

TAXATION COMMITTEE  
45TH LEGISLATURE

Chairman Rep. Herb Huennekens called the Taxation Committee to order at 8:00 a.m. January 12, 1977, in Room 434, Capitol Building, Helena, MT. All members were present.

Rep. Les Hirsch, sponsor of House Bill 97 at the request of the Department of Revenue, explained this bill changes units of measurement for cement dealer's license tax from barrels to tons without changing the tax rate or amount of tax.

HOUSE BILL 97

Jim Madison, administrator of the miscellaneous tax division of the DOR, advised "barrels" has not been used as a unit of measurement of cement for many years, and the tax law would be easier to administer if the unit of measurement were changed to tons.

Rep. Warren O'Keefe introduced House Bill 102 on behalf of the department of revenue. This bill will prohibit creation of a new tax jurisdiction district after January 1 of each year to allow for easier computation of the tax levies.

HOUSE BILL 102

Dennis Burr, DOR, stated this bill was introduced at the request of the county assessors to allow them more time to assess such properties and figure mill levies.

Dan Mizner, Executive Director of the League of Cities and Towns, opposes this bill. He asked for a determination of what a tax jurisdiction comprises. He feels that because of the short construction period in Montana projects could not be constructed when they should be if they had to wait until January 1 to request the tax be levied for their payment. See his witness statement attached.

Burr advised the department doesn't want to try to collect the tax until the following year after construction and notification. Mr. Mizner sees no reason why cities and counties cannot collect taxes on such a project whenever they get the mill levies figured.

Mr. Mizner and Mr. Burr will get together and reword House Bill 102.

Rep. Dan Harrington, sponsor of House Bill 101 at the request of the department of revenue, explained HB 101 would put the state income tax allowance for political contributions in line with the federal income tax contribution allowance. The federal allowance was changed and the state wants to be in line with the federal return.

HOUSE BILL 101

Rep. W. Jay Fabrega, sponsor of House Bill 70, gave an interesting description of taxes. He referred to the "Montana's Property Tax: a citizen's guide" published by the League of Women Voters of Montana; and to HOUSE BILL 70 the Interim Study by the Subcommittee on Taxation "Montana's Property Taxes: Assessment and Classification". Exhibits A and Al. House Bill 70 implements the recommendations of the Interim Subcommittee on Taxation simplifying the procedure of figuring taxes. This bill will make the taxation procedure more understandable to the average taxpayer. The fiscal impact is very small - the main purpose is to increase legislative control and simplify property taxation.

The subcommittee suggested that "taxable value" be substituted for "assessed value" and there is need to define these terms. All counties would have the same method of taxing property. Equity is not changed, but the formula is. Recodification changes shown are to make the term of "taxable value" standard.

Bill Sternhagen, representing Anaconda Co., advised that the proposed changes in HB 70 would greatly increase Anaconda Co.'s taxes. He left a copy of Anaconda's 1975 and 1976 tax payments. Exhibit B. He approves the concept of the bill which places the tax rate based on market value, but opposes the bill as it is presently written.

Keith Anderson, Montana Taxpayers Association, commends the concept of eliminating one step in figuring taxes, but believes class 2 property should be taxed at 7%, class 4 property at 10%. See Exhibit B1 re automobile taxes. This bill shows a 25% increase on residential property. Inflation would add to market value.

Tom Winsor, Montana Chamber of Commerce, recommends amendment of HB 70 to define "market value" as "dealer's cost" as is currently used by the DOR.

Bob Gannon, Montana Power Company, expressed his appreciation for Mr. Fabrega's presentation on HB 70. He approves the concept of the bill.

Chuck Gilder, head of the taxation department of Montana Power, sees problems with the class 2 where much more emphasis is put on automobiles, trucks, etc., and he feels that more concern should be placed on industrial machinery and construction projects, and get it to 8%. Pollution control is classified under class 7 and this would cost the Colstrip units \$56,000 more.

Gene Phillips, Pacific Power & Light Co., advised HB 70 will be studied by their tax department.

Riley Childers, Montana Associated Utilities, recommends that HB 70 be amended. He believes the present language changes some classifications over a 50% increase.

Les Loble II, representing Montana Dakota Utilities, Co., and Knife River Coal Mining Co. sees some problems with class 2 and 5.

Don Eamon, Anaconda Co., opposes the bill and recommends amendment.

During discussion, the question of factors determining market value was raised.

A subcommittee was appointed: Rep. E.N. Dassinger, chairman; Reps. Les Hirsch and Elmer Severson.

Rep. Fabrega, sponsor of House Bill 98, stated this bill provides a penalty on any underreported portion of inventories of 25% or the amount due on the underreported portion. It is felt the penalty in relationship to the cost of ascertaining accuracy justifies the 25% penalty. Also HB 98 is to provide an effective date of January 1, 1978, as is proposed in a suggested amendment.

Edward Nelson, Montana Taxpayers Association, neither proposes nor opposes this bill, but approves the proposed amendment wherein the penalty applies only to the underreported portion of any tax due. Suggests tying this new language to appeal and review process currently in progress.

Tom Winsor, Montana Chamber of Commerce, is neither for nor against HB 98, but recognizes problems in complying with old laws was their misapplication. The average retailer doesn't know what his tax base is. He believes the 25% penalty is too high when other penalties are much less.

Don Pratt, Montana Funeral Directors' Association, and Montana Optometric Association is neither for nor against the bill, but is concerned about the retroactivity that might be done regarding audits. Wants to know time elements and periods to which penalty applies.

Dennis Burr advised the question of auditing is not determined.

The question of what percentage is to be considered underreporting arose. A county assessor can check with the state tax return, and if an audit seems necessary, one can be made. Effective date could be after 1976.

Committee adjourned to go to an executive session.

HOUSE BILL 97 - Rep. Edward Lien made a motion to recommend that House Bill 97 DO PASS. Rep. Sivertsen moved that an amendment inserting "and" after "cement" on page 1, section 1, line 12 be made. Amendment was adopted unanimously. The DO PASS motion was unanimously adopted as amended. Rep. Fagg was absent.

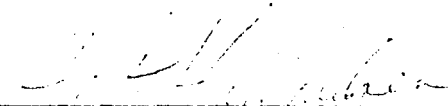
HOUSE BILL 101 - Rep. Dan Harrington made the motion to recommend House Bill 101 DO PASS. Motion was adopted unanimously. Rep. Fagg was absent.

HOUSE BILL 47 - Rep. E.N. Dassinger made the motion that HB 47 be amended as shown on attached committee report. Unanimously adopted. Rep. Edward Lien moved that House Bill 47 AS SO AMENDED DO PASS. Motion was unanimously approved. Rep. Fagg was absent.

HOUSE BILL 19 - This bill was further considered and Terry Cohea is to write appropriate amendments.

A subcommittee on HB 98 was appointed - Reps. Fabrega and Lien.

Committee adjourned at 11:45 a.m.

  
REP. HERB HUENNEKENS, Chairman