

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 2, 1977

The sixteenth 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 8:05 a.m.

ROLL CALL: Roll call found all of the members present with the exception of Sen. Towe who arrived at 9:05 a.m.

The following witnesses were present:

Steve Turkiewicz  
Chas. A. Banderob

Mont. Assoc. of Counties  
Mont. Senior Citizens Assoc.

CONSIDERATION OF SENATE BILL 155: Sen. Hazelbaker, Dist. 41, presented his bill and said that after the Clark Canyon Dam was built near Dillon, the government turned the irrigation district over to the people. The districts are non-profit districts and he feels the equipment used in the district should not be taxed as they are at present. Sen. McOmber said that most such districts are not taxed at present but with the assessors now being under the Department of Revenue, feels they will be, thus he too believed this legislation was necessary.

Chairman Mathers called for questions from the committee as there were no other witnesses present to present testimony, either for or against.

DISPOSITION: Sen. Turnage Moved SB155 Do Pass. The motion was seconded by Sen. Manning and motion carried. Note absence at this point of Sens. Towe and Roskie.

CONSIDERATION OF SENATE BILL 158: Sen. Thomas presented his bill which would exclude the first \$3,600 of retirement benefits paid to individuals who retired from private companies, from his gross income. He stated that public employees, now retired, are granted this exemption and he felt it more equitable for retired persons, those having worked for private companies, to receive the same exemption. He cited an instance of such a case in his presentation, and also noted the Fiscal Note which showed amount of revenues that would be lost.

The Chairman asked for other witnesses and several representatives of the Department of Revenue gave some brief testimony, making clear they had no objections to the bill, merely pointing out several notes of interest in the bill. In particular they mentioned the fact there was no effective date.

There followed some discussion by the committee and it was brought out that public employees have several plans where they pay no income tax on retirement funds until they begin receiving them. Also, it was brought there are inequities in the law and

several examples of individuals paying no income tax on retirement benefits under various plans were also mentioned. Sen. Thomas felt that all individuals should have the same exemptions, whether they were retired public employees or employees retired from private companies.

A number of possibilities were discussed but none to the committee's satisfaction and Roger Tippy was instructed to attempt to draw up some amendments that could be discussed at another meeting of the committee. Following his instruction, Chairman Mathers closed the hearing on SB158.

The Chairman then asked the committee to further consider the amendments that had been introduced to SB44, previously heard by the committee.

Sen. Manning Moved to Reconsider the Action of the Committee on January 29, in the matter of Amend. #6, (see minutes of January 29). The motion was seconded by Sen. Turnage and motion carried. Sen. Manning also distributed Exh. #1, attached, and gave his reasons for believing the percentages listed on this exhibit should remain the same.

Chairman Mathers then introduced Exh. #2, attached, and said this amendment would make the loans available to public agencies or departments, and not to individuals, thereby erasing the possibilities that existed for loans to refinance irrigation sprinkler systems.

The amendments proposed by the Board of Investments were introduced, see Exh. #3, attached, and the committee discussed these amendments at length. This amendment concerned investment of the funds from the severance tax, and the committee agreed to vote on them.

Sen. Watt Moved to Adopt Amendments as proposed by the B. of I, contained in Exh. #3. Motion was seconded by Sen. Turnage and motion carried. Note for the record the absence of Sen. Towe and Sen. Norman voted "No."

Sen. Norman stated his objections to further financing of irrigation districts, referring to his home district where numerous drownings had occurred. Sen. Towe arrived at the meeting at this point and discussion continued. The committee expressed their favor of the amendments in Exh. #2, and hoped that they might have a better chance of passing if they were incorporated in SB48. There was discussion on this point and the committee agreed to the proposal.

Sen. Turnage Moved the Amendments in Exh. #2, sections 8 and 9, be Adopted. The motion was seconded by Sen. Goodover and motion carried. Note for the record Sen. Norman voted "No."

DISPOSITION: Sen. Turnage Moved SB44 AS AMENDED, DO PASS. Sen. Watt seconded the motion and motion carried. Note Sen. Norman voted "No."

*Mathers*



SENATE TAXATION COMMITTEE

BILL 155, 158

VISITORS' REGISTER

DATE 2/2/77

Please note bill no.

(check one)

NAME \_\_\_\_\_

REPRESENTING

BILL #

SUPPORT

OPPOSI

\_\_\_\_\_

### 10. Area of Counters

155

Small Pond

mind, under 18 years old.

155

PLEASE LEAVE UNREDACTED STATEMENT WITH SECRETARY

# STANDING COMMITTEE REPORT

February 2 19 77

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration SENATE Bill No. 155

Respectfully report as follows: That SENATE Bill No. 155

DO PASS



Exh. #1

Table No. 1 Showing 12 reaches of roads within the Colstrip Economic Development Growth Center area (Designated by the U. S. Secretary of Transportation) and current cost estimates by the Montana Highway Department.

January 1977

DESIGNATION	LENGTH	EST. COST TO CONSTRUCT
1. Sarpy Creek Road	27 Mi.	\$ 5.4 million
2. Hardin - Sarpy Creek	12 Mi.	2.4 million
3. Hardin - East	20 Mi.	1.8 million
4. Colstrip-Forsyth	30 Mi.	11.4 million
5. Lane Deer - Colstrip	22 Mi.	2.9 million
6. Rosebud-South	36 Mi.	4.1 million
7. Ashland - Northwest	20 Mi.	2.7 million
8. Decker - Busby	40 Mi.	8.0 million
9. Birney - Southwest	24 Mi.	4.8 million
10. Birney - Ashland	23 Mi.	4.7 million
11. Crow Agency - Busby	27 Mi.	8.8 million
12. Lane Deer - Ashland	20 Mi.	6.5 million
	<hr/> 301 Miles	<hr/> \$63.5 million
Big Horn County	168 Mi.	
Rosebud County	106 Mi.	
Treasure County	27 Mi.	
	<hr/> 301 Miles	

Table No. 2 Showing proposed coal severance tax percentages of distribution applied to the remaining funds after 25 % of the total collections are set aside to implement the constitutional amendment ratified at the 1976 election.

	Existing Percentages (1975-77)	Redistributed Percentages	New Percentages (1977-79)
Coal Mining Counties	4 $\searrow$ 14	-3	1 $\searrow$ 14
Coal Area Highways	10 $\searrow$	+3	13 $\searrow$
General Fund	40	----	40
Foundation Program	10	----	10
Local Impact	17½	----	17½
Educational Trust Fund	10	----	10
Park Funds	2½	----	2½
County Land Planning	1	----	1
Alternate Energy	2½	----	2½
Renewable Resources	2½	----	2½
	<hr/> 100		<hr/> 100

Dave Manning

Encl. # 2

Section . Section 89-3603, R.C.M. 1947, is amended to read as follows:

"89-3603. Renewable resource development loans. (1) The board of natural resources and conservation is authorized upon proper application and upon recommendation of the department of natural resources and conservation to make loans from the renewable resource development account established by this act to ~~farmers-and-ranchers of-the-state-of-Montana-who,-without-regard-to-their-form-of-business organization;~~

~~(a)-are-citizens-of-the-United-States-and-are-citizens-and residents-of-the-state-of-Montana;~~

~~(b)-have-sufficient-farming-or-ranching-training-and-experience which,-in-the-opinion-of-the-department,-is-sufficient-to-assure-the likelihood-of-the-success-of-the-proposed-operations;-and~~

~~(c)-are-or-will-become-owner-operators-of-farms-or-ranches-~~  
conservation districts established under Title 76. No loan may be made to an individual, corporation, partnership, or other private entity.

(2) the department shall solicit and consider in its evaluation of proposed projects the views of interested and affected departments, boards, agencies and other subdivisions of state and federal government and of other interested and affected persons.

(3) The board may make the renewable resource development loans provided for by this section for any worthwhile project for the conservation, management, utilization, development, or preservation of the land, water, fish, wildlife, recreational, and other renewable resources in the state; and for the refinancing of existing indebtedness incurred in the expansion or rehabilitation of projects for those purposes.

(4) The board shall make no renewable resource development loan which exceeds the lesser of one hundred thousand dollars (\$100,000) or eighty percent (80%) of the fair market value of the security given therefor. In determining the fair market value for the security given for any loan, the department shall consider appraisals made by qualified appraisers and such other factors it considers important.

(5) The period for repayment of loans pursuant to this act may not exceed thirty (30) years.

(6) The board shall from time to time establish by rule the interest rate at which loans may be made under this act, provided that in no case may the rate be greater than one (1) percentage point greater than the prevailing interest rate on the renewable resource development bonds provided for in this act.

