

TAXATION COMMITTEE  
45TH LEGISLATURE

Chairman Rep. Herb Huennekens called the Taxation Committee to order at 8:00 a.m., February 16, 1977, in room #434, Capitol Building, Helena. All members of the committee were present except Rep. Les J. Hirsch, who was excused. Bills to be heard were House Bills 423, 454, 231.

Rep. Harold E. Gerke, District #62, Yellowstone County, sponsor of HB 231, said this bill is to be amended so that the tax dates of the entities taxed are rearranged so that the department of revenue can set the proper figures to be used in time for the counties and cities to get their assessments finished before July 1. See the schedule of proposed revised dates for taxpayer information to be received by the DOR.

HOUSE BILL

231

This bill requires the department of revenue to calculate the taxable value of property in a taxing jurisdiction and furnish that information to the local government by the second Monday in May instead of the second Monday in July.

Dennis Burr, DOR, advised local governments review assessments and all counties and cities start their fiscal year on July 1, but levies can not be set in time for assessment under existing statutes. They should have the necessary figures by the second Monday in May, then they will have the rest of May and June and have their budgeting period out of the way so that they can set levies for that year. Problems with this are utilities and mining companies get their figures generally in April or May, and in order to get this done, they would have to have assessment information much sooner since assessment rolls are to be completed by May. There is a feeling some industries will not agree with the dates set. He can sympathize with local governments in wanting to get the information sooner, and with the companies concerned, so that budgets and assessments could be set prior to the taxable year.

Steve Turkiewicz, MACo, supports this bill. The current law and pattern is set; local governments do not adopt their budgets until the fiscal year has already begun and is up to six weeks completed. The budget is a plan for the ensuing fiscal year, and in order to complete their plan, they need to have taxable valuation information. The budget cycle would be moved to no later than June 30 in the new bill. He urges support of the bill with amendments. See his testimony.

OPPONENTS:

Don Allen, Montana Petroleum Association, said the second Monday in February would be impossible for the petroleum industry to meet. Royalties have to be sent out, the federal government tax year is still on the fiscal year. Just couldn't meet this date. Instead of moving everything back the other way as suggested by the sponsor, he suggested the fiscal year be moved forward to August. He is not opposed, but it would be impossible for petroleum people to meet the 2nd Monday in February date.

Lester H. Loble, II, Montana Dakota Utilities Co., Helena, advised utilities centrally assessed are assessed by the department of revenue on the basis of their books and usually they are closed at the end of the year. March 1 has been hard to meet and the 2nd of February would be impossible. Counties assess local on sight properties and this comes into the DOR and is figured. This takes right up to the deadlines now. He objects to the bill. He thinks it is unworkable to set a budget without all this information. Respectfully requests a Do Not Pass on HB 231.

Bob Gannon, Montana Power Co., Helena, MT, said this company can not argue with the intent of the bill. It would be the best process if it could be set this way, but it is virtually impossible to meet with the bill's requirements as it was originally written, and with the amendments it is more impossible. In talking with their tax department, it would be impossible with property in 40 odd counties and manual assessment in these counties, to meet these dates. He opposes the bill as it is amended and as it was introduced.

Ed Nelson, Montana Taxpayers Association, Helena, has not seen the amendments, but does not believe it would be possible in that time frame for local and state governments or businesses to meet the proposed dates. The Taxpayers Association audits all tax statements during the year and he believes this practice is not necessarily the problem. Local governments have to wait until the final tax value is established so they will know what the mill levy will bring in. They would support juggling figures to aid counties in their figuring. See his testimony attached.

James L. Norris, Montana Dakota Utilities Co., Helena, opposes HB 231. Big corporations would have to get permission from the IRS to change their methods of reporting, and the government in all likelihood would never allow them to change their method of accounting. Most of them have in-staff government men auditing their books and they probably would not be allowed to change methods.

Rep. Gerke closed saying local governments violate the law at the present time. They do not know the value of the mill when the law says to set the budget; and this cannot be done intelligently without knowing the mill value. In order to make a valid decision, it would seem the big companies could make these dates feasible with the new equipment that is now available so that the local government officials could do their job properly. If the bill needs some amendments, something could be worked out. He thinks there ought to be cooperation to try to get this job done by June 30 so that the operational budgets of local governments could be set. Adopt this bill and if further amendments are needed, we will do so in order to bring these people out of the Dark Ages.

Rep. Severson mentioned county assessors say they cannot meet these dates.

Burr doesn't think there is a problem. Assessors need information by March in order to get their books ready by June. They need information sooner to be able to get their books finished by May. He doesn't think there is a problem with locally assessed properties, perhaps with some centrally assessed property.

Rep. Williams mentioned several corporations have backed up their fiscal years.

When budget and assessment figures are known, the local governments then can figure the mill levy necessary, but they cannot spend more than what 65 mills will bring in. They can then start prioritizing their budget.

The fiscal date change that was suggested by one of the witnesses here, would cause a lot of laws to have to be changed.

Rep. John "J.D." Lynch, District #87, Silver Bow County, co-sponsor of House Bills 423 and 454, asked if these two bills could be considered together and the committee approved. He presented the committee with a statement by Rep.

HOUSE BILLS           O'Connell, who was not able to be present at the moment, sponsor  
423 and 454           of these two bills, asking that HB 454 be held in the committee  
since it was apparent the Legislature does not wish to liberalize  
gambling laws in Montana.

Rep. Lynch also asked that HB 454 not be passed out of committee. HB 454 would legalize slot machines and create a State Gaming Control Board to control their use. This bill gives the board power to license applicants for licenses to own slot machines, inspect any gaming premises, seize machines for inspection, and hold hearings to determine violations of this act. This bill also provides a \$1,000 annual license fee per slot machine for owners. The bill further provides that counties and cities may call an election, upon petition of 30% of their registered voters, to determine whether gaming devices are legal in that jurisdiction.

HB 423 would not authorize any slot machines until voted upon and approved by the people of Montana in the 1978 election. If the electorate approves the measure, the 46th Legislature would be required to pass laws to implement the act. Revenue produced by taxation of the slot machines would be used to replace the revenue produced by the property tax on automobiles.

The question of what people voted for in 1974 is the problem. This should be put on the ballot to let people decide once and for all what kind of gambling they want.

He asks approval of HB 423. Only 5 counties voted against gambling by very narrow margins. He thinks this is a problem that should be addressed. It is a revenue-making process.

Neil J. Lynch, Taxpayers Relief Association, said this is a group of individuals formed in the state of Montana with the idea in mind of providing some meaningful type of gambling that would provide tax relief. We don't know what type of gambling the people voted for and that is one thing that is outstanding in talking with the people. Surveys taken show they wanted gambling to provide some type of tax relief. It has been found that one of the top revenue producing types of gambling is a slot machine, and this is a known fact in other states where there is such a device. There are 12,000 stores licensed in the state, not all of which would have a slot machine. Up to 5 machines could be in a retail location. If each store had one machine at a license fee of \$1,000 per machine as projected, multiplied by the number anticipated, this would come to a revenue of \$12 million dollars. By checking with the DOR, the amount of property tax that is collected on automobiles in the state is approximately \$12 million, so that means conservatively this tax could replace the automobile tax. The maximum for auto licenses then would be \$11. That is the reason this group was formed.

Organized law enforcement would be provided in HB 454. Only one transfer has gone to someone not a Montana resident or who had not lived here for quite awhile. Flathead Valley has always had a very high turnover of bars, but the owners are not necessarily gamblers and not necessarily members of the mob. Slot machines are considered the mid-point and are the dividing line. This should be put on the ballot. HB 423 is clear in allowing the people to say what they want. In Nevada they have found this is the easiest kind of game to enforce. Slot machines are legal in the rest of the world and in practically every nation in the world. He feels legislators are representing the people and should abide by their desires.

OPPONENTS:

Rep. John Vincent, District #78, Bozeman, opposes, saying the Taxpayers Relief Association title is questionable. He doesn't think there can be tax relief in connection with gambling. There are costs other than monetary. On all gambling measures they say appeal to the vote, and by heavy advertising they could appeal to the people and get it passed. What would the effect on the community not passing the legislation be when a nearby community did pass the measure?

Jan Brown, Montana Association of Churches, opposes these two bills, saying she believes the slot machine is further than the middle of the road. See her testimony attached.

Rev. George Harper, Pastor, St. Paul's United Methodist Church, Helena, explained the history of gambling in Montana. He opposes these bills strenuously. See his testimony attached.

James M. Hunter, Helena, said it is possible for a person to sit in a poker game day after day and one person consistently win. One person cannot play a machine continuously and win. Slot machines cannot possibly lose money because they keep 15% of all money put into it. This is vicious and all one way.

Rev. Tom Hocutt, Pastor and Moderator, Treasure State Baptist Association, is opposed to any type of gambling. He feels the committee has the responsibility and intelligence and moral fiber to know what is alright in this area and urges they oppose these bills. See his testimony attached.

Jane Lopp, Kalispell AAUW, advised the state platform of University Women has taken a position against gambling. She questions slot machines as a mechanism of revenue to raise anywhere near the set amount of license fees for automobiles. She believes it is an inequitable way to raise revenue. She questions the gaming board. She is greatly concerned about grass roots effects and is in sympathy with people at the local level. What happens to one area depends on what happens to adjoining areas.

Rev. Tim Berry, Montana Conference of Seventh Day Adventists, asked why so many church people are at this meeting. He hopes that the committee sees the churches as representatives of people. Each pastor represents however many people are in his area. We are talking about people who are representing other people, that is why the clergy are here. If we are hoping to raise revenue to do away with licensing automobiles, this would not work out. What happens if people do not earn enough money to gamble and lose? Are we willing to share as a state? There will only be an \$11 charge for license fees - if revenues do not come from slot

machines in sufficient amounts, what would happen to auto license taxes? He opposes this bill.


Dorothea Armstrong, Kalispell, left extensive testimony on the subjects of gambling, law enforcement, slot machines. She said tax relief by gambling is not feasible and would behoove the Legislature to get it from less regressive forms of taxation. Legalization of any form of gambling makes other types more in demand. She suggested using figures of the National Gambling Commission. Slot machines should not be permitted in public places. She does not feel this can produce enough revenue to offset other than economic considerations. New York and New Jersey take in more money from pari-mutuel betting than Nevada does from all of its gambling. She thinks nothing should be legalized.

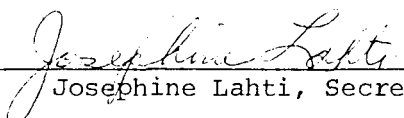
Art Kussman, First Presbyterian Church of Helena, and as a citizen, said good taxation is one that taxes according to the ability to pay. Slot machines are a regressive tax and take away from those least able to pay. He opposes both bills. See his testimony attached.

Neva J. Parte, Mrs. C. L. Wing, and K. Jane Phillips, all oppose both HB 423 and HB 454.

Rep. Lynch closed saying he doesn't think people would be duped by a campaign to vote "for" gambling. Legalize gambling so it can be controlled. He wants approval of HB 423 so the people can tell you what they really do want.

Meeting adjourned at 11:15 a.m.

  
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REP. HERB HUENNEKENS, CHAIRMAN

  
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Josephine Lahti, Secretary