

TAXATION COMMITTEE
45TH LEGISLATURE

Rep. Herb Huennekens, Chairman, called the Taxation Committee to order February 4, 1977, at 8:00 a.m., in room #434, Capitol Building, Helena. All members were present. Bills to be heard were HB 389, 552, 575, 603, 434, 215.

Rep. Gerald Kessler, District #66, Yellowstone County, chief sponsor of House Bill 575, advised that the present liquor license tax has not been going for the purpose for which it was intended. This bill allocated the local government share of the state liquor license tax to the cities and towns based on their expense for treating alcoholism rather than upon the gross sale of liquor. The bill requires each county to prepare a budget for the treatment of alcoholism in its various cities and towns and apportion the revenue on the basis of that budget, with at least 15% of the total allocation to the county and any surplus portion allocated 1/4 to the county and 3/4 to the cities and towns on a population basis. This would allow the local jurisdictions to budget these funds for where they are needed.

HOUSE BILL
575

Harold Hanser, Yellowstone County Attorney, Billings, recommends striking line 15. This would remove criminality, which gives rise to the necessity of public facilities. The city of Billings ended up with about \$140,000, and the county had \$40,000. The city put in about \$12,000 to the public facility. Yellowstone County had to fund the legal end of this. This would require that the total allocation be available for the necessary expense in the operation of the public treatment centers and the costs incurred by the county - court costs, transportation, room and board - come off the top and anything left over would be distributed 1/4 to the county and 3/4 to the cities according to population. This would also put a budgetary and fiscal control over the county. The Board of County Commissioners would prepare a budget for treatment in the cities and towns in the county and for the county itself. It seemed that this formula would be better than not having the tax and charging these expenses against the property owner, which is what is happening now, as it is an unfair burden on taxpayers. These funds would be earmarked for law enforcement and public health purposes.

Dave Gordon, Deputy County Attorney, Billings, also a board member of the Rimrock Guidance Foundation in Billings, a long-standing organization dealing with the alcoholism center, feels large scale alcohol treatment will be going to long-term treatment. The county attorney's office handles commitments to Galen at the county's expense. It has been a major concern of the organization that the source of money which the Legislature apparently intended, has taken a shortcut. The costs will be paid, but without a lot of problems.

About \$140,000 to \$150,000 went to the city of Billings and \$40,000 to Yellowstone County. Court commitment costs directly related to alcoholism are \$40,000. Total costs of treating alcoholism are about \$100,000 in Yellowstone County. Immediate payment of existing bills will also be continued. In order for the program to continue treatment as mandated by the Legislature, it is essential that the funds get to the problem. The money was set aside by a tax on liquor -

from the use and abuse of liquor and therefore from this fund should come the solution. This will accomplish this. Seventy-five percent of patients come from within the incorporated cities and yet the available funding is just turned around. He feels this is a step in the right direction.

Senator Chet Blaylock, District #35, Yellowstone County, supports HB 575, saying funds aren't going to where the Legislature had intended them to go. What is causing the problem should be taxed to pay for the results. He urges a Do Pass on HB 575.

Dean Betzer, Montana Sheriff's Association, sheriff of Yellowstone County, wants to get the funding where it belongs.

Gregg McCurdy, MACo, supports this bill. The financing problems pointed out have been a concern to the counties. He is somewhat concerned with the language on page 4, lines 12 and 13, and suggests the liquor tax be raised here.

OPPONENTS:

Dan Mizner, League of Cities and Towns, said trying to combine three or four cities and the county creates problems. The original intent was to pay for law enforcement and control of the sale of liquor, and they had asked for that money to pay for additional work in cities and towns, and then the alcohol abatement program came in. The fund should be earmarked for its original intent and should not take that money away from police problems. He is opposed to the approach of the budgeting process, and objects to the use of the money for those purposes. If it isn't earmarked, the use of the money should not be enforced for another purpose. If there are moneys to be used for alcoholism, they should be earmarked for alcoholism treatment itself. Co-mingling moneys originating from taxes should not be done.

Al Sampson, Firemen's Association, is opposed to returning money to the general fund. More money is needed because of increased duties imposed on the police department. Additional taxes will have to be levied or duties cut.

Rep. Kessler said HB 575 will not preclude the cities and towns from getting their fair share of money. After counties have budgeted for bills, the rest of the money will go for care. They are trying funnel the money to the cause of the problem.

Rep. Robert Sivertsen recommends approval of this bill. It is a question of how much money the state receives from this tax. There is a need for more money. The Legislature recommends increase in police and fire pension funds and wants to protect the integrity of that money to the cities and towns.

Al Dandro explained that the 5¢ on liquor was intended for law enforcement and regulation and control of the sale of liquor, and the 25¢ tax on beer was to go for the treatment of alcoholism. HB 575 deals only with liquor. There are two sources of money for two separate purposes.

