Change in Taxable Value and Taxes
Due to Changes in Tax Rates
By Property Type

Property Type	1988 Tax rate	Proposed Tax rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1989 Taxes Levied by Cities and Towns	Total 1988 Taxes Levied	Total 1989 Taxes Levied	Total Proposed Taxes Levied	Change in Taxes Levied	Avg Mill Levy
5 7 New Industry - Other Property	3.000%	3.000%	2,247,362	2,247,362	0	0	760,770	703	761,474	761,474	(0)	338.83
5 7 R & D Improved Improvements	0.000%	3.000%	0	0	0	0	0	0	0	0	0	0.00
5 7 R & D Land	3.000%	3.000%	20,310	20,310	0	4,671	4,671	0	4,671	4,671	0	229.98
5 7 R & D Personal Property	3.000%	3.000%	15,053	15,053	0	201	201	0	201	201	0	229.98
5 7 Rural Co-op Companies	3.000%	3.000%	8,957,521	8,957,521	0	3,462	2,097,978	71,347	2,169,326	2,169,326	0	242.18
Class 5 Totals			27,096,655	27,096,655	0	5,541,403	138,432	5,679,835	5,679,835	5,679,835	(0)	209.61
5 8 Rental Equipment	4.000%	4.000%	200,346	200,346	0	55,644	14,247	69,891	69,891	69,891	0	348.85
5 8 Cattle	4.000%	4.000%	20,255,833	20,255,833	0	4,662,144	1,563	4,663,707	4,663,707	4,663,707	0	230.19
5 8 Horses	4.000%	4.000%	953,034	953,034	0	232,457	854	233,311	233,311	233,311	0	244.81
5 8 Other Livestock	4.000%	4.000%	57,024	57,024	0	13,675	13,745	13,745	13,745	13,745	0	241.04
5 8 Sheep	4.000%	4.000%	626,679	626,679	0	137,603	6	137,609	137,609	137,609	0	219.58
5 8 Swine	4.000%	4.000%	109,008	109,008	0	24,683	13	24,696	24,696	24,696	0	226.55
Class 6 Totals			22,201,924	22,201,924	0	5,126,206	15,753	5,141,959	5,141,959	5,141,959	0	231.50
7 9 Indep. Telephone Companies	8.000%	8.000%	626,129	626,129	0	162,372	1,869	164,240	164,240	164,240	0	262.31
7 9 Rural Telephone Property	8.000%	8.000%	67,291	67,291	0	22,564	0	22,564	22,564	22,564	0	335.62
Class 7 Totals			693,420	693,420	0	184,936	1,869	186,805	186,805	186,805	0	269.42
8 10 Ag Implements	11.000%	11.000%	55,254,775	55,254,775	0	12,646,643	10,684	12,657,327	12,657,327	12,657,327	0	229.07
8 10 All Other Property	16.000%	11.000%	168,127	115,587	(52,540)	38,507	7,067	45,574	31,332	31,332	(14,242)	271.07
8 10 Buses	13.000%	11.000%	171,932	145,481	(26,451)	41,063	2,543	43,606	36,887	36,887	(6,709)	253.62
8 10 Cable TV Systems	16.000%	11.000%	1,709,878	1,175,541	(534,337)	480,855	110,774	591,629	406,745	406,745	(184,884)	346.01
8 10 CB's and Mobile Phones	13.000%	11.000%	184,541	2,156,150	(1,971,609)	45,245	3,589	48,834	41,321	41,321	(7,513)	264.63
8 10 Coal and Ore Haulers	13.000%	11.000%	3,247,325	2,627,956	(619,369)	553,255	12	553,267	380,431	380,431	(172,836)	771.59
8 10 Coal and Ore Trucks	13.000%	11.000%	24,989,646	24,989,646	0	11,507,513	3,230,119	15,737,632	12,757,523	12,757,523	(2,980,109)	315.62
8 10 Manufacturing Machinery	11.000%	11.000%	72,949,015	72,949,015	0	5,307,513	188,015	5,495,527	5,495,527	5,495,527	0	268.30
8 10 Mining Machinery	11.000%	11.000%	1,327,230	1,327,230	0	18,346,428	670,564	19,016,992	19,016,992	19,016,992	0	262.71
8 10 Oil Field Equipment	11.000%	11.000%	19,797,678	19,797,678	0	3,128,836	10,544	3,139,380	3,139,380	3,139,380	0	158.57
8 10 Radio and TV Broadcasting Equip.	16.000%	11.000%	1,159,617	787,237	(372,380)	339,470	52,926	392,396	269,772	269,772	(122,624)	338.23
8 10 Rental Equipment	11.000%	11.000%	1,587,747	1,587,747	0	433,415	119,628	553,043	553,043	553,043	0	348.32
8 10 Ski Lifts	11.000%	11.000%	380,981	380,981	0	109,343	0	109,343	109,343	109,343	0	279.66
8 10 Supplies and Materials	16.000%	11.000%	6,757,722	6,757,722	0	1,586,903	91,645	1,678,547	1,678,547	1,678,547	0	248.99
8 10 Theatre and Sound Equipment	16.000%	11.000%	111,965	4,529,825	(4,417,860)	34,338	7,560	41,898	28,605	28,605	(13,093)	374.20
8 10 Trailers	13.000%	11.000%	4,529,825	4,529,825	0	1,447,122	72,619	1,519,741	1,519,741	1,519,741	0	269.27
8 10 Trucks 1 to 1 1/2 Tons	13.000%	11.000%	7,176,969	7,176,969	0	858,536	1,335	860,871	860,871	860,871	0	267.00
8 10 Trucks over 1 1/2 Tons	11.000%	11.000%	7,614,418	7,614,418	0	1,897,959	127,262	2,025,261	2,025,261	2,025,261	0	265.98
Class 8 Totals			246,997,274	238,018,528	(8,978,746)	59,644,263	4,798,983	64,443,246	61,640,176	61,640,176	(3,003,071)	261.72
9 11 Electric Companies	12.000%	12.000%	143,971,122	143,971,122	0	20,481,725	99,623	20,581,347	20,581,347	20,581,347	(0)	142.95
9 11 Gas and Electric Companies	12.000%	12.000%	128,159,981	128,159,981	0	27,885,674	1,064,235	28,949,909	28,949,909	28,949,909	0	225.89
9 11 Natural Gas Companies	12.000%	12.000%	978,738	978,738	0	204,778	902	205,680	205,680	205,680	0	210.15
9 11 Pipelines	12.000%	12.000%	43,153,714	43,153,714	0	8,861,126	46,889	8,908,015	8,908,015	8,908,015	0	206.43
9 11 Telecomm. Companies	12.000%	12.000%	62,137,056	62,137,056	0	17,562,463	3,535,950	21,098,413	21,098,413	21,098,413	0	339.55
Class 9 Totals			378,400,611	378,400,611	0	74,995,769	4,747,598	79,743,367	79,743,367	79,743,367	(0)	210.74

