

TAXATION COMMITTEE
45TH LEGISLATURE

The Taxation Committee was called to order by Chairman Rep. Herb Huennekens at 8:00 a.m., March 8, 1977, in room #434, Capitol Building, Helena. All members were present except Reps. Edward Lien and John Vincent who were excused. Bills to be heard were Senate Bills 65, 155, and 159.

Senator Jean A. Turnage, District #13, Lake County, sponsor of SB 65, said this bill came about because of the reappraisal that will ultimately be implemented. If this bill is not enacted, there will be some problems that certain community service buildings will face and they will not be able to continue own the property. Presently, most of these properties are not appraised at their full and true value. They simply would be a nominal value on the books and under that system nothing threatening occurred to the club. Since the department of revenue is liable and can be sued, this bill will be necessary as it will exempt that type of property.

Section 1 sets the limits and size of the property exempt. It provides that SID levies may still be charged to the building or lot. Further restrictions are it must be a lodge of nationally recognized fraternal organization and does not sell food or drink; furnishes services in the form of evening or daytime recreation activities; must be recognized in the state plan on aging adopted by SRS; furnishes facilities without charge save for a minimum janitorial fee in an unincorporated municipality; and must have existed before January 1, 1976. This is intended to reach small properties. There cannot be any leasing of the property. There won't be too much impact to counties in loss of revenue.

OPPONENTS:

Glen Drake, League of Cities and Towns, advised the League is concerned about having to do with the furnishing of services. Because of the qualification that this applies to buildings which do not furnish living services, this could open up problems in taking this off the tax rolls.

Steve Turkiewicz, Association of Counties, feels there are too many unknowns. They don't know what impact there will be. The language is somewhat ambiguous. Opposes this bill.

Sen. Turnage closed saying assessment at the higher level will certainly be locked in by the next session and once this happens, there will never be a chance to lower taxes. There is a need to keep this type of community activity these buildings furnish as other benefits would more than balance what might be lost in revenue.

Questions from the committee brought out that present taxes are not working too much of a hardship, however, what will happen after reappraisal in 1978 is uncertain. Sen. Turnage believes they should be totally exempt in accordance with restrictions set in SB 65.

Senator Frank W. Hazelbaker, District #41, Beaverhead County, sponsor of SB 155, said this bill would exempt all property owned by irrigation districts from state, county, and municipal taxation. After a 10-year development period, the properties were turned over to the district and when the district applied for SENATE BILL 155 their vehicle licenses, the county said they had to be taxed, but no other districts had been taxed by other counties. The district would like to have the exclusion of their equipment and motor vehicles because they get the water to the users on a nonprofit basis.

Senator McOmber, District #6, Teton County, said the Greenfield Irrigation District is organized under the laws of Montana and is a political subdivision of the state and enjoys all the benefits of the state - employees included. This pertains only to irrigation districts organized under the state which are political subdivisions of the state and he feels they should enjoy the same benefits. This will have no effect at all because the tax has never been imposed before.

Sen. Hazelbaker advised the counties went along for 1976 on the basis that this would be cleared up by the 1977 session.

Rep. Severson mentioned that the only county taxing an irrigation district at the present time is Ravalli County. The sole purpose of this bill is to get the water from the dam to the ranch and he sees no reason why the nonprofit organization shouldn't have the same benefits. The question of whether nonprofit private districts could be exempt also arose as this bill just applies to irrigation districts that are political subdivisions of the state.

Senator Thomas E. Towe, District #34, Yellowstone County, sponsor of SB 159, said this bill is kind of a clean-up bill relating to coal taxes. There are 2 parts to the coal tax. A 30% severance tax is collected and goes to the state and has nothing to do with the counties. It is a state imposed and collected tax. Any firm which mines less than 20,000 tons a year is exempt. The other part of the tax is a gross proceeds tax which is charged to gross proceeds at 45% and goes into the mill levy taxation fund and is collected in the county in the normal way the tax is collected with no exemptions. There are a number of little coal companies that the state and county don't want to tax. Most of that coal is selling from \$2.50 to \$5 per ton by P & M and Divide Coal Company in Roundup. Small mines aren't paying the 45% tax because of exemptions allowed. The taxes imposed had a greater effect on the small companies and this bill will alleviate that situation. If they produce less than 20,000 tons a year, they can have half of their production exempt and the other half would be taxed on gross proceeds. This bill allows this exemption for the 1977 tax year for coal extracted in 1976.

Committee recessed to an executive session:

Senate Bill 65 - Rep. Fagg moved to recommend SB 65 BE TABLED. Rep. Underdal made a substitute motion that SB 65 be recommended CONCURRED IN. Rep. Dassinger moved to amend on page 1, line 17, the word "or" be changed to "and". This motion was withdrawn. The question of constitutionality and aging is to be researched by Terry Cohea.

SENATE BILL 159 - Rep. Fagg moved to recommend SB 159 BE CONCURRED IN. Motion carried with Rep. Dassinger voting No; Reps. Waldron, Lien, Fabrega, and Vincent

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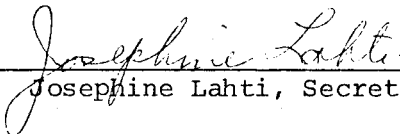
were absent.

The committee discussed SB 155 and the question of whether tax exemption should be extended to private irrigation districts, using the nonprofit approach to tax exemption.

Meeting adjourned at 10:00 a.m.



REP. HERB HUENNEKENS, CHAIRMAN



Josephine Lahti, Secretary