(7) The state shall have a lien upon a project constructed with money from the renewable resource development account for the amount of the loan, together with the interest thereon. This lien may attach to all project facilities, equipment, easements, real property, and property of any kind of nature owned by the debtor, including all water rights. The board shall file either a financing statement or a real estate mortgage covering the loan, its amount, terms and a

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description of the project with the county recorder of each county in which the project or any part thereof is located. The county recorder shall record the lien in a book kept for the recording of liens and it shall be indexed as other liens are required by law to be indexed. The lien shall be valid until paid in full or otherwise discharged. The lien shall be foreclosed in accordance with applicable state law governing foreclosure of mortgages and liens.

(8) The board may adopt rules as required to govern the terms and conditions for making loans, security instruments, and agreements pursuant to this act.

(9) No member, officer, attorney, or other employee of the board or the department shall, directly or indirectly, be the beneficiary of or receive any fee, commission, gift, or other consideration for or in connection with any transaction or business under this act other than such salary, fee, or other compensation as he may receive as such member, officer, attorney, or employee. Any person violating any provision of this section shall, upon conviction thereof be punished by a fine of not more than two thousand dollars (\$2,000) or imprisonment for not more than two (2) years or both.

(10) The department shall administer the loans made by the board pursuant to this act, and may accept and utilize voluntary and uncompensated services, and, with the consent of the agency concerned, utilize the officers, employees, equipment, and information of any agency of the federal government, or of any agency of Montana government, or of any political subdivision within Montana."

Section . THERE IS A NEW R.C.M. SECTION, TO BE NUMBERED 89-3604.1, THAT READS AS FOLLOWS:

"89-3604.1 Grants for coal utilization research.

(1) The department of natural resources and conservation may make grants to persons, as defined in 84-7408, to assist them in the research, development, or demonstration of more efficient alternative forms of coal conversion. These more efficient forms are defined as the conversion of coal into forms of energy useful to mankind through technology proposed to convert coal more efficiently than the technology in general commercial use. Such research, development, or demonstration are public purposes, furthering the policy of the state of Montana, which favors conservation of the coal resource through its most efficient utilization.

(2) In administering this section the department shall follow the criteria for grant awards set forth in 84-7412 and may exercise the powers vested in it under 84-7410 and 84-7411, or those sections as they may be amended or renumbered."

Section . Section 89-3607, R.C.M. 1947, is amended to read as follows:

"89-3607. Sinking fund account -- coal utilization research account. (1) The state may by enactment of the legislature or the people levy, impose, assess, and pledge and appropriate to the sinking



fund account any tax, charge, fee, rental or other income from any designated source. The state reserves the right to modify from time to time the nature and amount of special taxes and other revenues pledged and appropriated to the sinking fund account, provided that the aggregate resources so pledged and appropriated are determined by the legislature to be sufficient for the prompt and full payment of the principal of and interest and redemption premiums when due on all bonds payable from that account, and provided that the pledge of the full faith and credit and taxing powers of the state for the security of all such bonds shall be and remain irrevocable until they are fully paid.

(2) Money in the sinking fund account shall be used first to pay interest, principal and redemption premiums when due and payable with ~~respect to renewable resource development bonds~~; second to accumulate a reserve for the further security of such payments, to the amount required each month to meet those payments due within twelve (12) months thereafter, and third to restore the reserve to this amount after each payment.

(3) After the reserve provided for in subsection (2) above is in the sinking fund, money at any time received in the sinking fund in excess of that amount shall be transferred by the treasurer to the clearance fund account. If the balance at any time on hand in the sinking fund is not sufficient for compliance with subsection (2), and is not restored to the required amount within three (3) months thereafter, from funds specifically pledged and appropriated to the sinking fund account, the treasurer shall transfer thereto from the general fund an amount sufficient to restore the required balance.

(4) The state pledges and appropriates and directs to be credited to the sinking fund account as received ~~two-and-one-half-percent-(2½%)~~ 1% of all money from time to time received from the collection of the ~~strip-coal-mines-license-tax-payable-under-the-provisions-of-section 84-1302, or the equivalent provision of any~~ severance tax enacted in ~~lieu of such license tax~~, and remaining after allocation of such tax to the trust fund established under section 5, article IX of the Montana constitution and such additional amount thereof, if any, as may be required from time to time to provide sufficient funds for the purposes stated in subsection (2) above; provided that no more than ~~two-and-one-half-percent-(2½%)~~ 1% of such tax collections shall be deemed to be pledged for the purpose of section 89-3606, subsection (3).

(5) There is a coal utilization research account within the earmarked revenue fund. Moneys paid into this account consist of 1½% of the coal severance tax collected each quarter and remaining after allocation of such tax to the trust fund established under section 5, article IX of the Montana constitution. Moneys in this account may be appropriated for the purposes specified in 89-3604.1.

Section . Section 50-1804, R.C.M. 1947, is amended to read as follows:

"50-1804. Coal board established -- composition. (1) There is a coal board composed of ~~seven~~ ~~(7)~~ members.

(2) The coal board is allocated to the department of community affairs for administrative purposes only as prescribed in section

82A-108.

(3) The members of the coal board are selected as follows: The governor shall appoint a ~~seven~~ {7} member coal board, as provided under 82A-112, two {2} from the impact areas and two {2} with expertise in education. The governor shall further, in making these appointments, consider people from these fields: business, engineering, public administration and planning. No more than ~~four~~ {4} members may be residents of the same congressional district."

Exh. # 3

## Amendment proposed by Board of Investments

1. Amend section 1, page 2, line 6.

Following: "in"

Strike: "an account in the trust and legacy fund"

Insert: "the fund established under 79-309(5)"

2. Amend page 8.

Following: line 22

Insert: "Section 5. Section 79-309, R.C.M. 1947, is amended to read as follows:

"79-309. Investment funds. For each treasury fund account into which state funds are segregated by the department of administration pursuant to section 79-413, individual transactions and totals of all investments shall be separately recorded to the extent directed by the department. However, the securities purchased and cash on hand for all treasury fund accounts not otherwise specifically designated by law or by the provisions of a gift, donation, grant, legacy, bequest or devise from which the fund account originates to be invested shall be pooled in an account to be designated "Treasury Cash Account" and placed in one of the investment funds designated below. The share of the income for this account shall be credited to the general fund. If within the list hereinafter of separate investment funds, more than one investment fund is included which may be held jointly with others under the same separate listing, all investments purchased for that separate investment fund shall be held jointly for all the accounts participating therein, which shall share all capital gains and lossess and income pro rata. Separate investment funds shall be maintained as follows:

(1) the trust and legacy fund, including all public school funds and funds of the Montana university system and other state institutions of learning referred to in sections 2 and 10, article X, of the 1972 Montana constitution, and all money referred to in section 79-410(8);

(2) a separate investment fund, which may not be held jointly with other funds, for money pertaining to each retirement or insurance system now or hereafter maintained by the state, including those now maintained under the following statutes:

(a) the highway patrolmen's retirement system described in Title 31, chapter 2;

(b) the public employees' retirement system described in Title 68;

(c) the game wardens' retirement system described in Title 68, chapter 14;

(d) the teachers' retirement system described in Title 75, chapter 62; and

(3) the industrial accident insurance program described in Title 92, chapter 11;

(3) a pooled investment fund, including all other accounts within the treasury fund structure established by section 79-410;

(4) a fund consisting of gifts, donations, grants, legacies, bequests, devises and other contributions made or given for a specific purpose or under conditions expressed in the gift, donation, grant, legacy, bequest, devise or contribution on the part of the state of Montana to be observed. If such gift, donation, grant, legacy, bequest, devise, or contribution permits investment, and is not otherwise restricted by its terms,

it may be treated jointly with other such gifts, donations, grants, legacies, bequests, devises, or contributions, and

(5) a fund consisting of coal severance taxes allocated thereto under section 5, article 1X of the Montana constitution. The principal of this trust fund shall be permanent and invested in the permissible investments enumerated in 79-310. In the event the legislature appropriates any part of the principal of this fund by vote of three-fourths of the members of each house, such liquidation may create a gain or loss in the principal; and

~~(5)~~ (6) such additional investment funds as may be expressly required by law, or may be determined by the board of investments to be necessary to fulfill fiduciary responsibilities of the state with respect to funds from a particular source.

Note--by implication, the Board's position would also require amending out the trust and legacy fund reference for the park acquisition moneys. This would be as follows:

Amend section 1, page 3, line 19.

Following: line 18

Strike: "trust and legacy"

Insert: (earmarked revenue"

Following: "fund"

Insert: ", to be invested in a trust fund"