

TAXATION COMMITTEE
45TH LEGISLATURE

The Taxation committee was called to order by Rep. Herb Huennekens, Chairman, at 8:00 a.m., February 11, 1977, in room #434, Capitol Building, Helena. All members were present. HB 151 was to be heard.

Rep. John Vincent, District #78, Gallatin County, sponsor of HB 151, explained this bill requires electrical energy producers to pay a license tax of .0002¢ per kilowatt hour on all electrical energy produced, measured at the site of production. The bill further requires producers to file a statement of their production and pay the license tax quarterly. The bill provides a penalty and interest for failure to pay the tax on time and establishes that taxes due are a lien on the producers' real property until paid. Lastly, the bill repeals the tax exemption on electrical energy used to pump irrigation water. He recommends looking at the repealer.

HOUSE BILL 151

Ray Dore, Department of Revenue, advises the intent of the old law was to tax the sale of energy at 1.86% of value. The court ruled that this tax was imposed upon the sale of electricity going out of state at .0002 KWH where produced. There should be no problem with interstate production because it is a production tax. It is the net after consumption in the plant to produce the power. Plant consumption should be out of the tax figures.

Everett Shuey, Montana Power Co., Butte, testified they are in accord with the tax. With thermopplants station use will run about 10% of the total production of the plant. They are not taxing this in accordance with the department of revenue. At .0002¢ based on 1975 production, \$1.4 million would have been raised; in 1976, \$1,895,000 - \$1,039,000 for year ending 12/31/76. This would have been an increase of \$172,915. There is an increase to Montana Power in the tax which would have been passed on to the consumer. He doesn't think there should be an additional tax on the utilities, so he offered an amendment that the tax be .0001.7¢ which would yield \$1.9 million in 1976, and a 1977 projection would yield \$2.1 million. If the tax is at .0001.7¢, it would generate about \$1.8 million overall.

Gene Phillips, Pacific Power & Light Co., Kalispell, MT, supports the bill. They have no generation in Montana and purchase their power.

OPPONENTS:

Les Loble, Montana Dakota Utilities, Helena, has agreed to the net generating principle. If this action occurs, MDU would oppose it if it cost them more money.

Mike Mulroney, The Washington Water Power Company, Helena, recommends amending in accordance with the Montana Power Company amendment proposed.

The committee recessed into an executive session.

HOUSE BILL 712 - Rep. Fagg moved that HB 712 BE TABLED. Motion was approved.

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HOUSE BILL 552 - Rep. Fabrega moved to recommend HB 552 Do Pass. After discussion of proposed amendments, this motion was withdrawn for further work on the amendments by Terry Cohea.

HOUSE BILL 527 was considered and amendments discussed. The amendments need more attention, so this bill will be considered later.

HOUSE BILL 637 - Rep. Williams questioned the figures on loss due to spillage. There is only a difference of about 20 degrees in temperature between the pipeline and underground tanks. The pipeline temperature is 55° (referring to diesel fuel), and underground tanks average between 40-45° year around. A 10,000 gallon delivery that is delivered and corrected to 62° shrinks about 1% - a shrinkage of about 89 gallons in 10,000. The feeling is that the greatest shrinkage would be around 1% going either up or down. Rep. Williams feels 2% is too large an allowance. Gasoline is volatile and evaporates more readily.

Rep. Fagg moved that HB 637 DO PASS AS AMENDED. Rep. Williams moved that the 2% figure be reduced to 1% of the first 6%, which amendment was approved unanimously. Rep. Williams feels there is equity in allowing fuel oil dealers as well as gas dealers this same privilege. Reps. Dassinger, Hirsch, Uhde voted No, Rep. Lien was absent. The motion to recommend HB 637 DO PASS AS AMENDED carried.

HOUSE BILL 106 - Rep. Fabrega moved that HB 106 DO NOT PASS. After discussion this motion was withdrawn. Rep. Fabrega moved to TABLE HB 106. Motion was approved.

HOUSE BILL 210 - Rep. Fabrega moved that HB 210 DO PASS. Amendments were considered and it was felt that a 3-year period of time should be a reasonable time in which to develop a lot. This amendment carried - Reps. Dassinger, Vincent, Underdal voted No. The motion now read DO PASS AS AMENDED on which unanimous approval was given.

HOUSE BILL 11- Rep. Harrington moved a recommendation of DO NOT PASS. Motion carried by a 9-6 vote with Reps. Fagg and Lien absent.

HOUSE BILL 10 - Rep. Williams moved that HB 10 DO NOT PASS. Rep. Fabrega made a substitute motion that HB 10 BE TABLED. The vote to table was 9-7 with Rep. Lien absent.

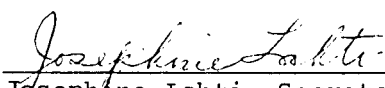
HOUSE BILL 11 - Rep. Fagg moved that HB 11 be reconsidered. After a great deal of discussion, a vote of 9-7 with Rep. Hirsch absent approved reconsideration. After further discussion, a vote of 10-6 with Rep. Hirsch absent, approved the recommendation to TABLE HB 11.

HOUSE BILL 9 - Rep. Fabrega moved that HB 9 BE TABLED. Unanimous decision to table.

For copies of any amendments, please refer to the Standing Committee Reports in Book #1.

Meeting adjourned at 10:30 a.m.


REP. HERB HUENNEKENS, CHAIRMAN


Josephine Lahti, Secretary