

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 3, 1977

The seventeenth meeting of the Taxation Committee was called to order in Room 415 of the State Capitol building on the above date by Chairman Mathers at 8:05 a.m.

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

The following witnesses were present:

Bob Gannen	Mont. Power-Western Energy
Jim Mockler	Mont. Coal Council
Ernest Post	Mont. State AFL-CIO
Torian Donohoe	Env. Info. Center
Stephen Williams	Anaconda Co.
Patrick Binnns	Post Subcontractor to MEAC
Howard O. Vralstad	Dept. of Rev.
A.G. Slattery	"
Dennis Burr	"
Kenneth K. Morrison	"
Laureen France	Al Dougherty MT Mining Assoc.
Gorham E. Swanberg	Mont. R.R. Assoc.
Ward Shanahan	Dreyer Bros. Inc.
Lester H. Loble, II	Mont. Dakota Util. Co.
Don L. Allen	Petroleum Industry
F. H. Boles	Mont. Chamber of Commerce

CONSIDERATION OF SENATE BILL 159: Sen. Towe said his bill would permit a tax exemption for coal producers who produce less than 20,000 tons of coal per year. He said there are a few producers in the state who produce less than this amount and he believed the present severance tax was not equitable for these small producers. Mr. Morrison said the Department was also in favor of the bill since it provided some measure of tax relief to small mine operators.

The Chairman called for other proponents or opponents and there being none, called for questions from the committee. It was brought out that the effect on county tax revenues would not be substantial and counties that had received the extra revenues as a result of the legislation which levied the taxes as specified in the last Legislature, had recognized they had a windfall that would not be of a permanent nature, therefore, could not be included in their regular budgeting. It was mentioned also that there was no effective date and the committee agreed to remedy this.

Sen. Turnage Moved to Amend the Title to SB159 by adding an effective date and to add a new section reading thus: 'This act shall be effective for all tax years after December 31, 1976.'
The motion was seconded by Sen. Goodover and carried unanimously.

CONSIDERATION OF SENATE BILL 211: Sen. Towe said there had been an attempt to tax rights of entry on property which caused

considerable problems and since legislation introduced to repeal rights of entry taxes would cause substantial loss of revenue to counties, he felt that his bill would help replace this revenue and also help clear up older land titles and interests in minerals. He said the bill would levy a tax on the minerals and then if the tax is not paid in 5 years the land could go through a tax procedure, the county could then sell the mineral rights and the surface owner at that time would most likely bid on the rights. At present there may be hundreds of partial mineral rights holders to land and companies have difficulty tracing them down in order to obtain rights of entry or the mineral leases. He felt that people with mineral interests in land would be willing to pay the taxes and if not, then they would revert to the county where they would be clarified when the new bidder received title. He stated the tax, at 8¢ per acre, was not high, and anyone with interests in a parcel of land should be willing to pay to retain the mineral right. He thought this legislation would be a good tax mechanism to allow such holdings to be cleared up and would replace the rights of entry tax.

Mr. Slattery next spoke and said the Department favored the legislation as it would help clear titles to land where mineral rights may be in the hands of many different individuals.

The Chairman called for other proponents of the bill and there being none, permitted the opponents to speak. Mr. Mockler was the first to state his opposition to the bill saying he thought obtaining abstracts under such a law would be a 'nightmare' and he asked further if the taxing would be real or personal property taxes, thus creating additional problems. Mr. Williams also spoke in opposition to the bill saying he objected to assessors attempting to place a value on the minerals saying he didn't believe a value could be placed on them until they had been extracted. Other opponents who expressed their opinions included Ms. France and Mr. Swanberg, who thought the bill would discourage further exploration in the state, and who also asked the committee to consider the environmental delays before a coal mine could be opened. Mr. Shanahan and Mr. Loble also expressed their opposition as did Mr. Allen and Mr. Gannon. Mr. Boles said the Chamber is concerned with increased taxes in the state and favored more exploration of the state as well as the resultant possible energy research that could be forthcoming from exploration and a more favorable tax base for interested companies.

The Chairman asked for other opponents and there being none, permitted Sen. Towe to close. He said that he felt that contrary to his opponents' claims that the bill would discourage mineral exploration in the state, he felt it would rather encourage it, since mineral rights and interests would be more clear cut and holders of such interests could be traced more easily, their mineral rights established, and thus leases obtained more simply. He further stated that if the land is of value then the very minimal tax he proposes would be paid. He referred to the terms 'clear' and 'firm' as they appear in the bill and said he thought such terms could be changed to make it plainer for the courts. The minability of land could also be clarified. He said there are other bills which deal with the problem, and one that would address the

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 losses 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 IX 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"

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The Chairman asked for other opponents and there being none, permitted Sen. Towe to close. He said that he felt that contrary to his opponents' claims that the bill would discourage mineral exploration in the state, he felt it would rather encourage it, since mineral rights and interests would be more clear cut and holders of such interests could be traced more easily, their mineral rights established, and thus leases obtained more simply. He further stated that if the land is of value then the very minimal tax he proposes would be paid. He referred to the terms 'clear' and 'firm' as they appear in the bill and said he thought such terms could be changed to make it plainer for the courts. The minability of land could also be clarified. He said there are other bills which deal with the problem, and one that would address the

'abandonment' of such lands, would create problems as well.

Sen. Mathers stated that since he too was a signer of SB211, he had some testimony. He stated he had been to many meetings in the Eastern part of the state where many people were upset that people received income through their mineral rights, yet paid no taxes on this property. He too felt the tax to be set would be minimal as compared to the value of the minerals, and if this were not so, then the holder could then sell such rights.

Following his brief comment, the Chairman asked for questions and Sen. Roskie said he had several. Mr. Burr replied that the Department would have difficulty in assessing minerals not yet extracted, but no more than they had at assessing under the right of entry law.

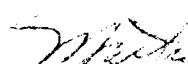
Due to lack of additional time the Chairman said that further discussion on the bill would have to await an executive action meeting of the committee and concluded the hearing on SB212.

CONSIDERATION OF SENATE BILL 167: Sen. Rasmussen, Dist. 16, said the bill continues with the concept of solar energy research. He said the Montana Energy Advisory Council had issued a statement on possibilities of solar energy utilization in Montana and his bill would encourage the development of such resources through a tax exemption. He introduced Mr. Binns who has been a consultant with the MEAC for the last 3 months. He said that although some larger firms are advancing in such research and use, the Council felt that the individual home owner and small businessman should be encouraged to use such energy as well and tax exemptions appeared to be a way to encourage this. Mr. Post also spoke in favor of the legislation, mentioning the problems that lack of fuel had caused in the East this winter and the fact that so many were out of work as a result. Ms. Donohoe also favored the legislation as did Mr. Boles who thought the exemptions were good incentives.

The Chairman then permitted closing remarks by Sen. Rasmussen and he stated he believed Montana had great potential in this field and thought individuals should not only have exemptions for the investment, but should be allowed depreciation on the system as well.

Following his final presentation several of the committee had questions but due to the lengthy testimony it was necessary to call for adjournment.

ADJOURN: Sen. Brown moved the meeting adjourn. His motion was seconded by Sen. Goodover; motion carried.


WILLIAM MATHERS

CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 2/3/77

SENATE *TAXATION* COMMITTEE

J. B.
BILL 159, 167, 211

VISITORS' REGISTER

DATE 2/3/77

Please note bill no.
|| (check one)

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Bob Ganner	MontPower-WesternEnergy	SB 211	X	
Jim Mockler	Montana Coal Council	"	X	
Ernest Post	MontState AFL-CIO	SB 167	X	
Torian, DONOHUE	NU. Information Center	SB-167	X	
STEPHEN WILLIAMS	ANACONDA Co.	SB 211		X
John T. Brooks	private citizen (past subcontractor to MEAC)	167		X
John C. Vradenburg	Dept. of Revenue	167	amend	
	Mont. City MT Mining Association	311		X
Kenneth K. Morris	Dept. of Revenue	159	X	
John S. Callahan	" " "	211	X	
Richard G. Swindley	Mont. R.R. Assoc.	211		X
Ward Shanahan	Breyer Bros. Inc.	211		X
Lester H. Hobble, II	Montana Dakota util. Co	211		X
John J. O'Brien	PETROLEUM INDUS			
J. H. Balow	Montana Chamber	211		X
J. H. Balow	" "	167	X	
DENNIS BURR				
PAT BINNS	Mont. ENERGY ADV. Coun.			



Exh. L. #1

Box 1176, Helena, Montana

ZIP CODE 59601

JAMES W. MURRY
EXECUTIVE SECRETARY

LUNDY SHOPPING CENTER
MISSOULA HIGHWAY

REMARKS OF ERNEST E. POST, ON SENATE BILL 167, HEARINGS OF THE SENATE TAXATION COMMITTEE, FEBRUARY 3, 1977

The working men and women who make up the Montana State AFL-CIO have directed their legislative representatives to support the development of alternate forms of energy. In keeping with a position to that effect that was adopted by the membership last summer during our 20th annual convention, I appear before you today in support of Senate Bill 167.

Right now, at the other end of our country, there are some communities that will be completely without natural gas very soon if the current, bitter cold winter they are experiencing continues. The residents of those communities are trying to adjust to emergency measures that make it illegal to waste energy. Businesses are operating on a strictly enforced 40-hour week, with some workplaces shut down completely, and homes are being inspected for violations of emergency orders to reduce thermostats to 65 degrees by day and 60 by night.

The only thing saving us in Montana from the same fate this year is a freak winter that has singled out the Midwest and the Eastern Seaboard. We bask in unseasonably warm temperatures this winter, but we've all lived here long enough to know that the most predictable characteristic about Montana's weather is its unpredictability.

Our country has been gambling with its fate for years, as far as energy consumption goes. We have been irresponsible in our exploitation, production and consumption of our energy resources. While the East Coast is on the verge of collapse as natural gas supplies expire, we really don't know where we stand right now in Montana with our natural gas reserves. State officials have estimated a supply that may last anywhere from 12 to 87 years. Power company officials who, up until two months ago, made dire predictions about future supplies and prices of natural gas, are now telling us we have abundant supplies. As consumers, we have no way of knowing who is right, but we do know we're dealing with limited supplies of energy resources.

In the meantime, our nation's dependence on oil from insecure, foreign sources has increased. The United States is more dependent on Arab oil now than ever before. In the first quarter of 1975, 22.7 per cent of our country's oil imports came from Arab countries. That number was up from the 17.9 per cent in the fourth quarter of 1974 and the approximately 15 per cent in the months preceding the Arab oil embargo. The threat of an embargo still exists. At any moment, the Arab nations could shut off the flow of oil and plunge our country into an economic and energy crisis that would dwarf that of 1973 and 1974.

Living under that threat and knowing that our supplies are numbered, we have a responsibility to encourage the development and use of alternative energy systems utilizing renewable resources. Senate Bill 167 represents a meaningful effort to start dealing with a crisis we have created, and I urge you, as lawmakers, to assume the responsibility in meeting this crisis.

opeiu #2, afl-cio