

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By DAN HARRINGTON, CHAIR, on January 23, 1991, at 9:07 a.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (D)

Members Excused: Rep. Russell Fagg (R)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

HEARING ON HB 200

An act authorizing a local government to impose a local option tax under the lodging facility use tax.

Presentation and Opening Statement by Sponsor:

REP. COHEN, House District 3, Whitefish, said HB 200 would allow local governments to impose a lodging tax which would piggyback the existing lodging tax. The bill, as written, has technical

problems and amendments have been prepared. **REP. COHEN** stated there are two sections of the bill that are important: (1) On page 1, the local governments may impose a facility use tax as a local option at a rate not to exceed 4% of the accommodation charge. The existing 4% goes entirely to promotion of tourism; (2) the change in wording at the bottom of Page 3. At present, a large portion of the money is sent to the Department of Commerce to use in the promotion of tourism and promotion of the state as a location for production of motion pictures. The replacement wording would allow the promotion division to use some of the money for the promoting of business in the state. When looking at the DOC budget, we are spending \$5 million for the promotion of tourism and production of motion pictures. The state is spending \$1.5 million for business development.

REP. COHEN gave background information. He stated Billings innkeepers won a court decision that accommodation taxes could not be imposed by local governments, and could only be passed by the state. In 1985, **REP. WALDREN**, Missoula, introduced an accommodations tax that provided additional funding for municipalities. He spoke with **REP. WALDREN** and found that the bill was tabled because of the strong opposition from the innkeepers and their influence on members of the Legislature. During the same Legislature, when the appropriations bill came to the floor of the House, there was \$200,000 being appropriated for tourism for the state which is an inadequate amount. In addition, there was a motion made to cut all \$200,000 for tourism promotion which succeeded. He contacted **John Wilson**, DOC, and **Alec Hansen**, League of Cities and Towns, and prepared amendments to **REP. WALDREN'S** bill which would have provided 3% of the 5% accommodations tax to go to local governments and 2% to tourism promotion. The amendment and motion to bring the bill from the table failed.

The property tax freeze has been an additional problem. It has held the local communities at a fixed level of spending for many government services. In 1984, Montana's Board of Crime Control, looked at Whitefish and said the police department had a workload equivalent to an average population of 9,000. The taxpayers are paying a great deal of money to support a police department which is required to handle all the impacts that come about by tourism. He has been trying to find ways to provide the municipalities with some additional income to offset the burdens created by tourism.

This is a way we can directly tax tourists. Tourists don't spend money for lodging only. They spend money for retail trades and food. While the tourist spend 1/3 of their money on retail trade, the total income of the establishments still remains from local trade not tourist trade. Local people are not spending money on lodging in those communities. By putting a tax on accommodations, we have targeted the visitors who are making an impact on these communities.

Proponents' Testimony:

Chuck Stearns, Finance Director, Missoula, provided written testimony. EXHIBIT 1

Alec Hansen, Montana League of Cities and Towns, stated his organization has a long history of supporting local option accommodation taxes. For years, opponents have argued that a tax of this type would destroy their industry. Now, the hotel and motel industry decided this tax is a good idea providing the money went for travel promotion. They gave no consideration for the cities, towns, and counties who provide the services to the traveling public. If the tourist towns across the state are looked at, their mill levy is 15% higher than the statewide average. This represents a direct subsidization by local property taxpayers for services used by the traveling public. Every month, cities and towns lose \$225,000 through inflation. If the rate of inflation stays at 6% for the next two years, cities and towns will lose \$6 million of the \$44 million tax base. This is a dangerous trend and will lead to cities and towns to not provide the quality services such as police, fire prevention, streets, and sanitation that are just as important to tourism. HB 200 offers help to the communities.

Gordon Morris, Montana Association of Counties, (MACO), stated the 1991 policy statements from MACO in regard to HB 200. MACO supports local authority to implement various local option taxes. The lack of federal revenue sharing and decreases in state revenue are having an impact on local governments throughout Montana. Local option taxing legislation should include consideration for hotel, motel, restaurant, luxury, payroll, sales, entertainment, and income taxes. HB 200 addresses the hotel/motel tax issue and urged the committee's support.

Tim Bergstrom, Montana Council of Firefighters, stated our local government's are being asked to provide an increasing number of emergency responses with a dwindling source of income. Many of their responses are to the hotels and motels throughout the cities on an annual basis. With the increasing tourist trade, there is an increase in car accidents. We have had to buy special equipment to extricate victims from accidents so medical services can be provided. These are increased costs to the communities. He urged committee support of local governments.

Vern Erickson, Montana Firemen's Association, went on record in support of HB 200.

Opponents' Testimony:

Chuck Brooke, Department of Commerce, provided written testimony. EXHIBIT 2

Sandra Guedes, Director of Tourism, DOC, provided written testimony. EXHIBIT 3

Dennis Burr, Montana Taxpayers Association, stated the difference between the proposed tax and the accommodations tax is that the accommodation tax is statewide. Imposing a local option room tax can change where people will conduct tourist business such as in the convention business. HB 200 does not do much for most counties and communities in the state. Most of the counties are unpopulated and would not derive much use from the tax. Most lodging facilities are located inside the city limits. Those cities will receive all of the revenue collected within the city. Why should County Commissioners take the heat of adopting this type of local option tax? There is nothing in HB 200 which states that the monies raised would be used to offset property taxes paid.

Page 2 indicates that the lodging facility use tax would have to be readopted every fiscal year. If we are going to have this type of tax, it should be capped. Page 2, Subsection 3, states municipalities may impose a local option lodging facility tax if the county doesn't. He is concerned with what will happen if the municipality adopts it first; does this preclude the county from adopting it? There is no language indicating that they both can.

F.H. "Buck" Boles, Montana Chamber of Commerce, stated the Chamber has opposed local option taxes for as long as the League of Cities and Town has supported them. If they are broadly based and require a vote of the people, we would not oppose them. It is a selective sales tax.

David Hemion, Helena Chamber of Commerce, provided written testimony. EXHIBIT 4

Keith Colbo, Montana Tourism Coalition, stated the Coalition was formed with two purposes in mind: (1) to inform and educate the elements in the tourism industry; and (2) to protect the bed tax and prevent the changes that would reduce its effectiveness in Montana's economy. He stood in opposition to HB 200.

Jim Twedt, Great Falls Innkeepers, stated they have been opposed to local option taxes. They feel that these taxes pit one city against the other. It should not be the responsibility of the lodging industry to balance the budgets of the cities.

Greg Bryan, Montana Innkeepers Association, provided written testimony. EXHIBIT 5,6

Questions From Committee Members:

REP. O'KEEFE asked Greg Bryan if the lodging industry returns \$1.2 million to the General fund. Mr. Bryan said under the old system, promotions were funded by the General Fund. At that time, \$1.2 million was devoted to that. The industry came forth

and voluntarily asked to keep the dollars in the General Fund. REP. O'KEEFE asked if this was assuming Montana kept tourism at the same level. Would it have increased or decreased tourist promotion? Mr. Bryan said part of the problem is that certain funding was seesawing up and down and there was no ability to have a consistent campaign in the market place.

REP. HOFFMAN asked REP. COHEN why the bill didn't contain provisions for a vote by the people. REP. COHEN said he had no objection to a vote and asked that it be put on as an amendment. REP. HOFFMAN asked if this tax would broaden the target of the bed tax to become another local sales tax. REP. COHEN said HB 200 does not touch the 4% that is presently going to promoting the state. The local option tax will be on top of the 4%.

REP. RANEY said the opposition is not against local option but the expenditure at the state level and asked if REP. COHEN would be agreeable to amending HB 200. REP. COHEN said yes. He said the Appropriations Committee does not look at the spending of the promotions division. That money is given to them in a lump some from the bed tax.

REP. THOMAS wanted to know if anyone had a breakdown of instate people staying in motels versus out of state. Chuck Brooke said 55% of the people staying in motels across the state were nonresident. That figure may change based on further research.

Referring to a comment made by Jim Twedt, REP. DOLEZAL asked if he had any facts to support his statement that the local option accommodations tax could reduce the number of tourists coming into the state. Mr. Twedt said local option tax pits one city against another. Price does have a bearing on the influx of people.

Closing by Sponsor:

REP. COHEN said there has been an increase in tourism. He referred to a memo written to SEN. BROWN concerning the bed tax. EXHIBIT 7

There is no money going into the General Fund from this bed tax. It all goes into a special revenue account. He said when the bed tax money was used to promote the Innkeeper Association's welfare, it suddenly became no threat to tourism. He suggested an additional up to 4% bed tax would not have any affect on tourist coming into the communities. He urged the committee support.

HEARING ON HB 262

An act revising the meaning of taxable valuation as used in the classification of counties.

Presentation and Opening Statement by Sponsor:

REP. HARRINGTON, House District 68, Butte, stated HB 262 is an effort to respond to the passing of HB 20 in the special session. It inadvertently deleted Sections 19 through 39. **EXHIBIT 8**

HB 262 calls for the reinstatement of Sections 19, in HB 20, which amended 7-1-2111, MCA, classification of counties. With the resulting drop in taxable value associated with the reduction of personal property tax rates, it was intended to hold the county taxable value constant as it pertained to classifications of counties. On Page 2, Lines 5 and 6, HB 262 reinstates the 6% tax value of the counties on January 1 of each calendar year for purposes of clarity and regulating the compensations and salaries of all county officers. This is not a tax issue because it does not increase taxes. It changes the consistency in the calculation of the tax value for class purposes.

Proponents' Testimony:

Gordon Morris, Montana Association of Counties, asked for the committees favorable consideration on HB 262. The bill raises by 6% the taxable value as it relates to county classification as was provided for in HB 20.

Opponents' Testimony: None

Questions From Committee Members:

REP. RANEY asked **Gordon Morris** to clarify HB 262 again. **Mr. Morris** said the section being amended deals with the classification of counties. Counties are classified according taxable value. When the taxable value of personal property is reduced, the resulting affect is the reduction of county taxable value as it relates to classification. We are asking to keep that constant. That taxable value is used to determine what class of county it is. The class is then used to determine elected official salaries. Elected official salaries are based upon a base of \$12,000 for class 5,6,and 7 counties; and \$14,000 for class 1,2,3, and 4 counties. A class 4 county, as a result of the passage of HB 20 without the language in, artificially had its value reduced to a class 5 county effective July 1, 1992. The base salaries would be reduced from \$14,000 to \$12,000.

REP. RANEY, referring to artificially reducing the value of the county, said if the taxable value is reduced, that is not artificial. If they become a reclassified county, it should go from a class 4 to a class 5 county. **Mr. Morris** said counties should go to class 5 if there is a loss of tax base as a result of people moving from the county; but when the tax laws are changed, as they pertain to this section of the law, we have to come in to keep it constant. **REP. RANEY** asked which counties would be affected. **Mr. Morris** said theoretically all 56 counties

are affected. The counties we are concerned about are those counties that are on the cusp relative to class 4 and 5. This is the breakpoint when you go from a \$14,000 base to a \$12,000 base; but for some elected officials, they will go from full time to part time.

REP. THOMAS asked what January 1 of each year meant. Do you add 6% every year? **Mr. Morris** stated that language is there relative to other sections of law. December 31 of the preceding year is the section in law that says when taxable value is to be determined by the DOR. What they are talking about is certified value. In this section of law, we take the taxable value of each county as certified by the DOR on January 1. We adjust that certified value and add all other a,b,c,d,e, values for purposes of determining what the class of the county is. The County Commissioners are required to pass a resolution by September 15 of each year certifying what the county classification is. This doesn't affect the county until January 1. Six percent of the certified value which is not compounded is needed to keep this constant.

REP. M. HANSON said in 1983 Powder River County was a first class county with an \$80 million valuation. The commissioners sent her a list and Powder River County now has a \$6 million valuation and asked if this legislation would put them back to fulltime or keep them at parttime. **Mr. Morris** said it would not put the commissioners back to full time. The certified taxable value of Powder River County is \$6,035,000. That means, for every mill levy they collect \$6,035. We now adjust that \$6,035,000, we add the motor vehicles which are estimated to run \$548,000, add the 3/4 to 1 ton vehicles at \$66,000. They have no newer interim production, but they do have \$7,000,000 worth of exempt production under HB 28. This gives them a taxable value for classification of \$13,948,788 which puts them in a class 5 category. Class 5 starts at \$15 million and goes down to \$10 million. HB 262 would add \$390,000 worth of taxable value, but they would remain a class 5 county.

Closing by Sponsor:

REP. HARRINGTON said sometimes when bills are acted on as in HB 20, the Legislature does things they don't mean to do. They do cause some problems. All HB 262 does is hold the counties harmless for the Legislature's mistakes.

Informational Announcement:

REP. REAM announced that the Income/Severance Tax Subcommittee will meet January 24, 1991 from 9:00 a.m. to 11:00 a.m. DOR will be presenting natural resource taxation. **REP. COHEN** said the Property Tax Subcommittee will meet at 8:00 a.m. The members of **REP. REAM'S** subcommittee has expressed interest in receiving materials presented in the Property Tax Subcommittee.

CHAIR HARRINGTON said HB 200 and will be sent to the Income/Severance Tax Subcommittee.

EXECUTIVE ACTION ON HB 193

Discussion:

REP. HARRINGTON said he had no problem with exemption of state inheritance taxes nor the reduction in the time period from 10 years to 5 years.

Motion: REP. ELLISON MOVED HB 193 DO PASS.

Motion/Vote: REP. REAM moved to amend HB 193. Motion carried unanimously. EXHIBIT 9

Motion/Vote: REP. HARRINGTON MADE A SUBSTITUTE MOTION THAT HB 193 DO PASS AS AMENDED. Motion carried 20 to 1 with REP. GILBERT voting no.

EXECUTIVE ACTION ON HB 262

Discussion:

REP. HARRINGTON said he doesn't feel the questions asked on HB 262 should get into the situation at all. This is important to the counties.

REP. FOSTER said he was hoping to look at the data which was requested by the committee prior to action.

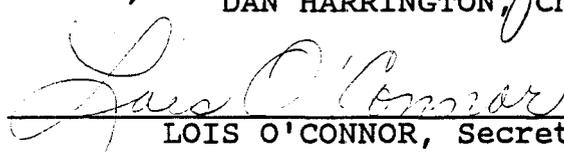
Motion: NO ACTION WAS TAKEN ON HB 200.

ADJOURNMENT

Adjournment: 12:00 p.m.



DAN HARRINGTON, Chair



LOIS O'CONNOR, Secretary

DH/lo

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE 1/23/91

NAME	PRESENT	ABSENT	EXCUSED
REP. DAN HARRINGTON, CHAIRMAN	✓		
REP. BOB REAM, VICE-CHAIRMAN	✓		
REP. BEN COHEN, VICE-CHAIRMAN	✓		
REP. ED DOLEZAL	✓		
REP. JIM ELLIOTT	✓		
REP. ORVAL ELLISON	✓		
REP. RUSSELL FAGG			✓
REP. MIKE FOSTER	✓		
REP. BOB GILBERT 10 ⁰⁰	✓		
REP. MARIAN HANSON	✓		
REP. DAVID HOFFMAN	✓		
REP. JIM MADISON	✓		
REP. ED MCCAFFREE	✓		
REP. BEA MCCARTHY	✓		
REP. TOM NELSON	✓		
REP. MARK O'KEEFE	✓		
REP. BOB RANEY	✓		
REP. TED SCHYE	✓		
REP. BARRY "SPOOK" STANG	✓		
REP. FRED THOMAS	✓		
REP. DAVE WANZENRIED	✓		

1-23
1-23-91
JDB

HOUSE STANDING COMMITTEE REPORT

January 23, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that House Bill 193 (first reading copy -- white) do pass as amended .

Signed: [Signature]
Dan Harrington, Chairman

And, that such amendments read:

1. Page 2, line 15.

Strike: "taxable years beginning"

Insert: "estates in which the date of death is"



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EXHIBIT 1
DATE 1-23-91
200

CITY OF MISSOULA
CHUCK STEARNS TESTIMONY ON HOUSE BILL #200
January 23, 1991

The City of Missoula strongly supports House Bill #200 which would allow a local option lodging facility tax of 4%. A local option lodging facility tax has been considered a primary possibility for local government taxing diversification and property tax relief in Montana at least since prior to the 1972 Constitutional Convention.

Local option lodging taxes are the most popular local option tax nationwide. According to a 1987 nationwide study by two university professors for the National League of Cities, local taxes on transient lodging are found in more states (43 states) than any other selective excise tax.¹ Allowable local option add-on rates in these states range from .9% in Colorado to 11% in California and voter approval is required in only eight of the forty-three states.²

In Missoula, this tax would raise almost \$500,000 annually in new revenue for the City. One area that the City of Missoula could use this revenue to spur more tourism would be to use the revenue toward helping to build a minor league baseball park. We have undertaken a study to determine the feasibility of obtaining a Pioneer league franchise.

I am attaching a chart showing a compilation of a small survey by the ballpark feasibility firm of Laventhol and Horwath which gives an indication of the popularity of linking a lodging facility tax to a baseball ballpark. While this survey is small and overly influenced by the use in Florida cities, we have found that many cities use lodging facility taxes to pay for all or part of a ballpark's construction cost. Investing in tourism related facilities helps to spur more tourism and thus more business for the lodging facilities.

A local option lodging tax is also an equitable tax. The burden is imposed on users of lodging facilities and such users in Montana normally do not pay any other direct local tax. As to whether the burden is absorbed by the lodging facility or "forward-shifted" to the tenant does not affect its equitable nature.

The lodging facility tax has proven to be a popular local tax throughout the nation and allowing a local option add on will help local governments cope with the added costs of increased tourism and increase funding for tourism facilities while providing for local revenue diversification and property tax relief as anticipated at the 1972 Constitutional Convention. The City of Missoula strongly supports HB200 and respectfully urges your concurrence.

¹ John H. Bowman and John L. Mikesell, *Local Government Tax Authority and Use*, (Washington, D.C.: National League of Cities, 1987), p. 96.

² *ibid.*, pgs. 121-123.

January 23, 1991
House Bill 200
Charles A. Brooke, Director
Montana Department of Commerce

TESTIMONY BEFORE THE HOUSE TAXATION COMMITTEE
ON HOUSE BILL 200

Mister Chairman, members of the Committee, my name is Chuck Brooke. I am Director of the Department of Commerce. I appear before you today to testify in opposition to House Bill 200.

As you will be hearing from others in the tourism and lodging industry about concerns with the overall concept of this bill, I will focus my attention on one specific aspect of the bill that is of concern to me as an agency and program administrator.

Section three of this bill proposes to change the current earmarking of the use of accommodations tax revenues by adding the requirement that the funds be used to specifically promote the state as a positive location for business, in addition to the existing requirements, to promote tourism and film location work.

While the intention to help support Montana's business recruitment efforts is a good one, this is not the proper means for doing it for the following reasons:

- 1) Business recruitment is already a formal function within the Business Development Division of the Department of Commerce.
- 2) Business recruitment strategies and efforts are already in place and are being implemented through a variety of public-private sector partnerships.
- 3) Our current tourism promotion efforts have already been shown to have a positive impact on the state's business recruitment potential.

EXHIBIT 3
DATE 1-23-91
HB 200

JANUARY 23, 1991

HOUSE BILL 200

TESTIMONY PRESENTED BY SANDRA GUEDES

DIRECTOR OF TOURISM, DEPARTMENT OF COMMERCE

OTHER OPPONENTS OF THE BILL WILL BE ADDRESSING SPECIFICALLY THE ADDITIONAL 4 % TAX, THEREFORE, I WILL LIMIT MY COMMENTS TO THE CHANGES PROPOSED UPON SECTION 3 PAGE 3 OF HOUSE BILL 200.

CURRENT STATUTE REQUIRES THE BED TAX PROCEEDS TO BE USED FOR "TOURISM PROMOTION AND PROMOTION OF THE STATE AS A LOCATION FOR THE PRODUCTION OF MOTION PICTURES AND TELEVISION COMMERCIALS."

THE BILL WOULD AMEND THE LANGUAGE TO INCLUDE "PROMOTION OF THE STATE AS A POSITIVE LOCATION FOR BUSINESS." I WOULD SUGGEST TO YOU THAT THIS IS ALREADY BEING VERY EFFECTIVELY DONE.

THE MOST EFFECTIVE FORM OF ECONOMIC DEVELOPMENT IS THE CREATION AND EXPANSION OF BUSINESS WITHIN THE STATE, AND THAT IS WHAT IS HAPPENING RIGHT NOW IN MONTANA THROUGH THE GROWTH IN TOURISM. THROUGHOUT THE STATE, THE INCREASE IN TOURISM IS CLEARLY VISIBLE: HIGHER HIGHWAY TRAFFIC COUNTS, INCREASED NUMBER OF CANADIAN VISITORS AND REVENUES, ETC. INCREASED VISITORS DO INDEED MEAN INCREASED DEMAND FOR SERVICES BUT IT IS EXACTLY THAT DEMAND WHICH SPURS BUSINESS GROWTH, WHICH IS MANIFESTED THROUGH:

--MULTI MILLION DOLLAR CONSTRUCTION OR EXPANSION OF HOTELS (AN EXAMPLE IS THE JORGENSEN'S HOTEL HERE IN HELENA AND THE COLONIAL INN BEFORE THAT OTHER EXAMPLES ARE SEEN THROUGHOUT THE STATE.)

--NEW GAS STATIONS

--NEW RESTAURANTS

--EXPANSION PROJECTS AT SKI AREAS--SINCE INCEPTION OF THE BED TAX, WHICH HAS ALLOWED MONTANA TO COMPETE NATIONALLY FOR SKIER REVENUES, VIRTUALLY EVERY SKI SLOPE IN THIS STATE IS UNDERGOING CONSIDERABLE EXPANSION---FROM LARGER BASE LODGES TO SEVERAL MILLION DOLLAR CONDOMINIUMS. NONRESIDENT SKIER REVENUES HAVE INCREASED 52 % DURING THAT SAME PERIOD OF TIME.