Ex. #3 p. 2
6-24-89
HB 48

Estimated Change in Taxable Value and Taxes
Due to Change in Tax Rates
By Property Type

Property Type	1988 Tax Rate	Proposed Tax Rate	1988 Taxable Value	Proposed Taxable Value	Change in Taxable Value	1988 Taxes Levied by State, County and Schools	1988 Taxes Levied by Cities and Towns	Total 1988 Taxes Levied	Total Proposed Taxes Levied	Change in Taxes Levied	Avg Mill Levy
Net Proceeds	100.000%	100.000%	279,816,735	279,816,735	0	44,469,516	3,854	44,473,369	44,473,369	0	158.94
Gross Proceeds of Coal Strip Mines	45.000%	45.000%	127,610,046	127,610,046	0	13,498,902	0	13,498,902	13,498,902	0	110.10
Gross Proceeds of Metal Mined Coal	3.000%	3.000%	7,897,795	7,897,795	0	2,142,285	8,818	2,151,104	2,151,104	0	272.71
Gross Proceeds of Underground Coal	33.300%	33.300%	130,497,841	130,497,841	0	15,641,187	8,818	15,650,005	15,650,005	0	119.93
Class 2 Totals											
Eligible Mining Claims	30.000%	30.000%	8,805	8,805	0	2,089	2,561	4,650	4,650	0	528.13
Grazing Land	30.000%	30.000%	38,374,487	38,374,487	0	8,683,151	1,196	8,684,347	8,684,347	0	226.31
Tillable Irrigated	30.000%	30.000%	13,774,339	13,774,339	0	3,266,818	2,599	3,269,417	3,269,417	0	237.86
Tillable Non-Irrigated	30.000%	30.000%	83,394,245	83,394,245	0	19,236,449	705	19,237,154	19,237,154	0	230.68
Wild Hay	30.000%	30.000%	5,536,827	5,536,827	0	1,341,685	233	1,341,917	1,341,917	0	242.36
Class 3 Totals											
City/town Lots Commercial	3.860%	3.860%	141,088,703	141,088,703	0	32,530,292	7,294	32,537,585	32,537,585	0	230.82
City/town Lots Residential	3.860%	3.860%	35,613,176	35,613,176	0	10,128,113	3,346,750	13,474,863	13,474,863	0	378.37
Exempt Improvements	0.000%	0.000%	54,481,389	54,481,389	0	15,535,887	4,757,757	20,294,644	20,294,644	0	372.51
Exempt Land	0.000%	0.000%	0	0	0	0	0	0	0	0	0.00
Farmstead 1 Acre - Low Income	1.902%	1.902%	32,401	32,401	0	8,253	12	8,265	8,265	0	255.09
Improved Existing Improvements	2.140%	2.140%	70,004	70,004	0	21,231	6,374	27,605	27,605	0	394.33
Impr. on Ag Land - Low Income	1.367%	1.367%	126,085	126,085	0	31,769	83	31,852	31,852	0	252.62
Impr. on City/town Lots Commercial	3.860%	3.860%	100,126,085	100,126,085	0	28,808,103	9,182,789	37,990,892	37,990,892	0	379.31
Impr. on City/town Lots Residential	3.860%	3.860%	170,680,109	170,680,109	0	48,978,207	14,475,068	63,454,275	63,454,275	0	371.00
Impr. on Class 20 Out of Production	3.860%	3.860%	0	0	0	0	0	0	0	0	0.00
Impr. on Disparately Owned Ag Land	3.860%	3.860%	765,041	765,041	0	166,234	7,398	173,631	173,631	0	228.96
Impr. on Hydraulic Power Works	3.860%	3.860%	0	0	0	0	0	0	0	0	0.00
Impr. on Industrial Sites	3.860%	3.860%	22,778,451	22,778,451	0	5,987,132	467,658	6,454,790	6,454,790	0	283.37
Impr. on Qualified Golf Courses	1.930%	1.930%	441,140	441,140	0	129,588	5,807	135,395	135,395	0	306.92
Impr. on Right of Way	3.860%	3.860%	811,446	811,446	0	199,679	62,011	261,690	261,690	0	322.50
Impr. on Suburban Tracts Commercial	3.860%	3.860%	23,302,089	23,302,089	0	6,667,702	300,587	6,968,289	6,968,289	0	299.04
Impr. on Suburban Tracts Residential	3.860%	3.860%	103,533,799	103,533,799	0	29,303,878	103,401	29,407,279	29,407,279	0	284.04
Impr. on Tracts and Lots - Low Income	2.286%	2.286%	3,740,799	3,740,799	0	1,079,391	216,307	1,295,698	1,295,698	0	346.37
Mobile Home Sites	3.860%	3.860%	12,571,828	12,571,828	0	4,156,372	957,771	4,872,250	4,872,250	0	389.43
Mobile Homes - Retired and Disabled	2.226%	2.226%	15,274,025	15,274,025	0	4,179,518	9,932	4,179,518	4,179,518	0	319.13
Qualified Golf Courses	1.930%	1.930%	199,805	199,805	0	57,744	60,832	60,832	60,832	0	304.46
Suburban Tracts Commercial	3.860%	3.860%	8,628,060	8,628,060	0	2,461,683	97,328	2,559,211	2,559,211	0	296.61
Suburban Tracts Residential	3.860%	3.860%	56,384,527	56,384,527	0	15,834,842	61,018	15,895,860	15,895,860	0	281.92
Suburban Tracts - Low Income	2.282%	2.282%	1,347,506	1,347,506	0	379,548	82,404	461,952	461,952	0	342.82
Adjustment for 20% Exempt. of 1st \$40,000	3.737%	3.737%	0	0	0	0	0	0	0	0	339.95
Class 4 Totals											
Air and H2O Pollution Control	3.000%	3.000%	601,434,314	601,434,314	0	170,803,163	33,653,452	204,456,614	204,456,614	0	339.95
All Season Related Property	3.000%	3.000%	14,089,825	14,089,825	0	2,119,820	53,929	2,167,748	2,167,748	0	153.74
Impr. on Residential Improvements	3.000%	3.000%	1,068,970	1,068,970	0	409,837	49	410,337	410,337	0	289.09
Locally Assessed Co-op Land	3.000%	3.000%	65,602	65,602	0	2,532	178	2,710	2,710	0	287.90
Locally Assessed Co-op Land, Prop.	3.000%	3.000%	558,390	558,390	0	15,238	7,346	22,584	22,584	0	350.36
Locally Assessed Co-op Vehicles	3.000%	3.000%	47,579	47,579	0	10,562	2,523	13,186	13,186	0	277.13
New Industrial Sites	3.000%	3.000%	4,470	4,470	0	1,289	1,607	1,607	1,607	0	359.43

Alt p to print: Alt w for window

Property Description	Proposed Rates
Class 1 Net Proceeds	1.000000
Class 2 Strip Coal Gp	0.450000
Class 2 Metal Mines Gp	0.030000
Class 2 Underd Coal Gp	0.330000
Class 3 Ag & mine cial	0.300000
Class 4 Real Property	0.038600
Class 5 Livestock, Air	0.030000
Class 6 Livestock, R	0.080000
Class 7 Ind Rural Tele	0.110000
Class 8 PERS PROPERTY	0.120000
Class 9 Utilities	0.038400
Class 10 Timber Land	0.120000
Class 11 Airlines	0.109700
Class 12 Farmland, fm	0.030880
Class 13 Under 20 A no	0.020000
Class 14 Exempted	0.000000

Taxable Value 1,937,328.736
 Proposed Tax Value 1,927,831.678
 Change in Tax Value (9,497.058)
 Taxes ST, CO, SCH 436,479.370
 Taxes Cities & Towns 43,807.225
 Total Taxes 480,286.595
 Proposed Total Taxes 477,146.128
 Change in Taxes (3,140.467)

EXHIBIT 3
 DATE 6-26-89
 HB 48

HB 48
 as drafted

Opinion, comment

EXHIBIT 2
 DATE 6-26-89
 HB 47



Equal treatment

Special session has chance to pass fair pension tax law

The special legislative session in June might take another look at the pension taxation issue. The Supreme Court recently ruled in a Michigan case that states can't tax federal retirement benefits differently than state retirement benefits. Since Montana treats federal pensioners differently than state pensioners, many observers think Montana will have to change its law.

We hope so. Montana's pension tax laws are unfair. Currently, the state does not tax pensions paid to retired Montana teachers, police officers and other public employees. But it taxes all federal and private sector pensions above \$3,600. Before 1987, only \$360 of a private retiree's pension was exempt from state income tax.

