

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 9, 1977

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

ROLL CALL: Roll call found Senators Watt, Goodover, Manning, Norman and Turnage absent. Democratic Floor Leader Murphy sat on the committee to make a quorum until the arrival of Sens. Turnage and Watt.

The following witnesses were present:

Bill Shortridge	Rancher
Jimme L. Wilson	Self, Rancher
C.R. Bertman	MWDA
Keith Williams	"
John Bucher	Rancher
Robert Evans	"
John Thomas	"
Frank Jones	"
Don Tamcke	"
Joe Hamm	Self
M.E. Eddleman	Mont. Water Develop. Assoc.
Stephen Turkiewicz	Mont. Assoc. of Counties
Les Loble II	Attny. for Ranchers on SB251
R.E. Miller	Mont. Water Develop. Assoc.
Tom Winsor	Mont. Chamber
Glen Potts	Custer, Mt.
Zack Stevens	Farm Bureau

CONSIDERATION OF SENATE BILL 251: Sen. Manley, Dist. 14, presented his bill and said it aimed at taxing sprinkler systems the same as the federal government. He said he thought the systems should be taxed as irrigation facilities since they accomplished the same purpose. He said once the land is under irrigation through these systems, the land is then valued as irrigated land, but at present the sprinkler systems were also being taxed as machinery and he felt the systems should be exempt. He then introduced Mr. Eddelman who read a statement, copy of which is attached, Exh. #1, relating how the values of irrigated land had increased in the past years, thus the tax revenues from the land had increased accordingly. Therefore he too felt the machinery used to improve the land should be exempt.

Other proponents of the bill included Mr. Bucher who brought out the point that sprinkler system irrigation was a much more efficient system of irrigation, and was much better for the soil itself, since it did not flood irrigate thus causing problems with seepage. Also speaking for the bill were Mr. Tamke and Mr.

Potts, both of whom stressed the fact also, that the systems did conserve on water and said too the increased land values of irrigated land also increased the tax base, thus there actually would be no revenue loss. Mr. Loble also spoke as a proponent of the bill, saying he felt it should be clear that sprinkler systems should be considered 'irrigation systems' but thought the legislation would give all ranchers and farmers in the state the same break. He said he is attorney for a group of ranchers who have brought suit against the Department of Revenue in regard to taxing of the systems as there are areas in the state where the assessors are not taxing such systems. Mr. Winsor spoke in favor of the bill as well, saying he thought the tax exemption would further encourage sprinkler systems and thus improvement to the land of the state. Mr. Wilson cited higher costs of operating his ranch as a reason for the need for such exemption. He also said that sprinkler systems do help improve the land and said that with the anticipated drought this summer, these systems will better utilize the water, thus their use should be encouraged.

Mr. Stevens spoke next and said that by taxing the sprinkler system machinery, owners faced double taxation. Mr. Hamm objected to the term 'sprinkler system' saying it was too vague but did favor the bill.

The Chairman then asked for other proponents or opponents and Mr. Turkiewicz stated although he was at present neither for nor against the bill, he would like to see the Fiscal Note of the bill and the effect it would have on counties. He thought if it gave a substantial break to a particular group he might have to oppose it. Chairman Mathers asked for other opponents to speak and there being none, permitted Sen. Manley to close. He said the idea of the counties being against such tax exemption as an incentive to increased use of the sprinkler systems seemed to him ridiculous, mentioning the increase in tax base as a result of the land improvement.

Following this the Chairman permitted questions from the committee, and following their questions and brief discussion, the hearing on SB251 was closed.

CONSIDERATION OF SENATE BILL 351: Sen. Boylan, Dist. 38, presented his bill and said it puts a parity on all commodities as far as taxation is concerned. He thought it relevant that to be further taxed on farm commodities, then pay a tax on the same commodities, puts an extra burden on farmers and ranchers. He said he realized that counties, state government, need money and he said this legislation would reduce the tax level some but if you talk about tax reform, you pass it on to someone else but when you tax production at below cost, this is compounding the situation and makes it worse. Mr. Jones spoke as a proponent and said he had lost a large amount of money on his livestock yet his taxes keep going up and favored such parities as specified in Sen. Boylan's bill.

Chairman Mathers briefly explained some of the main portion

of the bill for the benefit of those witnesses who had no knowledge of it. Mr. Turkiewicz spoke briefly against it, citing loss of money by counties in the last 2 years and thought such legislation would be setting a dangerous precedent.

The Chairman then permitted further questioning by the committee and following these, Sen. Boylan stated he felt some new ideas needed to be injected and make people aware of the problems that ranchers and farmers are facing. He thought some tax reform is needed and his legislation was directed toward this end, particularly in informing those who did not understand the situation ranchers and farmers now face.

The committee discussed bills that could possibly be acted upon and Sen. Towe introduced an Inheritance Tax Bill and asked the committee if they wished to introduce it as a committee bill. Several of the committee declined.

The Chairman then directed the committee's attention to SB102, heard by the committee on January 25. They suggested several amendments to the bill and after considerable discussion, decided to pass the bill as written.

DISPOSITION: Sen. Roskie Moved SB102 Do Pass. The motion was seconded and carried unanimously. Note at this point the absence of Sens. Norman, Manning and Goodover, all excused.

ADJOURN: Sen. Roskie moved the meeting adjourn. The motion was seconded and carried.



WILLIAM MATHERS

CHAIRMAN

ROLL CALL

SENATE TAXATION COMMITTEE

45th LEGISLATIVE SESSION - - 1977

Date 2/9

NAME	PRESENT	ABSENT	EXCUSED
SEN. WATT	✓		
SEN. BROWN	✓		
SEN. GOODOVER			✓
SEN. HEALY	✓		
SEN. MANNING			✓
SEN. NORMAN			✓
SEN. ROSKIE	✓		
SEN. TOWE	✓		
SEN. TURNAGE	✓		
CHAIRMAN MATHERS	✓		
EX-OFFICIO MBR. SEN. MURPHY	✓		

Sen. SENATE TAXATION COMMITTEE
 BILL 251, 351 VISITORS' REGISTER DATE 2/9/77

NAME	REPRESENTING	BILL #	(check one)	
			SUPPORT	OPPOSE
Bill Shattridge	Rancher	251		
Vincent L. Wilson	SELF (RANCHER)	251		
Carl Beutman	MWDA	251		
Keith Williams	MWDA	251		
John Bucher	Rancher	251		
Robert Evans	"	"		
John Thomas	"	251		
FRANK JONES	RANCHER	351 251		
DON TAMCKE	RANCHER	251		
Joe Hammer	Self	251		
W. E. Edelman	Montana Water Development Assn	251		
STEPHEN TURKIEWICZ	MT. ASSOCIATION OF COUNTIES	251/351		
Les Lobb II	Attorney for Ranchers in S.B.T.S.	251		
R.E. Miller	Mont Water Dev. Assn	251		
Don Walker	Montana Grader	251		✓
"	"	357		
"	"	251		✓
John Smith	Custer County			
John Smith	Farm Bureau	251		✓

I am M.E. Eddleman, Worden, Montana, President of the Montana Water Development Association. I have been an operator of a sprinkler system in Yellowstone County and am acquainted with the operational cost and the taxation of such units. I appear in support of SB 251 that would classify sprinkler irrigation systems along with rights of way, ditches, flumes, pipelines, dams, water rights, reservoirs and other property of like character being taxed as like facilities of the federal and state governments.

At the present time a farmer or rancher using a sprinkler system to bring water to his land and crops is unjustly taxed compared to the farmer or rancher who flood irrigates his land. The operator using a sprinkler system is taxed on the increased value of his land plus the additional tax applied to the sprinkler system.

According to the Montana Department of Agriculture the values of irrigated land production has increased from \$76 million in 1965 to \$270 million in 1973. In the year from 1972 to 1973 the increased value of irrigated land production rose \$141 million. Dr. LeRoy Luft, Extension Farm Management Economist from MSU in 1975 reported: "The expected labor and management return, according to the calculations, show an increase of \$102.55 per acre. This amounts to \$16,408 for 160 acres put under irrigation." In another portion of the same report Dr. Luft shows the expected gross value of crops from dry land farming would be 26 bushels per acre times a price unit of \$3.50 equaling \$91.00 for a two year (crop-fallow) showing only \$45.50 each year compared to the same land being irrigated giving a return of \$102.55 for the production from the land irrigated and cropped annually. Dr. Luft recognized that there would be cost involved in putting in sprinkler systems but that the cost could be recovered. The increased revenue from the added production provides additional tax revenue as well as added income in the state. Under the present system of taxing sprinkler systems in Montana and using the information you have received in the Fiscal Note attached to SB 251, sprinkler systems in Montana now operating have an assessed value of \$34 million. Applying the taxation rate to the taxable value you add \$4.50 per acre in taxes to sprinkler irrigation systems besides increasing the tax of the land irrigated. The \$4.50 increased tax burden is higher by \$1.08 per acre than the average assessed value of grazing land at \$3.42* per acre (*value taken from Report of State Department of Revenue, July 1, 1974 to June 30, 1976, page 66.)

The Department of Natural Resources and Conservation just completed their final Environmental Impact Statement on the Yellowstone River. Using their figures of 290,000 acres (page 13) to be put under irrigation, if the conservation districts requests for water reservations are granted, in the Yellowstone River drainage only, the state can double the taxable value of land in the area by irrigating land that was formerly non-irrigated. The state would increase the taxable value by 8.78 times if all the 290,000 acres were formerly classed as grazing lands and were irrigated. (Figures from the State Department of Revenue report and the Final Draft Environmental Impact Statement on the Yellowstone River.)

We would urge you to enact SB 251 as a means of encouraging the conservation of water applied to irrigated lands in Montana as well as providing increased revenue to the state, county and school funds. This will encourage the use of water in Montana and will show to down stream users Montana has put their water to beneficial use.

M. E. Eddleman
President, MWDA

Senate BILL NO. 251
Mandy

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT TO INCLUDE SPRINKLERS
IN THE LIST OF IRRIGATION AND DRAINAGE FACILITIES WHICH ARE
TAXED AS LIKE FACILITIES OF THE FEDERAL AND, STATE
GOVERNMENTS; AMENDING SECTION 84-206, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 84-206, R.C.M. 1947, is amended to
read as follows:

"84-206. Irrigation and drainage facilities taxable.
All irrigation and drainage facilities including bonds,
rights of way, ditches, flumes, pipelines, ~~sprinklers~~ dams,
water rights, reservoirs and other property of like
character shall be taxed as like facilities of the federal
and state government; in cases where property taxes apply,
and where an increase in land value results, such facilities
shall be taxed as such land is improved, and such land shall
be classified for tax purposes as the tax classification law
provides."

-End-

SB251

INTRODUCED BILL

SUPPLEMENT TO FARM MACHINERY MANUAL

SPRINKLER SYSTEM AND PUMPS

HAND MOVE LINE

2" @ \$.75 PER LINEAL FOOT
3" @ 1.00 PER LINEAL FOOT
4" @ 1.25 PER LINEAL FOOT

SIDE ROLL OR WHEEL MOVE LINE

PER UNIT COST — 4" LINE \$4,200
PER UNIT COST — 5" LINE 4,750

(COMPLETE UNIT INCLUDES LATERAL LINES AND MOVER TO IRRIGATE UP TO 40 ACRES. TO REDUCE COST OF A SIDE ROLL UNIT THAT IS ASSIGNED TO IRRIGATE LESS THAN 40 ACRES USE HAND LINE COST.)

PIVOT LINE

UNDER TRUSS — ELECTRIC DRIVE \$20/LF
CABLE — ELECTRIC & WATER DRIVE \$17/LF
CORNER — ELECTRIC DRIVE \$20.50/LF

BIG GUN (BIG BOOM)

PER UNIT COST — \$3,500
ADD OPTIONAL EQUIPMENT
HOSE REEL COST \$1,500

PUMPS (ADD TO ALL OF ABOVE)

PER HORSE POWER ELECTRIC	\$ 55.00
PER HORSE POWER GAS (AIR-COOLED)	60.00
PER HORSE POWER GAS (WATER-COOLED)	65.00
PER HORSE POWER PROPANE	70.00
PER HORSE POWER DIESEL	110.00

THESE RATINGS ARE CONTINUOUS DYNAMIC HORSE POWER.

P.T.O. PUMP - 600 GALLONS PER MINUTE	\$1,500
500 GALLONS PER MINUTE	1,200
450 GALLONS PER MINUTE	1,000

FLOOD IRRIGATION VOLUME PUMPS

1,000 GALLONS PER MINUTE AND UP LOW PRESSURE	\$1,500
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STANDING COMMITTEE REPORT

.....February 9..... 19 77

MR.PRESIDENT.....

We, your committee on.....TAXZATION.....

having had under considerationSENATE..... Bill No. 102

Respectfully report as follows: That.....SENATE..... Bill No. 102

DO PASS

BA

4. Amend page 3, section 1, line 7.

Following: "year"

Strike: "28"

Insert: "18"

5. Amend page 3, section 1, line 11.

Following: "fund,"

Strike: "to the credit of"

Insert: "and the earmarked revenue fund to be allocated between"

6. Amend page 3, section 1, line 12.

Following: "account"

Insert: "and the coal utilization research account as prescribed by 89-3607"

7. Amend page 3, section 1, line 16.

Following: "acquisition"

Insert: ", operation, or maintenance"

8. Amend page 3, section 1, line 19.

Following: line 18

Strike: "trust and legacy"

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

9. Amend page 3, section 1, line 19.

Following: "acquisition"

Insert: "or management"

10. Amend page 3, section 1, line 21.

Following: "trust"

Strike: "and legacy"

11. Amend page 3, section 1, line 22.

Following: "acquisition"

Insert: "or management"

12. Amend page 3, section 1, line 24.

Following: "acquisition"

Insert: ", operation or maintenance"

13. Amend page 7, section 4, lines 11 through 21.

Following: line 10

Strike: subparagraph (a) in its entirety

14. Amend page 7, section 4, line 22.

Following: line 21

Strike: "(b) From two-thirds of the funds each"

Insert: "Each"

15. Amend page 8, section 4, line 22.

Following: line 22

Insert: Sections 5 through 9 reading as follows:

"There is a new R.C.M. section which reads as follows:

"Section 5. Coal tax oversight committee continued. The select committee established by section 15, chapter 502, Laws of 1975, is continued for the biennium ending June 30, 1979, and is directed to report its recommendation to the 46th legislature.

"Section 6. 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 32A-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.

"Section 7. 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 52; and
 - (e) 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} (5) 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.

'Section 8. 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 9. Section 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 {2-1/2%}~~ 1 1/2% 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 {2-1/2%}~~ 1 1/2% 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 1% 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.

AND AS SO AMENDED,

DO PASS

MEMORANDUM ON UNIFORM FEE - MOTOR VEHICLES

Encl. #1

The present system of taxation of motor vehicles in Montana is cumbersome and discriminatory, in that a sales tax is imposed during the first year on new motor vehicles in lieu of property tax and thereafter, property taxes are imposed at rates which vary from taxing district to taxing district, depending on the mill levy for each district.

This system results in drastic variations of rates of property tax on such vehicles, depending upon the place of residence of the owner of the vehicle. The law provides that vehicles must be registered in the county of the owners' residence. These legal requirements are difficult to enforce and often disregarded. There are extreme discrepancies among the taxing districts which encourages the owner to register his vehicle in counties or taxing districts imposing a low mill levy. This form of tax evasion is of sufficient frequency to confuse and trouble the Highway Patrol, other law-enforcement agencies, and taxing units. Motor vehicles are peculiarly adaptable to this type of tax evasion because of their mobility.

No justification exists for these discrepancies in the case of motor vehicles which are transitory in nature, and which should be assessed on a uniform basis so that they bear their proportionate share of the cost of governmental protection in the counties, cities and towns through which they are driven.

