

TAXATION COMMITTEE
45TH LEGISLATURE

The Taxation Committee was called to order by Chairman Rep. Herb Huennekens at 8:00 a.m., February 9, 1977, in room #434, Capitol Building, Helena. All members were present except Rep. Edward Lien who was excused. Bills to be heard were HB 606, 635, 655, and 595.

Rep. Harrison Fagg, District #63, Yellowstone County, chief sponsor of HB 595, said the purpose of HB 595 is to stimulate and build new structures in a segment of a city, forming a tax increment area. The existing tax base goes county-wide. Any new taxes in the area would go strictly to the given area that had been demolished and repaired. This bill had
HOUSE BILL passed through the House and Senate and signed by the Governor, but bonding companies did not like it.

595

This bill provides for the financing of urban renewal projects through the issuance of bonds and the segregation of tax increments, calculated by the application of the tax levies of the taxing jurisdictions in which the urban renewal area is located against the difference between the actual taxable value of the area and its original taxable value. The bill has an immediate effective date.

Dan Mizner, Montana LC&T Executive Director, said bonding companies went over this bill. Billings started to use the language in the law and could not sell bonds under it, and so the bonding companies were asked to draft amendments to the law and explain where it had to be corrected to make it feasible to sell bonds. The additional taxes would go to pay off the bonds creating the new improvements.

Lawrence Gallagher, City of Helena, Executive Director of the Urban Renewal Project in Helena, said because of over 17 projects in Helena, the tax base was increased 817% generating \$13 million and would have been paid off in 13 years. Urban renewal monies helped, but this proposed tax increment process is needed to do further renewal work. The city gets involved by having land whereby the local government and private individuals can work together.

Rod Wilson, Billings Chamber of Commerce, supports HB 595, saying they are looking very closely at using this tax increment in Billings. 1,000 members met and went through the program and got wholehearted support for the whole program. The need to improve downtown is necessary to outlying areas. High-lines are a hazard in Billings and they want to use money for burying the lines.

There were no opponents.

Rep. Williams mentioned at least one bonding company will buy such bonds now. New property goes on the tax rolls at full value. New taxes go into core areas only. Revenue bonds can be sold to build buildings, but they cannot be sold to buy land. Surplus taxes over the need for bond repayment would go to the general fund.

Rep. Carl A. Seifert, District #26, Lake County, sponsor of HB 655, explained that because of heavy tourist trade, Polson wants to build a new convention center. There is a lack of housing. It would be good economics to grant a tax incentive along this line, allowing a tax break for the 3 years after construction. This bill includes convention centers that engage in the rental of space for meetings, exhibitions, and trade fairs within the definition of new industrial property in Class seven.

HOUSE BILL 3 years after construction. This bill includes convention
655 centers that engage in the rental of space for meetings,
 exhibitions, and trade fairs within the definition of new
 industrial property in Class seven.

Forest Boles, Montana Travel Hosts, Montana Chamber of Commerce, is interested in tourism. The convention center is one of the hardest things to justify because of its sporadic use. It would help those areas trying to develop tourism. Conventioneers spend 20% more than just straight tourists. He feels some of the larger communities justify a convention center. He sees some benefits and some possible opposition to the building itself. This would be a benefit to Polson and other small towns. He is neutral on HB 655.

Rep. Seifert said Class 7 is essentially industrial property, requiring certain qualifications.

W. A. Groff suggested tourism is considered an industry and such property should be put in Class 7. Definition in the bill needs to be expanded. Hotel would have to be a separate building. Could maybe delete "excluding lodging services".

There is a shortage of accommodations during the summer months and Polson wanted a center that included a convention center with lodging, etc. Rep. Seifert thinks there is no point in putting in a convention center without lodging facilities.

Rep. Harrison Fagg, chief sponsor of HB 635, explained this bill increases the amount of money to be deposited in the state Park account from the gas dealers' license tax from 6/10 of 1% to 9/10 of 1%.

HOUSE BILL Ron Holliday, Fish and Game Department, supports HB 635. See
 his very detailed testimony.

635

The gasoline tax will generate over \$35 million in the next year.

OPPONENTS:

Earl Moritz, Highway User Federation, Lewistown, is opposed to HB 635. This will take another approximately \$5,000 from the Highway Users Fund. Boat users receive \$210,000 at the present time, based on 519 million gallons of gas. It takes 837 gallons per auto which produces approximately \$43 million in revenue of which \$21,759,000 goes for highway maintenance. For every \$100,000 taken out of the highway account, you are looking at a million dollars in matching funds earmarked money. His advice is to find another way of financing some of these things because of loss of matching funds.

Jim Beck, Highway Users, said there is a 2% shrinkage on diesel fuel. There are \$100,000 credit allowances from bills that in each and every one is not much, but adds up to a lot of money. Some cities and towns lack sufficient paving and are driving through the mud. Motorboat users used in the neighborhood of 4 million gallons of gas. These figures have been determined by several studies.

William Olson, Montana Contractors Association, Helena, opposes HB 635, and said that by allowing \$112,000 to the Fish and Game Department, matching funds of \$1.12 million could be lost to the highway department.

Rep. Fagg closed saying the F&G has to have some money to fund the kind of lands they are buying. It is a question of whether you want to build a mile of road or keep people who will use the parks happy. It is a question of a road to drive down or a termination point that is pleasant. Motorboat people are using this much gas according to studies made. At present, Montana is not lacking money for matching funds, but the federal funds are not adequate to match. There are 28,000 boats in the state using approximately 150 gallons of gas per boat per year.

Discussion of funding for state parks was quite lengthy. A 'use fee' was considered, but because of physical design of the parks, they would spend almost as much collecting fees as they would receive.

Dr. Wesley Burnett said park users in Fish and Game Region 1, Kalispell, is running about 50/50. The day user is running about 90% Montana residents. At Medicine Rock and Cooney Reservoir non-residents drops to less than 1%. A use fee would hurt the day user the most.

Rep. Steve Waldron, District #97, Missoula, sponsor of HB 606, asked that this bill be tabled because of the words "wheels" and "all-terrain". They had trouble with this bill and as is, it would apply to the wrong vehicles and to the Fish and Game Department. The decal requirements
HOUSE BILL for unlicensed motorcycles cannot be enforced. Supporters
606 want some money given back to their sport. All-terrain
 vehicles are now taxed as described in a snowmobile bill.

William C. Melby, interested ATV user, supports HB 606. See his testimony.

Rep. Waldron requested because of technicalities, that HB 606 Be Tabled in order to allow time for correcting problems with this bill. The committee approved unanimously to Table HB 606.

The committee recessed to an executive session.

HOUSE BILL 70 - This bill establishes classifications for like property for taxation purposes. Full cash value is to be market value.

Dennis Burr, DOR, commented that since it says "market value" in the law, the court will have to decide that DOR is making a reasonable attempt to comply with the law.

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After a great deal of discussion, Rep. Williams moved that more study be done by a subcommittee on section (2) in conjunction with the DOR. This motion was approved.

Rep. Dassinger moved that the amendments suggested by the subcommittee be adopted. Motion carried with Rep. Sivertsen voting No.

Rep. Fabrega moved that an amendment including transformers, electric meters, etc., which are not a part of a business which is centrally assessed, be included in Class 14. This motion was unanimously adopted.

Motion was made to move Class 16 (84-7403) to Class 18 which is at 2.8%, was unanimously adopted.

Rep. Lien moved new industrial equipment, mobile equipment be set at 4.2%.

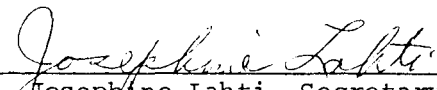
Rep. Dassinger moved that right of entry be placed in Class 1 or moved to market value.

Rep. Vincent moved that action on amendments be deferred until tomorrow. Motion carried.

Meeting adjourned at 11:30 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary