

TAXATION COMMITTEE
45TH LEGISLATURE

Chairman Herb Huennekens called the Taxation Committee to order in room #434 January 31, 1977, at 8:00 a.m. All members of the committee were present. Bills to be heard were House Bills 383, 386, 389, 401, 402.

Rep. William Menahan, District #90, Deer Lodge County, sponsor of HB 401, presented this bill because he feels people are being overtaxed because of lack of time for use of snowmobiles. There is a question as to whether 5th wheelers are included under this bill. Taxes are to be figured on the age of the vehicle. He wants the present tax lowered so people will buy their license plates in Montana instead of where they spend their winters where taxes are cheaper. SB 193 is similar.

HOUSE BILL 401

HB 401 repeals the property tax on snowmobiles, camping trailers, campers, and motor homes and imposes a fixed fee on these recreational vehicles based on their age. The county treasurer would apportion the fees to the taxing jurisdictions in the same proportions that a property tax would be.

Lloyd Anderson, Treasure State Wheelers, Helena, supports HB 401. He is a member of the first chapter in the state of Montana of the Good Sam Club. Fifth wheelers should be defined. HB 401 should include mini-motor homes. After a couple of years old, the top rate could be dropped a little bit and give them a little break on the lower end. People can't afford the tax in Montana, so they leave their trailer elsewhere. Montana will lose out on trailer tax and income tax also. See testimony attached.

Don Ingersoll, Helena, thinks HB 401 should be amended to include travel trailers and 5th wheelers and mini-motor homes, and that there should be a more realistic fee schedule for the first year's tax. See his testimony.

Mrs. Margaret Anderson, East Helena, is in support of HB 401 if it is amended. See her testimony.

Al and Dorothy Warnke, Helena, support an amended HB 401. See their testimony.

Harriet and John F. Van Vynck, Clancy, MT, support HB 401 if amended. See their recommendations on their witness statements.

OPPONENTS:

Steve Turkiewicz, MACo, opposes HB 401, because the counties need the money from these taxes. He doesn't feel this is the approach to take and wants to look at the entire system.

Ray White, Montana County Assessors Association, Bozeman, opposes HB 401, stating that this is evidence of a deteriorating tax base. He doesn't feel the problem is with the ad valorem tax. Before the DOR, there was a system of taxing motor homes, but the DOR has regulations, which he doesn't fully go along with, that puts a higher valuation on them. He feels the problem is with the rules and

regulations not the method of taxation. This bill would place the same fee on all of them. It would allow vacation homes, etc., to come under this in time and that wouldn't be fair because it would be the same on expensive motor homes. His motor vehicle people are filing suits now.

Rep. John Scully, District #76, Gallatin County, sponsor of HB 389, asked the committee to hold this bill until further consideration can be given to it.

HOUSE BILL HB 389 imposes a tax of .25% on the gross receipts of all passenger tramways. This tax would be collected by the department of revenue and used by the department of administration for its passenger tramway safety program. This bill has an immediate effective date. Rep. Scully asks that this bill be killed.

389 The tax would be a penny per ski-lift ticket which would provide the funds necessary to inspect the Gondola at Big Sky.

Rep. William Menahan, sponsor of HB 402, explained this bill is for the purpose of collecting taxes from delinquent corporations. HB 402 provides that the corporate officers of any corporation that fails to file its annual corporation report are liable for any unemployment compensation taxes due for the period in which the report was delinquent. After the report is filed, the directors may not be held liable for any taxes accruing after that date.

HOUSE BILL 402

Fred Barrett, Administrator of the Employment Security Division, said in order to tighten up the overall administration of corporations filing reports, it will be necessary to go to individuals in a corporation to help collect delinquent unemployment taxes. See the reproduced newspaper item.

Harold V. Kansier, Employment Security Division, is asking for legislation to protect the trust fund. ESD is not able to force filing of these annual reports and there is an increased number of corporations owing the agency. In one instance, one man was the only stockholder in three different corporations which now owe in excess of \$10,000. There are a number of corporations like this. The corporation holds no assets - all of the trucks were owned by the individual and leased to the corporation. ESD as a creditor, is aware of the corporations' problems. He recommends ESD be able to cancel their insurance although they do not want to do that.

Ernest Post, Montana State AFL-CIO staff representative supports HB 402. This act would apply to other taxes. It would go into 87-136 part of the Unemployment Compensation law. Corporations owe their taxes and this would bring the unemployment trust fund in over \$60,000. There is now \$250,000 outstanding owed to the Division and approximately 40% is owed by such corporations. He feels it is time the laws are tightened up on these corporations.

Tom Winsor, Montana Chamber of Commerce, Helena, feels that this should not be an unfair tax and they are not opposed to the penalties and laws proposed. See his testimony.

Mr. Kansier further stated that of the \$237,000 owed, \$97,000 is owed by corporations. They can pressure collections on individuals, but if corporations go out

of business, since they are just a shield, this tax cannot be collected. This law was on the books in 1967, and when corporation laws were revised, a standard corporation law was incorporated. There was a penalty in the old provision which benefitted the creditor and sustained the secretary of state in obtaining annual reports.

Questions from the committee brought out that if information showed that the corporation was mismanaged by the officers, the officers were liable and could be sued by the defunct corporations. The question of whether the unemployment taxes payments were covered under a contractor's bond arose.

Rep. Fabrega said until they file bankruptcy, you can collect from an individual. If officers fail to file the annual report, then they become personally liable. Mr. Kansier said they cannot continue to pursue corporations after bankruptcy, but can still continue to pursue their debts.

Workmens Compensation collected \$13 million a year on the average. They prosecute 200-300 persons a year for having drawn claims fraudently in the amount of \$35,000. They are talking about twice that much money from corporations.

Rep. Jack Uhde, District #17, Flathead County, sponsor of HB 383, said this is an act to exempt all teacher retirement benefits earned in any state from Montana income taxes. This would reduce revenue from income tax \$325,000 to \$500,000 per year. An effective date of 1977 was proposed.

HOUSE BILL

383 The question arose of why just approach teachers on this exemption and not all other retirement incomes. The question of reciprocity arose. Rep. Lien mentioned Montana teachers are allowed \$3,600 tax free now by a contractual deal with the state.

HOUSE BILL 386, sponsored by Rep. Art Lund, will be considered at a later date.

The committee recessed to an executive session.

HB 389 - Rep. Fabrega moved that HB 389 DO NOT PASS. Rep. Fagg made a substitute motion that the committee get more information before deciding on this bill. This motion was accepted unanimously.

HJR 4 - Rep. Lien moved that HJR 4 DO PASS. Rep. Dassinger moved that subsection (2), lines 11 through 17 be deleted. This motion was approved unanimously. The original motion by Rep. Lien was changed to AS AMENDED DO PASS, and this motion carried with Rep. Williams voting No; Rep. Vincent was absent.

HOUSE BILL 402 - Rep. Fabrega moved that HB 402 DO PASS. Unanimously approved.

HOUSE BILL 401. Rep. Dassinger moved to recommend that HB 401 DO NOT PASS. Motion carried with Reps. Lien, Severson, Waldron voting No - 14-3 vote.

HOUSE BILL 218 - Rep. Waldron had moved that HB 218 be reconsidered. This motion now failed 5-12. Since it was not reconsidered, the motion of DO NOT PASS stands.

21 - January 31, 1977

Page 4

HOUSE BILL 383 - Rep. Fabrega moved to recommend HB 383 DO NOT PASS. Reps. Waldron and Uhde voted No. Motion carried 15-2.

HOUSE BILL 288 - Rep. Lien moved to recommend HB 288 DO PASS. Motion carried 9-8. Rep. Fagg moved to recommend reconsideration of action on HB 288 for further discussion. Motion failed 8-9.

HOUSE BILL 379 - Rep. Dassinger moved to recommend HB 379 DO PASS. Rep. Williams moved proposed amendments on page 1, line 17, following "camper"; insert "truck canopy cover and topper. Proposed amendments were adopted with Reps. Gilligan, Severson, Bertelsen, Waldron voting No. Original motion by Rep. Dassinger was changed to AS AMENDED DO PASS. Motion carried unanimously.

HOUSE BILL 288 - Rep. Fagg moved HB 288 DO NOT PASS. Rep. Lien moved a substitute motion of DO PASS HB 288. This motion carried 9-8.

HOUSE BILL 166 - Rep. Sivertsen moved to recommend HB 166 DO NOT PASS. Motion carried 14-3. Reps. Harrington, Waldron, Uhde voted No.

House Bill 269 will be deferred until Rep. Fabrega obtains more information.

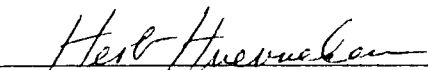
HOUSE BILL 237 - Rep. Harrington moved to recommend HB 237 DO PASS. Motion carried unanimously.

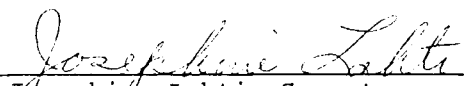
HB 292 - Rep. Vincent moved to recommend HB 292 do pass. He further moved to amend, but this motion was withdrawn after further discussion. Rep. Dassinger moved HB 292 be amended on page 2, line 21, delete 40%, insert 100%; line 22, delete 30%, insert 50%. Rep. Fabrega made a substitute motion to amend to allow other than residences 100% on residences and buildings not used as a residence. All action on HB 292 was postponed until later.

HOUSE BILL 306 - Rep. Fabrega moved to recommend HB 306 DO NOT PASS. Rep. Waldron moved that proposed amendments DO PASS. This motion failed. The original motion of DO NOT PASS carried 16-1. Rep. Waldron voted No.

Amendments adopted may be seen on the Standing Committee Reports in Book #1.

Meeting adjourned at 11:45 a.m.


REP. HERB HUENNEKENS, CHAIRMAN


Josephine Lahti, Secretary