

TAXATION COMMITTEE  
45TH LEGISLATURE

Rep. Herb Huennekens called the Taxation Committee members to order February 3, 1977, at 8:00 a.m. in room #434, Capitol Building, Helena. All members were present. Bills to be heard today were HB 531, 586, 527, 613, 551.

Rep. Edward Lien, district #49, McCone County, sponsor of HB 531, explained that this proposal would establish a strip-mined land reclamation research account and earmark 1/4 of 1% of the coal severance tax annual collections to fund research on reclamation. At the present time only the federal government and coal industries finance research projects. The business industry research complies with the law in the cheapest way, and there is a need for better and longer-range research to be funded by the federal or state government. One-quarter of 1% will raise approximately \$100,000 per year. This would go into an earmarked fund to be spent at the discretion of the State Land Department.

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Senator Margaret Warden, District #18, Cascade County, hopes the committee will consider taking part of the millions of dollars of coal tax for research. If the State Land Department is to determine just what they need to know, they will have to have some input into what kinds of studies have been done. What will happen if there is a real dry summer - so far there has been adequate moisture for satisfactory reclamation. Lack of moisture could cause problems in reclamation. More information is necessary to know what should be done to reclaim strip-mined land, and this takes research from an interested party.

C. C. McCall, administrator of the Reclamation Division of the Department of State Lands, supports HB 531. See his testimony attached.

Sarah B. Ignatius, Northern Plains Resource Council, supports HB 531. Currently, research is mandated to the State Department of Lands to encourage and conduct reclamation research, but to date they have not had funds to do this. She believes using coal tax money in this manner is very worthwhile. She questions if an appropriation is necessary in addition to an allocation. She hopes the committee passes this bill.

Rep. Lien advised that top soil reclamation is very important and is being done without any question now. This money would come off the top of the portion of the coal severance tax that goes into the general fund. The fund would accumulate approximately \$102,000 in 1978 and \$127,500 in fiscal 1979. Although there is some research being done now on top soil reclamation, it is hard to address a specific problem when the problems are on a national basis. There comes a time when bond release becomes a question. The reclaimed land has to be able to support wildlife and stock at least as well as it did before being mined. At the moment there has to be a request to the general fund for this type of funding and the Department of State Lands has not had any money for research as such.

Rep. JoEllen Estenson, District #32, Lewis and Clark County, Helena, sponsor of HB 586, did so at the request of the Department of Livestock. HB 586 would assess a one-mill levy on the assessed valuation of all livestock for use of

HOUSE BILL            Department of Livestock for animal health functions. This department consists of two main divisions - control and eradication of animal diseases that can be transmitted to humans.

586                    The other department is the brands division which protects the stockman from theft, and brand inspection at the livestock markets, for protection and indemnity of livestock in Montana. Three mills are earmarked for animal health, three for brand inspection, and one for use in predator control. With lower livestock prices, and declining numbers of livestock marketed, the department has lost \$50,000 in revenue, and at the same time department costs have risen. HB 586 provides for additional funds by allowing the board of livestock to assess one mill on assessed valuations of livestock in the state. This money may be used in any of the three areas - animal health, inspections, or predator control.

Bob Bathelme, President of the Montana Stockgrowers Association, has been connected with the livestock industry in many ways. He recommends the committee judge this bill on its worth to the livestock industry in the long run. The livestock board is composed of 7 men. At the present time there is a deficiency of \$385,000, and so this bill was introduced. \$65,000 on the taxable value of livestock per annum will mean 8.2¢ per cow. The income from this tax would be allocated by the board. 4,500 head of livestock were recovered for rightful owners in a four months' period in 1976. If market inspectors are cut in the department of livestock, inspections will have to be done anyway, and will be done at the expense of the industry. Various organizations of the livestock industry were called in to discuss the one-mill levy, and it was discussed with legislators. The industry wants to go with the one-mill levy and does not want to curtail the services of the Board of Livestock.

Rep. Audrey Roth, District #10, Chouteau County, supports HB 586. She stated that the livestock industry has always paid its way. She believes some consideration should be given to other means of funding this deficiency, but that the industry will pay its own way. Her testimony is attached.

Bob Gilbert, Montana Stockgrowers & Montana Woolgrowers representative, supports HB 586. See his testimony attached.

Bill Asher, Manhattan, MT, Agricultural Preservation Association, supports HB 586.

Joe Tadevick, Shonkin, MT, supports HB 586 - see his testimony attached.

Les Graham, James W. Glosser, Helena, Dept. of Livestock; Ted Lucas, Highwood; Zack Stevens, Peter Jackson, Gail Burleigh, Lewistown; John Baucus, Wolf Creek, all support HB 586. Dr. Bob Painter, veterinarian, representing the Montana Veterinary Association, stated that the Board of Livestock needs much better facilities than they have.

Rep. Robert A. Ellerd, District #75, Gallatin County, Bozeman, representing himself, stated that it is hard to ask for an additional levy on the hardpressed livestock industry. He has been in the livestock marketing industry in Bozeman and has worked very closely with the Livestock Board. If you limit services at the market, you will do a great injustice to the industry. Services at the

market are very well controlled and handled at the market. Services are very badly needed. The stockman will be the loser if this one-mill levy is not allowed. There were 170,000 head of cattle less marketed last year. He considers this bill for the good of the industry and the good of the livestock board. Sincerely asked support of this bill.

John Staigmilller, representing the cattlemen's Association, deputy state stock inspector, knows about the decaying industry of the stockman, but knows that the livestock board needs this allocation in order to operate as it has been doing.

Rep. Estenson advised that appropriations should not be for what we can afford, but for what we choose to spend our money.

Because of the loss in valuation of cattle in the last year the revenue was drastically reduced. \$10,000 is received for each mill on the taxable value. This brought in \$74,000 for a one-mill levy last year; \$65,000 for a one-mill levy this year. One mill on assessed valuation equals 5 mills on taxable value.

Rep. Harrison Fagg, sponsor of HB 527, advised that every city has problems with roads and streets. HB 527 would mandate a \$10.00 fee be charged when a motor vehicle is registered, the income from which would go for the repair and maintenance of city roads and streets. The intent of this bill was to ask the Legislature to impose a \$10 fee to be earmarked for road construction in that jurisdiction.

HOUSE BILL 527 Ken Haag, Billings, said HB 527 intent was to establish a new fund to go to that jurisdiction. The bill is not written to meet the intent, and so amendments are to be made that will accomplish the original intent. Ken Haag is in control of the Department of Streets in Billings. Billings can no longer handle the needs of the streets at the present time. The method of collection is already there and this shouldn't add a great deal of cost for collection. He urges support of HB 527 as it is to be amended.

Rod Wilson, Billings Chamber of Commerce, representing approximately 1,000 members, supports the bill. He feels this is a better alternative than a SID. Billings needs funds very badly for street maintenance and repair. This would be imposed only on the city residents.

Steve Turkiewicz, representing MACo, suggested consideration of a further amendment allowing counties some revenue for the collection and administrative costs of collecting this fee.

#### OPPONENTS:

Rep. John Staigmilller, Cascade County, representing the rural public, urges defeat of HB 527 as it is written.

John Rumney, Chairman of the School Board of Cascade County said 50% is still to go to the county. This \$10 fee is to go to the city itself.

Larry Huss, lobbyist for Montana Automobile Dealers Association, Helena, opposes HB 527 as he thinks it is not necessary for all cities to impose this \$10 fee on the cities who have kept up their streets. Suggests this be put on a SID or other choice by Billings; do not impose it on other urban centers. Cities can get additional federal funds as they become available to cities that can be channelled into street repair and maintenance funds.

Rep. Williams said this has been amended so that it is left up to the vote of the majority of people in local jurisdictions.

John Diekhans and Carley L. Diekhans, representing the Chouteau Co. Property Owners Association, would not oppose HB 527 if it were amended so that the people affected could vote on it. See his testimony attached.

Rep. Warren O'Keefe would not oppose HB 527 if it is amended as proposed.

Earl Moritz, representing the Highway Users Association, thinks all the proposed laws for tax on gas and automobiles should be in one package. He opposes HB 527.