Bills were introduced in the regular session to bring more fairness to pension tax law, but they failed to pass — partly through the efforts of public employee lobbying groups who oppose taxing any portion of state public employee pension benefits. The Association of Montana Retired Public Employees (AMRPE), for example, lobbied legislators heavily to stop any taxation of the association's members' pensions.

In a letter to its members, the AMRPE suggested that the Legislature could give federal retirees the same benefits as state retirees, but doesn't have to give any break

to private retirees. Or, the AMRPE said, Montana could ask Congress to change the federal law used by the Supreme Court to strike down the Michigan pension law.

However, both of those suggestions would leave Montana with a discriminatory pension tax law — with private pension recipients on the short end of the stick. Private pensioners, when they were working, paid a large portion of the taxes that supported the public pensioners, when they were working. To say, at the end of their careers, that private pensioners must keep paying taxes while the public pensioner shall be free of taxes, is unfair to the private sector.

The special session in June should simply make pension tax law equal and fair: tax everybody the same, or exempt everybody the same.

Federal pensioners are pushing hard under the Michigan ruling, to gain the same exemption as that granted to state pensioners. They deserve equal treatment.

So do private pensioners, even though the Supreme Court ruling did not concern them. State tax policy has been a thumb in the eye of private pensioners for too long.

We hope the special session will equalize Montana's pension tax law.

Retirement

HELENA I.R.
5/16/89

Exempt all retirees from income tax

When the Legislature convenes for its special session in Helena on June 19 equalizing school funding will be its top priority, but there are a couple of other things that it should consider.

One of those items is taxation of federal and private pensions.

In March the U.S. Supreme Court ruled that states cannot tax federal pensions if they exempt retirement income of former state and local government workers. The ruling grew out of a Michigan case, which has a law similar to Montana's.

Under Montana law, retirement income from state and local government employees is exempt from state income taxes. The state exempts only the first \$3,600 of retirement income for federal and private employees. Prior to 1987, only the first \$360 of a private retiree's pension was exempt from the state income tax.

One plan offered by Gov. Stan Stephens during the recent legislative session would have exempted from state income taxes pensions received by retired local, state, federal and private employees living in Montana.

It was amended into the Democrats' main tax reform bill, but was changed to exempt the first \$8,000 of retirement income from the state income tax. The bill died on the session's final day.

Sen. Dorothy Eck sponsored a bill that would have exempted the first \$16,000 of retirement income from the state income tax. It didn't even make it out of committee.

On April 28, one week after the session adjourned, seven federal retirees filed a class-action lawsuit in Helena District Court in an attempt to force the state to refund what they call "illegally collected" taxes on retirement income. They asked the court to order the state to refund taxes paid back to 1983. They also asked the court to invalidate the law allowing taxation of federal retirees' pensions.

AN
IR
VIEW

We don't know if the district court will tackle the issue of refunding taxes back to 1983 because two other cases are pending before the U.S. Supreme Court that deal with the issue of whether refunds must be made when a tax is declared unconstitutional.

Nevertheless, given the fact that a case is pending in district court, we think the Legislature must act next month to equalize taxation of retirement income.

State and local government employees are understandably concerned.

State pensions were excluded from the state income tax by practice when the Public Employees Retirement System began in 1945. The exemption was put into the codes in 1973. When the Montana Teacher's Retirement System was created in 1937 all payments made to retired teachers were excluded from the state income tax.

If the past is precedent, and we think it is, public employees have a good point when they argue that any person employed by the state or local governments prior to the Supreme Court's ruling in the Michigan case has an implied contract with his or her governmental entity that retirement income will not be subject to the state income tax.

In an attempt to save a few bucks the Legislature could extend a full exemption to federal retirees and leave the \$3,600 exemption for private retirees in place.

However, we don't think that would be fair. We've heard that it would cost \$4 million to \$5 million to exempt all retirement income for public, federal and private retirees.

In our opinion that's a small price to pay to acknowledge the contributions these people have made to our state during their active working days.