Leo Kamp, Yellowstone County, supports HB 575.

Mr. Hanser recommends decriminalizing alcohol and providing for public facilities for treatment. There are certain basic costs that are incurred in the operation of the public treatment facility. They are now charging against this their hospital costs, which is wrong. There are court commitment costs in connection with alcoholism which are charged against the county. The county will spend in excess of \$40,000 in legal costs, not counting operation and maintenance of the treatment center. Their position simply is that since alcohol generates the problem, a sufficient tax should be placed on it to cover costs of treatment and it should not be charged back against the property owner. The county will not do any city budgeting, but will budget the costs necessary for the alcohol treatment out of these dollars to insure that proper organizations are funded. The balance of the money that is not used will go back to the original intent. The county government is being penalized, the property tax owner is being penalized.

Rep. W. Jay Fabrega, District #44, chief sponsor of HB 603, said this bill is the same as HB 627 which should be the vehicle to carry the concept. HB 603 raises the license tax on alcohol and reallocates the local government share of the tax 2/3 to the counties and 1/3 to the state. The county would retain 7/10 of the revenue and apportion 3/10 to city and towns on the basis of gross sales. 83% of the county share would be used for the treatment of alcoholism. The 1/3 retained by the state would be deposited in the general fund for alcoholism programs. An additional tax of \$1.25 would be levied on imported beer for use in treating alcoholism also.

HOUSE BILL
603

Bert Olsen, Montana Beer Wholesalers Association, opposes HB 603.

Refer to the letter from Teresa O. Cohea, researcher, to Rep. Huennekens in which she compares HB 627, 575 and 603, which is attached.

Rep. John Scully, District #76, Gallatin County, sponsor of HB 389, explained this bill imposes a gross receipts tax of 1/4 of 1% on all passenger tramways of Montana. The department of revenue would collect the tax for the use of the department of administration in operating the passenger tramway safety program.

HOUSE BILL

389 Jack C. Crosser, Director of the department of administration, advised the department assumes the responsibility of administering operation of the safety program.

Phil Hauck, department of administration, approves this assessment at this time to provide a more adequate ski safety program in Montana for the ski industry. This assessment would not exceed 1/4 of 1% of the gross receipts of the lifts in Montana. There are 22 ski areas having 69 operating tramways at the present time. The ski industry in Montana is a growing industry and is an environmentally clean industry and he doesn't want it marred by ski accidents. More and more people in Montana are skiing. The best inspection will not guarantee no accidents. The money will be used for inspection. On approximately 7,000 tickets sold @\$7 per ticket, an anticipated revenue will be raised of between \$10,000 and \$15,000 a year. He supports HB 389.

Jerry Gamroth, Vice-President of the Northern Ski Area Operators' Association, supports HB 389, as does a majority of members of the Association. They ask that the tax be made effective in 1978 because of the snow drought this year. He believes there should be a simple way to collect these funds. See his testimony attached.

George Willett, Secretary of the Northern Ski Area Operators' Association. Showdown Ski Area, realizes the necessity of safety inspection and supports the concept. He suggests that fees be collected between July 1 and December 31, based on the revenues of the 1976-1977 ski season. This would allow ski areas to be earning some income. If due date is December 31, the areas can budget for it and know the requirements necessary for operation of the program. There is no need to have the money prior to December 15 of the year because the operational inspection program won't start until December 15 to January 1. He proposed another amendment to set a minimum fee for ski areas that do not generate much revenue - between \$50 and \$100, which means that the area would have to earn \$30,000 to \$40,000 in ski ticket revenue. Smaller areas require as much or more inspection as larger and well maintained areas do.

E. F. Gianotti, Tramway Council, Great Falls, explained that when the Tramway Board came into being, there was no inspection unless done by insurance carriers or the forest service. Tramways now pay so much money a year to have inspection of each lift in their area, but there is not enough money from this to make follow-up inspections which is needed in some areas. He sees no reason for any objection to this bill.

There were no opponents.

Rep. Heunnekens said the committee would work with the interested persons on proposed amendments.

Rep. Bob Palmer, District #96, Missoula County, chief sponsor of HB 215, requests that HB 277 be killed as it is an exact duplicate of HB 215. This bill revises the eligibility criteria for the owners of Class 8 property by excluding retirement benefits from the income limitation of \$6,000. The bill provides that an eligible person shall apply for the classification the year after he became eligible and that the assessor shall adjust the next year's taxes to reflect the past year's eligibility. This bill raises the value of a house from \$27,500 to \$35,000 and changes the income levels for a single person to \$8,000 and a married couple to \$9,000.

Claude Williams, legislative committee for the Kathleen Walford Senior Citizen Center, Missoula, which has 1500 members, said taxes are one of the worst problems of older persons. This will allow a widower as well as a widow at any age to come under these classifications. Home values have risen drastically - almost doubled. Many people who are now living in their own homes will not be able to stay in their homes because of high taxes.

Walter G. Taylor, Executive Director of the Kathleen Walford Senior Citizens Center, Missoula, stated that when social security is increased, people are not able to get special relief in taxes. He supports HB 215.

Chas. A. Banderob, president of the Montana Senior Citizens Association, Ballantine, MT, favors HB 215 as this will help senior citizens stay in their

homes a little longer. He agrees with the amendments offered.

There were no opponents.

Rep. Palmer recommended an effective date of "passage and approval".

Rep. E. N. Dassinger, District #50, Rosebud County, chief sponsor of HB 552, said this bill allows new or expanded business in counties which have lost population for at least ten years, as shown by census, to receive a license tax credit of 1% of total wates paid in Montana. This act
HOUSE BILL would provide tax incentives to new or expanded business investment in counties of declining population by placing them
552 in Class 7 and allowing a 1% tax credit of existing industries. Forty-one counties lost population. Taxes are very important to an industry. There are several economic development organizations who devote themselves to this problem who want to do something about this. The bill has a provision for environmental care and would provide for an influx of new jobs and payrolls in an area.

George B. Schotte, Executive Director of the Butte Local Development Corp., Butte, supports this concept. He advised Silver Bow County has lost a great many people from the city. He agrees that this be extended from 3 years to 10. He is not sure we are doing the right things by extending into the future but feels they have to stay with it and try to attract industry.

F. H. Boles, Montana Chamber of Commerce, Helena, supports HB 552.

Rep. Dassinger said 7% is just not enough to attract a business. A 10-year incentive to locate in a declining population area would be more incentive. The question of what a population census is arose. A gain in population will nullify this bill.

HOUSE BILL 434 - Rep. Williams, chief sponsor of HB 434, requested that this bill be rescheduled for next Friday. There is a similar Senate Bill 251.

The committee recessed to an executive session.

HOUSE BILL 168 - Rep. Steve Waldron moved that HB 168 be reconsidered. This motion was approved unanimously. Rep. Waldron moved that HB 168 BE TABLED until action on a similar bill is taken.

Rep. Vincent moved that the letter asking for a demonstration of a pinball machine that pays off in nickels (HB 555) be sent to the Bally Manufacturing Corporation. This motion was adopted with Rep. Bertelsen voting No.

HOUSE BILL 292 - Rep. Vincent moved that HOUSE BILL 292 DO PASS. Rep. Vincent moved that HB 292 be amended. Motion carried. Rep. Vincent's motion was now changed to HB 292 DO PASS AS AMENDED. This motion was adopted.

HOUSE BILL 412 - Rep. Fagg moved that HB 412 DO PASS AS AMENDED. This motion was adopted after Rep. Williams motion to adopt amendments was accepted.

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HOUSE BILL 481 - Rep. Williams moved to recommend HB 481 DO PASS. Unanimously adopted.

HOUSE BILL 345 - Rep. Fabrega moved that HB 345 be recommended DO PASS. Rep. Fagg moved that amendments be adopted to HB 345 - this motion was unani-
mously adopted. The motion of DO PASS AS AMENDED was adopted with Rep. Uhde
voting No.

HOUSE BILL 324 - Rep. Dassinger moved to recommend a DO NOT PASS on HB 324. Rep. Harrington made a substitute motion of DO PASS. Rep. Harrington moved that amendment be adopted, which motion passed with Rep. Vincent voting No, 14 Yes, Reps. Fagg and Lien were absent. Then the DO PASS AS AMENDED motion was voted on and Reps. Dassinger, Sivertsen, Severson and Williams voted No. Motion carried.

HOUSE BILL 267 - Rep. Fabrega moved to recommend HB 267 DO PASS. Motion car-
ried unanimously.

HOUSE BILL 113 - Rep. Bertelsen moved adoption of the amendments to HB 113, which was accepted. Rep. Bertelsen moved to DO PASS AS AMENDED recommendation for HB 113. This motion was unanimously adopted.

HOUSE BILL 518 - Rep. Fabrega moved HB 518 DO PASS AS AMENDED, after moving a DO PASS on proposed amendments. Reps. Uhde, Severson, Underdal voted No to the DO PASS motion. Motions both carried.

HOUSE BILL 575 - Rep. Fabrega moved that HB 575 BE TABLED. Unanimous accept-
ance.

HOUSE BILL 215 - Rep. Dassinger moved to recommend HB 215 Do Pass. Rep. Dassinger moved that amendments be adopted. Motion failed. A new fiscal note is requested for this bill.


A subcommittee was appointed to study HB 552. Reps. Sivertsen and Williams will be the members.

Amendments to the bills acted on can be found in the Standing Committee Reports in Book #1.

Meeting adjourned at 11:45 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary