

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 27, 1977

The twelfth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Mathers at 8:10 a.m.

ROLL CALL: Roll call found all of the members present.

The following witnesses were present:

Greg Jergeson	District 3
Mike Allison	Self
James. H. Mundt	"
Otto Sagabourn	"
Dennis Hatlelid	"
Gene Donaldson	"
Pat McKittrick	Mont. Independent Colleges, Inc.
Bob Corcoran	Dept. of Rev.
Ray Dore	"
Slim Slattery	"
Dale Dean	"
Chad Smith	Mont. Hosp. Assoc.

CONSIDERATION OF SENATE BILL 102:

Sen. Jergeson distributed copies of his testimony, Exh. #1, attached, and then presented his bill. He stated the pork producers in the state feel that swine should be assessed in the same manner as are cattle and that they should be included in the Dept. of Revenue's livestock assessments, rather than a separate category. Mr. Donaldson, also a proponent of the bill, said that hog prices are down but under the present law, will be assessed at the average of the previous year, thus paying higher taxes when market prices were down. Mr. Mundt and Mr. Allison both testified in favor also, and agreed with the statement of Mr. Donaldson also, regarding the assessing of day-old pigs, as being inequitable. Mr. Hatlelid agreed with previous testimony and expressed his full support of the bill.

Two representatives of the Dept. of Revenue then spoke to the committee and said they neither supported nor opposed the bill, but introduced Exh. #2, attached, which showed the method by which the Department arrives at an assessment price, figuring in the age of the swine, market value and such data.

Following the last of the testimony of the witnesses, the Chairman called for questions by the committee. The formula used by the Department was discussed by the committee and the Department said they also used statistics they obtained from the Statistical Reporting Service in the state. The Department

representatives said they would be willing to revise the formula should the committee see fit to make some changes through the proposed legislation. Following this discussion Chairman Mathers asked Sen. Jergeson if he could work with the Department representatives and arrive at an agreement that would be acceptable to the producers, the Department, and the committee can then reconsider the bill.

CONSIDERATION OF SENATE BILL 87: Sen. Lowe, in presenting his bill, said the only change in the present law is a short section on page 6 of the bill which includes contributions and gifts to charitable organizations. Although the Fiscal Note revealed there would be a loss to the state, it was deemed by the sponsor as not being as substantial as might be expected. Mr. McKittrick appeared on behalf of the colleges, and said he was in hopes the committee might approve the bill as he felt it would benefit the colleges in the state with corporations seeing some benefit through their gifts to the schools. Mr. Corcoran and Mr. Dore then spoke and attempted to explain to the committee how the contributions are spelled out in section 170 of the codes, and that as many 'loop holes' are covered as possible in the limitations of such charitable contributions or gifts.

Chairman Mathers called for other proponents or opponents of the bill and then permitted Sen. Lowe to close his presentation. He mentioned also that multi-state corporations, if this legislation were passed, might then see fit to give more contributions within the state if the gifts were deductible. Sen. Watt agreed with the concept of the bill but expressed his resentment that the contributing corporation also made the decision as to how their grants are spent.

There followed a discussion by the committee on methods of tightening up the gifts that could be given and new language was proposed for the bill, and accepted by the members.

DISPOSITION: Sen. Towe moved to Adopt Amend. #1; motion was seconded by Sen. Turnage and was carried.

Sen. Towe then Moved SB87 As Amended, Do Pass. The motion was seconded by Sen. Turnage and a roll call vote showed the motion passed unanimously.


WILLIAM MATHERS CHAIRMAN

SENATE TAXATION COMMITTEE

Date _____

4/27/77

[illegible]

SEN.

SENATE

TAXATION

COMMITTEE

BILL 87, 102

VISITORS' REGISTER

DATE 1/27

Please note bill no.

(check one)

NAME

REPRESENTING

BILL #

SUPPORT

OPPOSE

Sen. Greg Jergeson

SB 102

X

Mike Allison

Self

SB 102

X

Louis H. Murrell

"

SB 102

X

Otto Lagomastro

"

SB 102

X

Dennis Hatleberg

"

SB 102

X

Fred Donaldson

"

SB 102

X

Mr. M. J. Jergeson

Mt Independent Colleges Inc

SB 87

X

Bob CORCORAN

DEPT OF REV.

SB 87

X

Ray Dore

" " "

SB 87

X

Edna Slattery

" " "

SB 102

Info

John Dean

" " "

" "

Chris Smith

Mont Harp Area

SB 87

X

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

Encl 1

SENATE BILL 102 -- A bill for an act entitled: "An Act establishing the method of assessing swine after 1976; enacting a new R. C. M. section and amending section 84-202, R. C. M. 1947."

The impetus for this bill came from individual pork producers who were concerned with their level of taxation and worked with Earl Peace, Extension Swine Specialist, and the Montana Pork Producers Council to resolve the problem.

1. In the fall of 1976, several producers reported to the Extension Swine Specialist a drastic change in their taxes on swine over the previous year.
2. Hogs are not defined as livestock in the statutes, so taxation is based on whatever formula is devised each year by the Assessor's Committee and the Board of Revenue.
3. The Extension Swine Specialist has attended meetings each year of the Assessor's Committee and made recommendations for a fair method of placing a value on hogs. His recommendations were followed quite closely until 1976 when the evaluation was changed from a 10-year average to a 12-month average price. Since prices were a record high that year, producers paid exceedingly high taxes, but did not have the benefit of paying low taxes when prices were low in previous years because of the ten-year average price used at that time.
4. Montana Pork Producers Council, the only organization in the state made up solely of pork producers, studied this problem and assigned it to a committee. Upon recommendations from council members, the committee submitted information for the drafting of a bill to make taxes on hogs fair, equitable to other livestock, and predictable.
5. Senate Bill 102 attempts to do three major things:
 - A. Define three classes of hogs,
 - B. Establish a uniform method of assigning market value to each class, and
 - C. Provide for a six month age exemption from taxation on swine which compares to a nine-month exemption on cattle, sheep, horses and mules.
6. Montana pork producers endorsed this bill at the Montana Pork Producers Council Annual Meeting, January 14 and 15, 1977.

SWINE ASSESSED VALUES

EXH #2

Meeting was held November 23, 1976, at Linfield Hall on the Montana State University Campus in Bozeman with representative of the Montana Pork Producers Council, Montana County Assessors Association, and the Montana Department of Revenue. Attending the meeting were:

Earl J. Peace	Pork Producers Council	Bozeman, Montana
Marvin Banker	Montana Co. Assessors Assn.	Big Timber, Mont.
Robert Hoffman	Montana Co. Assessors Assn.	Virginia City, Mt.
Shirley Smith	Gallatin Co. Assessors Office	Bozeman, Montana
Dale Dean	Montana Department of Revenue	Helena, Montana

- I. The first step developed was to establish factors that would reflect the ratio of market value for each age or class of swine to the average price per cwt for hogs U.S.D.A. Grade 1, 2 and 3. With the use of market data for 1976 the following factors were developed for 1977:

Pigs-Feeders & Market	1 day old thru 175 days	factor .8
Breeding Swine-Sows & Boars		factor 2.75

For 1978:

Feeders	1 day thru 3 months old	factor .2
Market Pigs	3 months thru 6 months	factor 1.5
Breeding Sows		factor 2.7
Boars		factor 3.0

- II. The second step was to apply 40% to each factor in order to compute an assessed value for each age or class that will reflect 40% of the average market value.

1977:

Pigs	1 day thru 175 days	$.8 \times 40\% = .32$
Breeding Swine, Sows & Boars.		$2.75 \times 40\% = 1.1$

1978:

Feeders	1 day thru 90 days	$.25 \times 40\% = .1$
Market Pigs	91 days thru 180 days	$1.5 \times 40\% = .6$
Breeding Sows		$2.75 \times 40\% = 1.1$
Boars		$3.00 \times 40\% = 1.2$

- III. The third step will be to determine the assessed value by multiplying the equalized factor times the average market price per cwt, for the preceeding 12 month period, December 1st through November

30th, for hogs grades 1, 2 and 3 as determined by the U.S.D.A. as furnished by the Montana Statistical Reporting Service less \$2.00 per cwt to compensate for the difference between Omaha Market Price and Montana Market Price.

Example: 1977

Pigs	1 day through 175 days	.32 x \$43.61 = \$13.9
Breeding Swine-Sows and Boars		1.1 x \$43.61 = \$47.9

IV. The fourth step will be to round the assessed values to the nearest dollar divisible by 3 in order to compute the taxable value by multiplying the assessed by 33-1/3% and have even dollars.

	Ass'd Value	Rounded Ass'd Value
Example: 1977		
Pigs 1 day thru 175 days	\$13.95	\$15.00 ✓
Breeding Swine-Sows and Boars	\$47.98	\$48.00

*Taxable
Value*

SWINE ASSESSED VALUES

Example: \$43.62 average price per cwt for hogs grades 1, 2 and 3
 less \$2.00 for the previous 12 month period, December 1st
 through November 30th.

CLASS OF SWINE	RATIO MARKET VALUE TO		EQUALIZATION =	EQUALIZED ×	AVG. PRICE PER CWT	=	FULL ASS'D VALUE	=	ROUNDED ASS'D VALUE
	AVG. PRICE PER CWT		FACTOR	FACTOR					
Feeder (1 day thru 90 days)	.25		40%	.1	\$43.62		\$ 4.36		\$ 3.00
Market Pigs (91 days thru 180 days)	1.5		40%	.6	\$43.62		\$26.17		\$27.00
Breeding Sows	2.75		40%	1.1	\$43.62		\$47.98		\$48.00
Boars	3.0		40%	1.2	\$43.62		\$52.34		\$52.00

SENATE COMMITTEE TAXATIONDate 1/27 Sen. Bill No. 87 Time 9:15

NAME	YES	NO
SEN. WATT	✓	
SEN. BROWN	✓	
SEN. GOODOVER	✓	
SEN. HEALY	✓	
SEN. MANNING	✓	
SEN. NORMAN	✓	
SEN. ROSKIE	✓	
SEN. TOWE	✓	
SEN. TURNAGE	✓	
CHAIRMAN MATHERS	✓	

Nita Fjeseth
SecretaryWilliam L. Mathers
Chairman

Motion:

As Amended - Do Passunan. vote

(include enough information on motion—put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

January 27 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration SENATE Bill No. 87

Respectfully report as follows: That SENATE Bill No. 87,

introduced bill, be amended as follows:

1. Amend page 6, section 1, lines 5 through 7.

Following: "gifts"

Strike: "qualifying for a deduction under section 170 of the Internal Revenue Code as amended"

Insert: "which qualify, and to the extent allowed, as a deduction from gross income of corporations, under section 170 of the Internal Revenue Code or as that section may be amended or renumbered."

AND AS SO AMENDED,

DO PASS