Wayne M. Christensen, Cascade Transportation Committee, Vaughn, MT, opposes HB 527 as it is written, but the amendments will change his opposition.

Wayne F. Lersbak, School District #3, Cascade, MT, opposes HB 527. See his witness sheet for testimony.

Beth Frisbee and Larry Tobiason, Montana Auto Association, both oppose HB 527. They said this seems to be a Billings bill, but would support an amendment to allow a vote of the people in other cities.

Sen. L.W.Fasbender, representing Cascade County, Fort Shaw, MT, opposes HB 527.

Rep. Fagg stated the bill intended to only be applied within corporate limits. Gas tax is not a very fair tax because it applies to everyone in the state. He agrees that HB 527 should be amended. Mr. Haag thinks it inequitable to charge those who have already paid for SIDs on their own roads.

The question of whether this proposition should be put to the voters or be imposed by the local governing body after a hearing, was discussed.

Rep. Ora Halvorson, District #13, Flathead County, sponsor of HB 613, said this bill is for a study of the complex tax structure that has taken place in Montana. This bill establishes a fiscal affairs study commission to complete a comprehensive review of Montana's tax structure and to make recommendations for its reform to the 46th Legislature. The bill appropriates \$250,000 to the governor during the coming biennium for this purpose and requires him to appoint seven persons to serve as the commission.

HOUSE BILL 613

Steve Turkiewicz, MACo, recommends looking at taxes in connection with local governments that use it. He is concerned about the members on the commission. See his witness shett.

Ed Nelson, Montana Taxpayers Association, supports HB 613, relating that former studies were revenue studies, not tax studies. Equity decisions should be made so economic growth can be done from within the state.

Tom Winsor, Montana Chamber of Commerce, supports HB 613.

Rep. Halvorson would have no objection to a slight change in the number of commission members as long as the ratio is kept; one from the mineral industry could be added.

Rep. Wes Teague, District #69, Yellowstone County, sponsor of HB 551, says this bill tries to eliminate one step in filing income tax statements. It allows a business to use the schedule showing the value of its business inventory required by the IRS for income tax purposes as its property tax inventory report.

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551 Rep. Melvin Williams supports this bill.

Tom Winsor, Montana Chamber of Commerce, supports this bill because it would simplify reporting of inventories. Suggests comparing this bill with Rep. Fabrega's bill. This is moving in the right direction.

Rep. Teague said schedule C reports business and inventory, and would allow a cross check by the DOR by using an income tax return.

Committee recessed to an executive session.

HOUSE BILL 551 - Rep. Fabrega moved to recommend HB 551 DO PASS. Unanimously adopted.

HOUSE BILL 586 - Rep. Sivertsen moved to recommend that HB 586 DO PASS. Motion carried with Rep. Uhde voting No, and Rep. Vincent was absent.

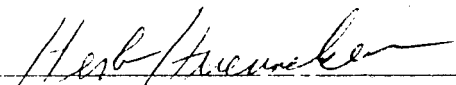
House Bill 527 - Rep. Lien moved that amendments be approved. Rep. Fabrega made a substitute motion that action not be taken today because of amendments. They should be studied by the legislative council. Reps. Williams and Sivertsen are to check with the sponsor of the bill and other people involved.

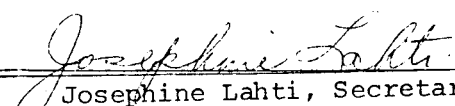
House Bill 613 - Rep. O'Keefe moved page 1, line 4, and page 1, line 12 be amended. Motion carried. Rep. Williams moved to amend page 1, line 24, section 3 by changing "seven" to "eight". Amendment was not voted on because of lack of time.

Rep. Ed Lien wants a committee bill introduced at the request of the Woolgrowers that would raise the tax from 15¢ to \$1 per head for sheep for predator control. The committee unanimously agreed to have this bill written.

House Bill 555 - Rep. Huennekens asked the committee if they want to request a pinball machine be brought in for study. Even Barrett has a picture of such a machine.

Meeting adjourned at 11:30 a.m.

  
REP. HERB HUENNEKENS, CHAIRMAN

  
Josephine Lahti, Secretary