--NEW CONVENIENCE STORES

--NEW SUPERMARKETS

AND TO SERVICE THOSE BUSINESSES NUMEROUS OTHER BUSINESSES ARE

EXHIBIT 4
DATE 1-23-91
HB 200

TESTIMONY BY DAVID HEMION
EXECUTIVE DIRECTOR
HELENA AREA CHAMBER OF COMMERCE
H.B. 200
JAN. 23, 1991

THE HELENA AREA CHAMBER OF COMMERCE IS OPPOSED TO ANY AMENDMENT TO THE STATE'S ACCOMMODATIONS TAX WHICH WOULD WEAKEN THE APPLICATION OF THOSE FUNDS TO TOURISM PROMOTION. WHILE THE TITLE AND MUCH OF THE SUBSTANCE OF THIS BILL SPEAKS TO A LOCAL OPTION FACILITY TAX, THERE IS AN AMENDMENT IN SECTION 3 WHICH WE BELIEVE WORKS AGAINST FUNDING TOURISM PROMOTION.

SECTION THREE WOULD BE AMENDED TO INCLUDED PROMOTION "OF THE STATE AS A POSITIVE LOCATION FOR BUSINESS" AS A USE FOR THE ACCOMMODATIONS TAX. WE ARE NOT OPPOSED TO BUSINESS PROMOTION, NOR ARE WE OPPOSED TO THE STATE DOING JUST THAT.

WE DO OPPOSE OPENING THE USES OF THE ACCOMMODATIONS TAX FOR THIS PURPOSE.

GIVEN THIS AMENDMENT, IT WOULD APPEAR THAT THE DEPARTMENT OF COMMERCE WOULD BE REQUIRED TO SPLIT THESE REVENUES BETWEEN BUSINESS PROMOTION AND TOURISM PROMOTION. IT IS CONCEIVABLE THAT THE LEGISLATURE COULD HOLD UP FUNDING FROM THE GENERAL FUND FOR BUSINESS PROMOTION.

IF THIS WERE TO HAPPEN, TOURISM PROMOTION FUNDING WOULD SUFFER, AND THAT IS WHAT WE OPPOSE. WE BELIEVE THE PROOF OF THE VALUE OF THAT MARKETING IS EVIDENT. IN HELENA WE HAVE HAD STEADY INCREASES IN

TOURISM IN THE RANGE OF TEN PERCENT ANNUALLY FROM THE TIME WE BEGAN USING THE BED TAX TO FUND TOURISM MARKETING. WE HAVE HAD SUBSTANTIAL NATIONAL AND INTERNATIONAL MEDIA COVERAGE ON HELENA IN THE PAST MONTHS, CAUSED BY USING OUR FUNDS TO PROMOTE THIS AREA.

IN A VERY REAL SENSE, THE ATTENTION WE CAN CREATE TOWARD OUR AREA AND THE STATE IN TOURISM MARKETING ALSO SPILLS OVER INTO BUSINESS DEVELOPMENT. A SHOP OR PLANT OWNER WHO VACATIONS HERE MAY INDEED LOOK FORWARD TO MOVING HIS OR HER OPERATIONS TO MONTANA, AS SOME HAVE DONE, TO HAVE A RICHER LIFE. BUT THE HOOK THAT GOT THEM HERE WAS OUR TOURISM MARKETING PROGRAM.

WE WOULD ASK THAT THIS BILL BE RE-WRITTEN TO EXCLUDE BUSINESS PROMOTION AS A USE FOR THE ACCOMMODATIONS TAX AND THAT NO AMENDMENT BE MADE TO THE LEGISLATION FOR THE ACCOMMODATIONS TAX.

PARENTHETICALLY, ALTHOUGH OUR CHAMBER DOES NOT HAVE A POSITION ON LOCAL OPTION TAXES, A RECENT POLL OF OUR 500 MEMBERS INDICATES THAT SUCH TAXES WOULD BE SUPPORTED BY ONLY 43 PERCENT OF THE MEMBERSHIP.



EXHIBIT 5
DATE 1-23-91
HB 200

TESTIMONY
HOUSE BILL 200
JANUARY 23, 1991
CONTACT: GREG BRYAN, MONTANA INNKEEPERS ASSOCIATION
449-8408

Today, I am here on behalf of the Montana Innkeepers association, Glacier Country Tourism Association, the City of Whitefish, and the Whitefish Area Chamber of Commerce regarding HB 200 as presented by Representative Ben Cohen. The Montana Innkeeper's take very strong exception to the bill for a number of reasons. First, it loads more burden on a horse that is already carrying more than its' fair share for Montana's economic vitality. Nonresident visitors spend only 18% of their dollars in lodging, the other 82% is spent across the broad segment of Montana's economy in retail, groceries, transportation, food and beverage. The committee has received a copy of a pie chart illustrating how the non-resident travel dollar is spent in Montana. Yet this bill puts more of the burden and responsibility once again on the lodging industry by allowing local governments to levy an additional 4% on hotel and motel rooms. Part of the attraction of Montana to tourists is our reasonable room and room taxation rates. Should this bill pass, we will have no better to offer in this area than many other states, both large and small.

The innkeepers, unlike any other industry, stepped up and volunteered to assist Montana's grossly underfunded promotional program and put money back into the General Fund. We are willing to be partners-pulling shoulder to shoulder-but not the burro which carries the load.

Secondly, this bill opens up the Bed Tax of 15-65-111 MCA for diversion of the proceeds away from its very focused intent, that of tourism promotion. The tourism industry in Montana has historically adamantly opposed such diversion. It is a program worthy of your continued support.

The promotional efforts are already helping economic development by introducing our great state's quality of life to visiting entrepreneurs. We know of many stories of businesses which have moved to our state as a result of a vacation induced by Travel Montana's promotional efforts.

I'm reminded of the well intentioned man who uses a fine tuned ski boat. He feels the engine isn't working like he thinks it should and begins to tinker with the carburetor. Before long, not only is he and his family not enjoying a great day of water skiing but

they find themselves paddling the boat to shore as the engine is so fouled up.

The bed tax engine is working great, let's not foul it up.

I have also submitted to the committee letters of opposition from the Flathead Convention and Visitors Association, the Kalispell Area Chamber of Commerce and others.

In closing, I question the depth of support for this legislation.

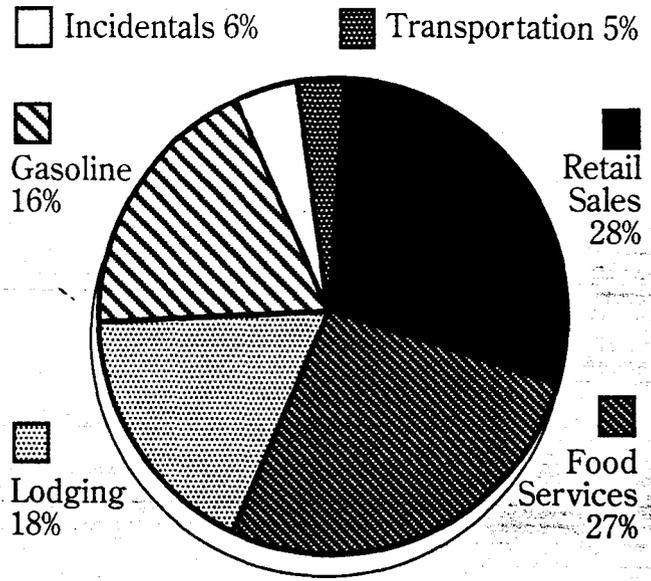
I would urge you to vote no on this and any other bill that opens up 15-65-111 MCA, the Bed Tax. You have all received copies of the Travel Montana Marketing Plan and the results of the Bed Tax's first few years. This is a plan that is working for all of Montana's benefit as the representation in the Tourism Coalition reflects. Look at legislation that does not band-aid Montana's problems but speaks to statewide tax reform and economic development.

Ex. 5
1/23/91
HB 200

NONRESIDENT TRAVEL TO MONTANA

- 1990 total direct expenditures: \$700 million.
- 1990 total economic activity: over \$1.5 billion (including direct, indirect and induced impacts.)
- 82% of non-resident visitors expenditures go toward items other than lodging:

How the Nonresident Travel Dollar is Spent.



Retail sales and food services accounted for over half of the nonresident travel expenditures in Montana last year.

- In 1988, total non-resident expenditures generated approximately \$72.5 million in tax revenues for state and local governments.
- 24% of total nonresident expenditures in Montana go towards salary and wages, directly and indirectly supporting over 25,000 jobs, from front-line, entry level jobs to technical and managerial positions. Industry employees contribute to local governments through income and property taxes.

EXHIBIT 5
DATE 1-23-91
HB 200

M E M O R A N D U M

TO: House Taxation Committee
Dan Harrington, Chairman

FROM: Nick Karen, Executive Vice President *NK*

RE: Opposition to HB 200

DATE: January 22, 1991

The Kalispell Area Chamber of Commerce has opposed the establishment of local option taxes in any form during the past two legislative sessions as mere "bandaid" approaches to solving state and local government revenue problems.

HB 200 (AN ACT AUTHORIZING A LOCAL GOVERNMENT TO IMPOSE A LOCAL OPTION TAX UNDER THE LODGING FACILITY USE TAX; PROVIDING FOR THE DISTRIBUTION OF THE TAX PROCEEDS, AND; PROVIDING FOR STATUTORY APPROPRIATION OF THE TAX) is not only another form of "bandaid" remedies but seriously undermines the effectiveness of the extremely successful accommodations tax created by HB 84 in the 1987 legislative session.

We urge you to OPPOSE HB 200.

We urge you to leave the "accommodations tax" alone. It's working wonderfully well in the Flathead as it is on a statewide scene. The Flathead has experienced an 11% annual increase in tourism since the enactment of HB 84.

Your concentrated efforts to accomplish comprehensive state tax reform in this session will do far more to solve state and local government revenue problems than will any local option tax.



Post-It™ brand fax transmittal memo 7671		# of pages ▶ 1	
To	Greg Bryan	From	Bill
Co.	MIKA	Co.	FCVA
Dept.		Phone #	
Fax #	443-7963	Fax #	

Ex 5
1-23-91
HB 200

15 DEPOT LOOP
KALISPELL, MONTANA 59901
406-756-9091
800-543-3105

January 22, 1991

TO: CHAIRMAN HOUSE TAXATION COMMITTEE
FROM: FLATHEAD CONVENTION AND VISITOR ASSOCIATION
RE: HOUSE BILL #200

Gentlemen:

I have been instructed by our board of directors to express our total opposition to House Bill #200.

Our organization is composed of over 100 members from properties and businesses throughout the Flathead Valley.

Sincerely,

Bill Martin
Executive Director

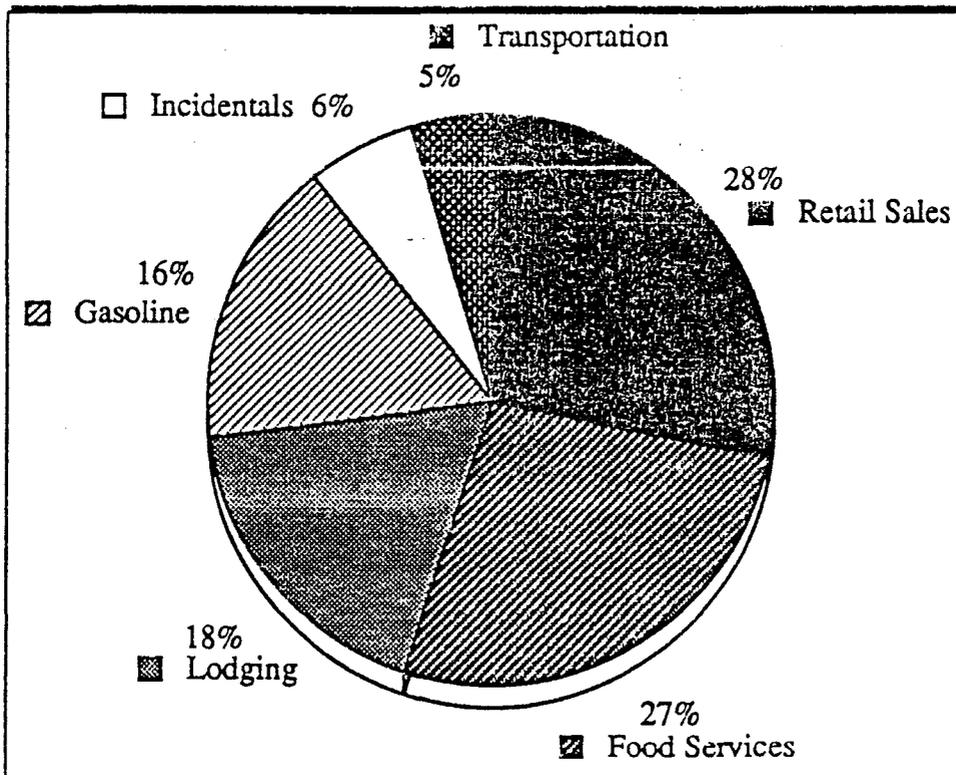
BM/lp

NONRESIDENT TRAVEL TO MONTANA

-1990 total direct expenditures: \$700 million.

-1990 total economic activity: over \$1.5 billion (including direct, indirect and induced impacts).

-82% of nonresident visitor's expenditures go towards things other than lodging:

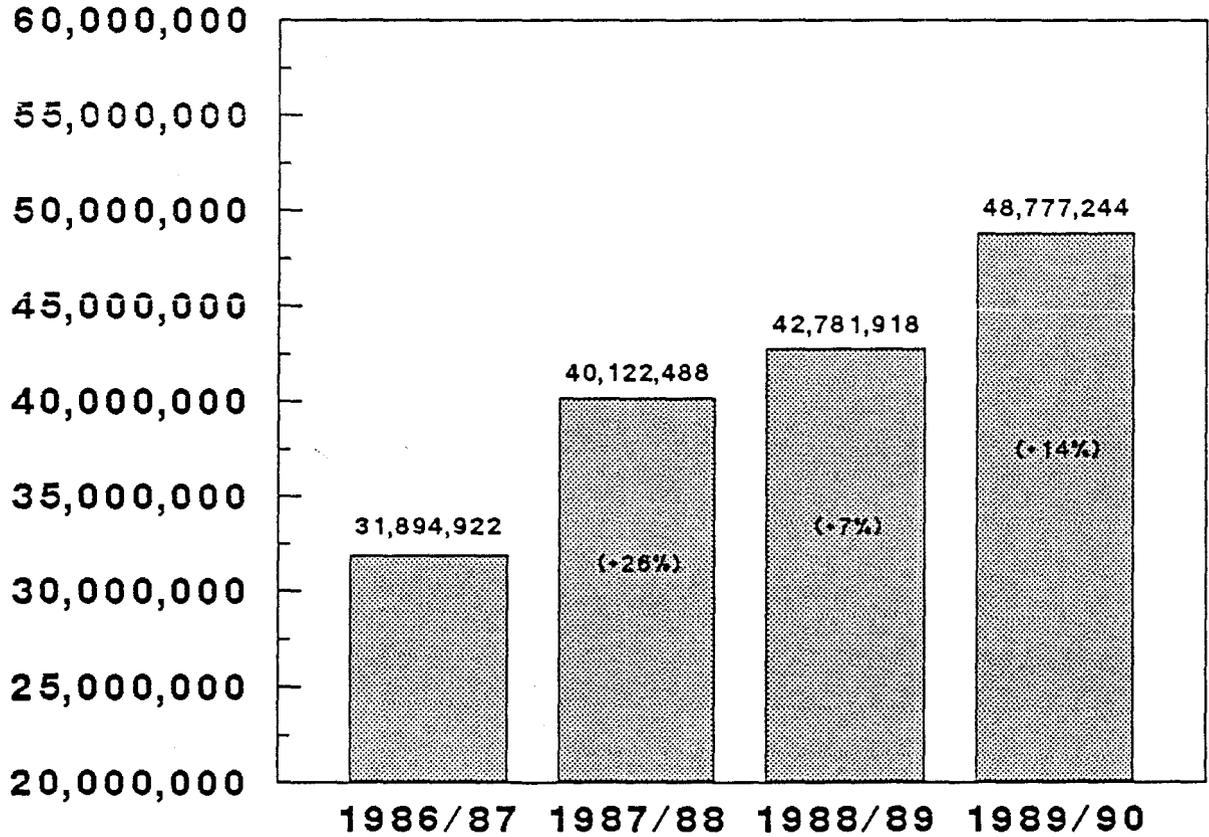


Ex. 6

1/23/91

HB 200

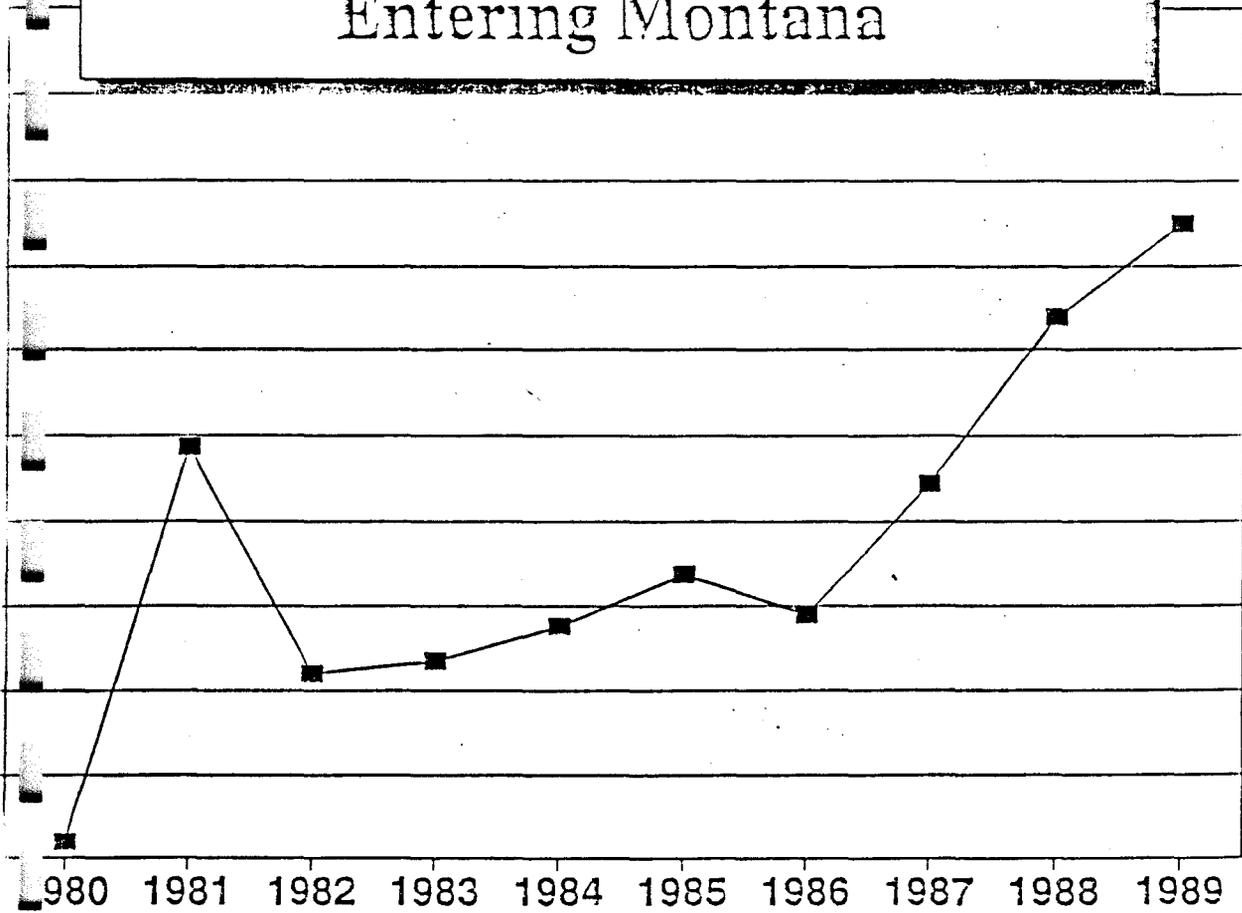
Total Skier Revenue



Ex. 6
1-23-91
HB 200

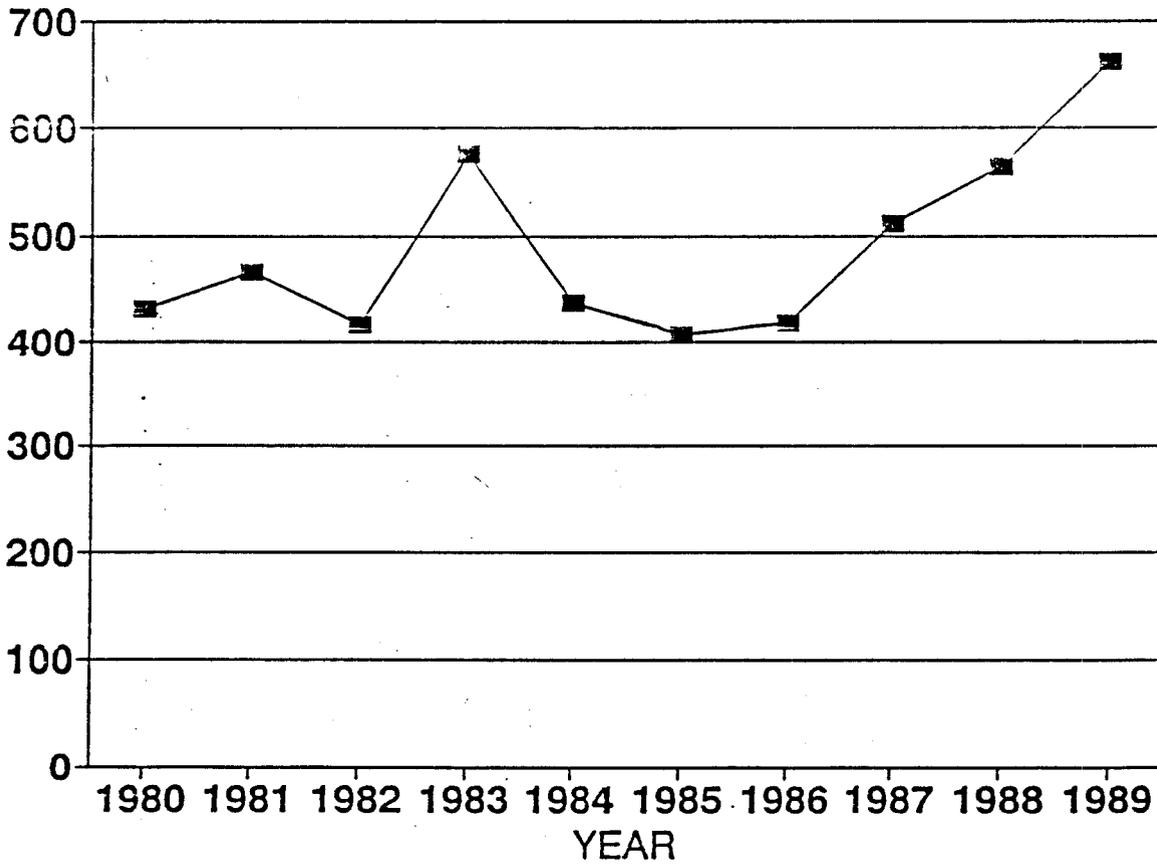
5

Non-Resident Highway Travellers Entering Montana



Source: Montana Department of Highways
Institute for Tourism and Recreation Research

Canadian Visits to Montana



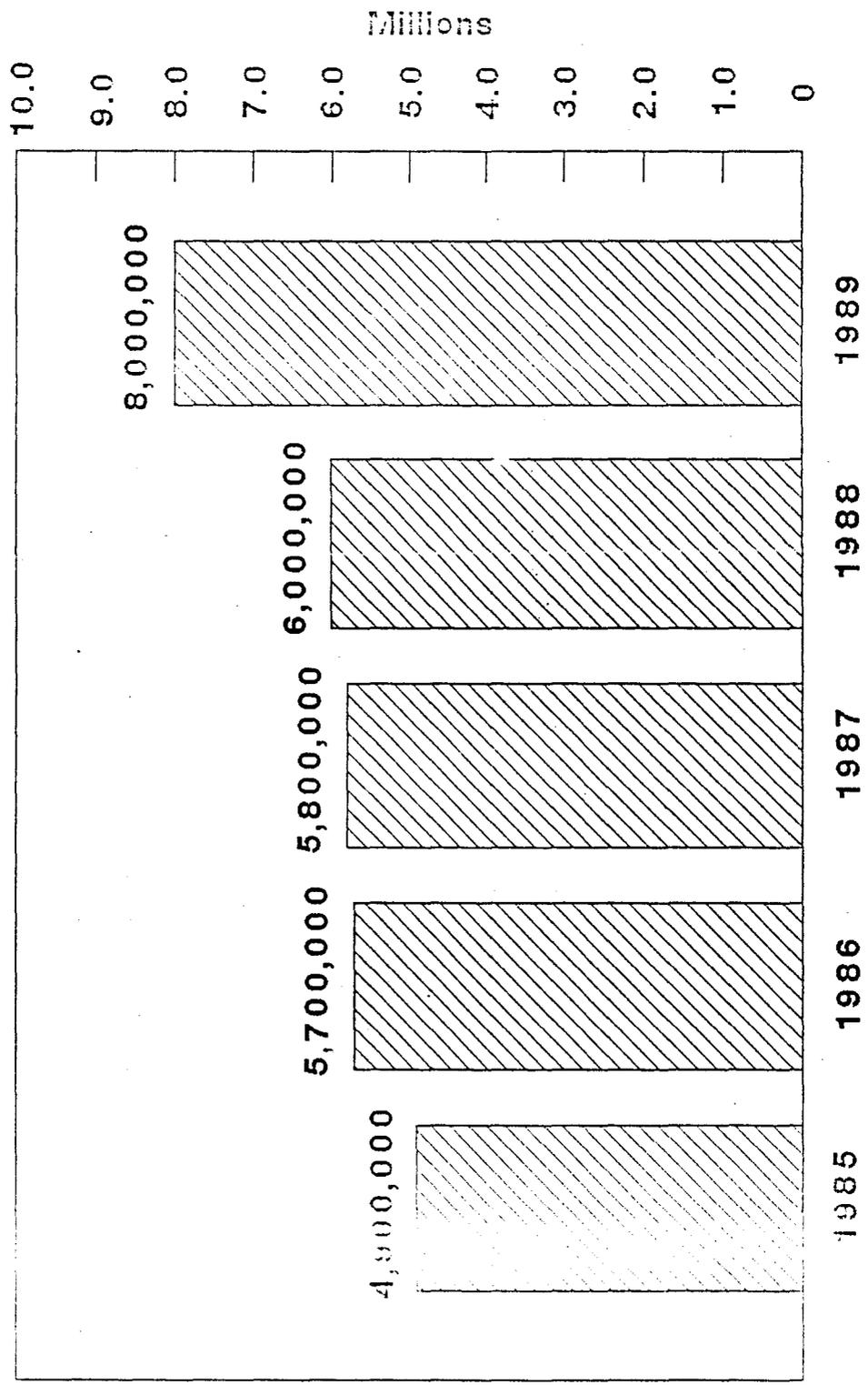
SOURCES: U.S. Travel and Tourism Administration, U.S. Department of Commerce
Institute for Tourism and Recreation Research

Ex 6

1-23-91

HB 200

Motion Picture Production Dollars Spent In Montana Estimated Gross Expenditures



7/10/90

EXHIBIT 7
DATE 1-23-91
HB 200

Dear Bob,

I hope I'm not boring you with figures you already know, but I did a survey of hotel room taxes several months ago. While some of them may have gone up, the list should still be quite accurate.

Atlanta	13%	Boston	9.7%
Chicago	12.5%	Columbus, OH	15.5%
Dallas	13%	Denver	11.9%
Honolulu	9.4%	Houston	14%
Las Vegas	7%	Los Angeles	12%
Miami	11%	Minneapolis	12%
Nashville	11.75%	New Orleans	11+%
New York	20%	Orlando	9%
Portland, OR	9.5%	San Francisco	11%
Seattle	14.1%	Washington, DC	11+%

Overseas it isn't any cheaper

Europe: Spain 12%, Germany 14%, England 15%, France 18.6%, Italy 19%.
However, they are pikers compared to Denmark
22% tax plus mandatory 15% svc. charge = 37%!!!

Far East: most countries have tax and mandatory service charges. Thailand 21%, India 15%, Hong Kong 15%, Tokyo 16%.

Caribbean: Barbados 15%, Anguilla 18%, Antigua 16%, British Virgin Islands 17-19%, Cayman Islands 16%, Jamaica 15+%, Dominican Republic 21%, St. Lucia 18%.

Mexico: national 15% hotel tax.

Ski resorts: Aspen 7.9%, Vail 8.2%, Beaver Creek 9.42%
Sun Valley 9%.

I listed everyone I discovered (i.e., didn't skip low ones). Basically everyone else has seen the tax has no downside, we haven't. The Bed Tax increased hotel business and a sales tax, some of which is spent on tourist amenities, would too.

Rich Atkinson

PS: When was the last time you traveled and tried to find out the sales tax ahead of time?

PPS: I'm not a typist either!

EXHIBIT 9
DATE 1-23-91
HB 193

Amendments to House Bill No. 193
First Reading Copy

Requested by DOR
For the Committee on Taxation

Prepared by Lee Heiman
January 23, 1991

1. Page 2, line 15.

Strike: "to taxable years beginning"

Insert: "estates in which the date of death is"

COMMITTEE PROXY

Date 1/23/91

I request to be excused from the TAXATION

Committee meeting this date because of other commitments. I

desire to leave my proxy vote with O. ELISON.

Indicate Bill Number and your vote Aye or No. If there are amendments, list them by name and number under the bill and indicate a separate vote for each amendment.

