

TAXATION COMMITTEE
45TH LEGISLATURE

On April 6, 1977, 9:00 a.m., in room #434, Capitol Building, Helena, Rep. Herb Huennekens, Chairman, called the committee to order. All members were present except Rep. Waldron who was excused. House Joint Resolutions 98 and 99 were to be heard.

Rep. Williams explained HJR 98 requests the legislative committee on priorities to study in an interim study on property tax classifications, pointing specifically to HB 45, companion bill to HB 70 which has been extensively amended by the Senate, to set rates on the reappraisal values of all property. HB 50,

HOUSE JOINT sponsored by Rep. Fabrega, was incorporated into HB 70 which considers reassessed value classifications. HB 45 to set rates on reassessment values so as to keep taxes at present levels.

RESOLUTION 98 Actually, part of HB 45 is incorporated into HB 70 also. There is still a tremendous amount of work to be done. There are many inequities, and in attempting to make an adjustment in one group, there are repercussions in another group, so this study should look at all classes of property and that is the primary proposal in this resolution. He recommends putting the total property tax problem back into an interim study. The committee discussed this proposal and feels there definitely is a great need to try to make taxes more equitable.

Rep. Williams moved that HJR 98 DO PASS. The committee voted unanimously in favor of this resolution. Reps. Uhde, Waldron, Vincent and Fagg were absent.

Rep. Williams, sponsor of HJR 99, explained HJR 99 is the direct result of the passage of HB 735, bank share tax. Banks are in a lawsuit because of the exemption of bank shares from taxation. As a result of that federal action, banks filed suit against the department of revenue, and paid their taxes under protest - around \$5 million dollars in 1975, and \$6 million

HOUSE JOINT dollars in 1976. This resulted in an economic impact at the local level. HB 817 would tax bank savings and deposits. This

RESOLUTION 99 would take in banks, savings and loan companies, credit unions, and other loan companies. It is necessary to take a good overall look to see what this is doing.

With the agreement between the Montana bankers, department of revenue, and the author of the bill, HB 735 ended up with practically everything amended out of it. HB 735 had some more amendments added to it in the Senate with the DOR and banks trying to allow the same credit for all banks instead of taxing individual banks. Assuming the banks will win the lawsuit, they will just about be able to dictate what they will pay in taxes. HB 735 will hopefully collect the tax and has a sunset date, so at the end of two years, there will be no bank tax. Assuming that the DOR loses the lawsuit, it may be necessary to go into a whole new means of taxing banks. Rep. Williams recommends this problem put into an interim study.

Rep. Melvin Williams moved that HJR 99 DO PASS. Motion carried unanimously. Reps. Lien, Uhde, Waldron, Harrington, Vincent were absent.

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Rep. Bertelsen moved that SJR 29 BE CONCURRED IN. Motion carried unanimously. Reps. Vincent, Harrington, Uhde, Waldron were absent.

SENATE BILL 211 - Rep. Dassinger moved that action taken on SB 211 on April 5 be reconsidered. After a great deal of adverse discussion, this motion was withdrawn, and SB 211 will be sent to the Committee of the Whole with a Not Be Concurred IN recommendation as previously adopted.

HOUSE BILL 107 - Dennis Burr explained this bill applies to property that is not having any minerals extracted. Minerals being produced are taxed on their production. Taxes on rights of entry vary from a few cents to several dollars. Right of entry cannot be taxed if no one is using it. The DOR put in a bill to repeal rights of entry because of the District Court decision that rights of entry could not be taxed if not used. The DOR is taxing these rights in other parts of the state, and this problem will have to be determined by court state-wide. The DOR would like to see this repealed. There is an implicit right of entry in all severed mineral rights.

There is the question of whether a right of entry can be surrendered if it does not exist. Very hard to know who has right of entry when it is split into 40 different directions and the tax can't be administered properly when it is split in so many directions. The county assessors could figure out who owns the right of entries if they wanted to do so although it would entail a great deal of work. In some cases, it would be relatively easy to locate owners of reserved rights of entry. This property must be taxed on individual ownership basis. No set value has been placed on these rights.

SENATE BILL 384 - Rep. Vincent moved that SB 384 BE CONCURRED IN. Motion carried unanimously. Reps. Fabrega, Waldron and Fagg were absent. Rep. Bertelsen will carry this bill on the House floor.

SENATE BILL 309 - Rep. Underdal moved that SB 309 BE CONCURRED IN. Motion carried unanimously. Reps. Waldron and Fagg were absent. Rep. Lien will carry.

SENATE BILL 155 - After explanation by Terry Cohea, and discussion by the committee, SB 155 was recommended by a motion by Rep. Vincent NOT BE CONCURRED IN. Motion carried with 14 voting yes, Rep. Fabrega voting no, and Reps. Waldron and Fagg absent. Under SB 155, the DOR would try to tax all equipment of irrigation districts which are now exempt. Most irrigation companies are very old and they are not incorporated and wouldn't fit into any tax classification category.

SENATE BILL 350 - Rep. Williams moved that SB 350 BE NOT CONCURRED IN. Motion carried unanimously. Reps. Waldron and Fagg were absent.

The meeting adjourned at 11:45 a.m.



REP. HERB HUENNEKENS, CHAIRMAN