HOUSE BILL/AMENDMENT AYE NO

HOUSE BILL/AMENDMENT	AYE	NO
HB 193	X	

SENATE BILL/AMENDMENT AYE NO

SENATE BILL/AMENDMENT	AYE	NO

Rep. Bob Silbert
(Signature)

COMMITTEE PROXY

Date 1/23/91

I request to be excused from the House Taxation

Committee meeting this date because of other commitments. I

desire to leave my proxy vote with Rep. Orval Ellison.

Indicate Bill Number and your vote Aye or No. If there are amendments, list them by name and number under the bill and indicate a separate vote for each amendment.

HOUSE BILL/AMENDMENT AYE NO

HOUSE BILL/AMENDMENT	AYE	NO
HR 191	X	

SENATE BILL/AMENDMENT AYE NO

SENATE BILL/AMENDMENT	AYE	NO

Rep. Thomas C. Fagg
(Signature)

1 tax-bond-fund---pledge-of--tax-----authorization--of--coal
 2 privilege-tax-bonds---(1) There-is-a-coal-privilege-tax-bond
 3 fund--in--which---must---be--deposited-the-amount-set-forth-in
 4 (section-7(2)(1))
 5 (2) The-money-deposited-in-the-coal-privilege-tax-bond
 6 fund-is-pledged-to-and-secures-the-payment-of--principal--of
 7 and--interest--on--all--state--of--Montana-coal-severance-tax
 8 bonds-issued-pursuant-to-title-17-chapter-57-part--7--and
 9 coal-privilege-tax-bonds-authorized-by-this-section
 10 (3) The-board-of--examiners--upon-approval--of-the
 11 legislature-as-provided-in-title-17-chapter-57-part-7--may
 12 issue-and-sell-coal-privilege-tax-bonds-for-the-purposes-and
 13 subject-to-the-terms-and-conditions-for-the-issuance-of-coal
 14 severance--tax--bonds-set-forth-in-title-17-chapter-57-part
 15 7.
 16 (4) All-bonds-issued-pursuant-to-title-17-chapter--57
 17 part---7--after--(the--effective--date--of--this--section)7
 18 including-those-bonds-authorized-to-be-issued-by-House--Bill
 19 778--laws--of--1989--are-called--"state--of--Montana-coal
 20 privilege-tax-bonds"7-and-the-money-in--the--coal--privilege
 21 tax--bond--fund--is--pledged--to--pay--the--principal-of--and
 22 interest-on-the-bonds
 23 (5) For-the-purposes-of-title-17-chapter-57-part--7
 24 deposits--into--the--coal--privilege--tax--bond-fund-must-be
 25 treated-as-deposits-into-the-coal-severance-tax-bond-fund;

1 NEW SECTION: Section 18. Continued--tax-depositr--The
 2 legislature shall provide--for--the--continued--assessment7
 3 levy--and--collection--of--the--privilege--tax--and--for--the
 4 deposit-of-that-revenue-into-the--coal--privilege--tax--bond
 5 fund-that7-together-with-other-revenue-assets7-and-money-as
 6 may--be--deposited-to-one-or-more-special-bond-funds-pledged
 7 for-the-benefit-of-the-coal-severance-tax-bonds-or-the--coal
 8 privilege-tax-bonds7-will-be-sufficient-to-produce-an-amount
 9 that--is-necessary-to-pay7-when-due7-the-annual-debt-service
 10 charges-on-all--outstanding--bonds--payable--from--the--coal
 11 privilege-tax-bond-fund7
 12 Section 19. Section-7-1-2117-MCA7-is-amended-to-read:
 13 7-1-2117--Classification--of--counties---(1) For-the
 14 purpose-of-regulating-the-compensation-and-salaries--of--all
 15 county--officers7-not-otherwise-provided-for7-and-for-fixing
 16 the-penalties-of-officers7-bonds7-the--several--counties--of
 17 this--state-shall-be-classified-according-to-that-percentage
 18 of-the-true-and-full-valuation-of-the-property-therein--upon
 19 which--the--tax-levy-is-made7-except-for-vehicles-subject-to
 20 taxation-under-61-3-504(2)7-as-follows:
 21 (a) first-class--all-counties-having--such--a--taxable
 22 valuation-of-950-million-or-over7
 23 (b) second-class--all-counties-having--such--a--taxable
 24 valuation-of--more--than--930--million--and--less--than--950
 25 million;

DATE: 1-23-91
 262

1 (e) third class all counties having such a taxable
 2 valuation of more than \$20 million and less than \$30
 3 million
 4 (f) fourth class all counties having such a taxable
 5 valuation of more than \$15 million and less than \$20
 6 million
 7 (g) fifth class all counties having such a taxable
 8 valuation of more than \$10 million and less than \$15
 9 million
 10 (h) sixth class all counties having such a taxable
 11 valuation of more than \$5 million and less than \$10 million
 12 (i) seventh class all counties having such a taxable
 13 valuation of less than \$5 million
 14 (j) As used in this section, taxable valuation means
 15 the taxable value of taxable property in the county as of
 16 the time of determination plus:
 17 (a) that portion of the taxable value of the county on
 18 December 31, 1981, attributable to automobiles and trucks
 19 having a rated capacity of three quarters of a ton or less;
 20 (b) that portion of the taxable value of the county on
 21 December 31, 1989, attributable to automobiles and trucks
 22 having a rated capacity of more than three quarters of a ton
 23 but less than or equal to 1 ton;
 24 (c) the amount of interim production and new
 25 production taxes levied as provided in 15-23-607, divided

1 by the appropriate tax rates described in 15-23-607(2)(a) or
 2 (2)(b) and multiplied by 60% and
 3 (d) the amount of value represented by new production
 4 exempted from tax as provided in 15-23-612, and
 5 (e) 6% of the total taxable value of the county on
 6 December 31, 1990.
 7 Section 20, Section 7-3-1321, MCA, is amended to read:
 8 7-3-1321. Authorization to incur indebtedness ---
 9 limitation. (1) The consolidated municipality may borrow
 10 money or issue bonds for any municipal purpose to the extent
 11 and in the manner provided by the constitution and laws of
 12 Montana for the borrowing of money or issuing of bonds by
 13 counties and cities and towns.
 14 (2) The municipality may not become indebted in any
 15 manner or for any purpose to an amount, including existing
 16 indebtedness, in the aggregate exceeding 20% 29.8% of the
 17 taxable value of the taxable property therein as
 18 ascertained by the last assessment for state and county
 19 taxes prior to incurring such indebtedness. All warrants
 20 bond or obligations in excess of such amount given by or
 21 on behalf of the municipality shall be void.
 22 Section 21, Section 7-6-221, MCA, is amended to read:
 23 7-6-221. Authorization to conduct county business on
 24 a cash basis. (1) In case the total indebtedness of a
 25 county, lawfully incurred, exceeds the limit of 20% 24.5%

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

1062

TAXATION COMMITTEE BILL NO. HB 200
DATE 1/23/91 SPONSOR(S) Rep. Ben Cohen

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Chuck Stearns 435 Ryman Missoula	City of Missoula	X	
Jay Foster 1833 Iris Billings	Billings		X
DAVID HEMION	HELENA CHAMBER		X
Al Beck Ballo	MONTANA CHAMBER		X
MARYGITA VOELLER	Helena Chamber		X
Linda Spill Anderson	MACO	✓	
Keith L. Colbo 1039 Cedarwood Helena	Tourism Coalition		X
Gordon Morris	MACO.	✓	
SANDRA GUYDES	TOURISM, DEPT. OF COMMERCE		X
Jim Twardt	of. Falls Innkeepers		X
Chuck Brooke	Dept. of Commerce		X
DEBORAH SCHLESINGER	MT. LIBRARY ASSOC	X	
DENNIS BURR	mt. taxpayers Assoc		X

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