Arguments in favor of preserving territorial discrepancies in property taxation fail in the case of motor vehicles. Real estate and ordinary personal property is fixed, and should bear their fair share of the cost of financing local government and school systems where the property is located. Motor vehicles have no fixed location, and enhance the cost of government where ever they are propelled. The present system of taxation constitutes a continuing source of encouragement to the owners of motor vehicles to register the same in taxing districts other than

their places of residence, for the purpose of unlawfully avoiding high rates of taxation and there is no practical means of preventing this type of evasion under our present system. To the extent that vehicles use the streets and alleys of cities and towns, they add to the cost of street construction and maintenance, police protection, and incidental municipal services.

A uniform license fee system in lieu of personal property taxation, providing corresponding overall revenue to the taxing districts in the state would eliminate all of the afore-mentioned deficiencies in the present tax system. These inequities could be eliminated without depriving the counties, cities and towns of the state of the necessary revenues for support of government, by the replacement of the present sales and property taxes on motor vehicles with a uniform license fee, for distribution to the taxing districts of the place of residence of the owner of the vehicle.

In conclusion, we urge the committee members to give a Do Pass Recommendation to SB 193.

Gerald F. Raunig
Executive Vice-President
Montana Automobile Dealers Association

REMARKS OF S. KEITH ANDERSON, MONTANA TAXPAYERS ASSOCIATION

Exh. # 2

RE: SENATE BILL 193, IN LIEU TAX ON MOTOR VEHICLES

IT HAS LONG BEEN THE POSITION OF THE MONTANA TAXPAYERS ASSOCIATION THAT THE COMBINED LICENSE FEE AND PROPERTY TAX ON MOTOR VEHICLES IS EXCESSIVE AND DISCRIMINATORY.

THE TAX IS EXCESSIVE.

A REPORT FROM THE U. S. FEDERAL HIGHWAY ADMINISTRATION IN 1973 SHOWED THAT MONTANA NOT ONLY LED THE MOUNTAIN STATES, BUT THE U. S. AVERAGE, IN ROAD USER AND PERSONAL PROPERTY TAXES PAID ON AUTOMOBILES. MONTANA RANKED AHEAD OF ANY OF THE MOUNTAIN STATES.

IN A STUDY BY THE MONTANA TAXPAYERS ASSOCIATION OF TAXES PAID BY RESIDENTS OF CAPITAL CITIES IN THE ELEVEN WESTERN STATES FOR 1972, AGAIN SHOWED THAT THE COMBINED AUTOMOBILE LICENSE AND TAX PAID IN MONTANA FAR EXCEEDED THOSE IN CAPITAL CITIES OF THE WESTERN STATES.

THESE TWO REPORTS HOLD TRUE TODAY EXCEPT THAT TOTAL TAX AND FEE WOULD BE HIGHER, BECAUSE OF INCREASED MILL LEVIES AND INCREASED COSTS OF AUTOMOBILES FROM 1973 AND 1972.

THE PRESENT SYSTEM IS BASED UPON THE BASIC LICENSE FEE ACCORDING TO WEIGHT PLUS THE MILL LEVY AS IT IS IMPOSED FROM SCHOOL DISTRICT TO SCHOOL DISTRICT. THIS RESULTS IN A GREAT VARIANCE IN TAX FROM COUNTY TO COUNTY AND IN FACT, FROM SCHOOL DISTRICT TO SCHOOL DISTRICT WITHIN A GIVEN COUNTY.

THIS HAS LEAD TO A SITUATION OF SOME PEOPLE FINDING A LOW MILLAGE SCHOOL DISTRICT WITHIN THEIR COUNTY OR OBTAINING THEIR LICENSE PLATES IN SOME OTHER COUNTY WHERE SOME MEMBER OF THE FAMILY MIGHT RESIDE. THIS IS PROBABLY MORE OF A COMMON PRACTICE THAN WE WOULD ALL LIKE TO ADMIT.

THE TAX DISCRIMINATORY

THE TAX IS DISCRIMINATORY AGAINST THOSE WHO MUST USE AN AUTOMOBILE IN HIS LINE OF BUSINESS. IT IS A COMMON PRACTICE TO TRADE AUTOMOBILES

ADDENDUM

THE ARGUMENT THAT THE INCREASING OR DECREASING OF THE VALUE OF A TYPE OF PROPERTY WILL CAUSE A "TAX SHIFT" HAS PREVENTED ANY MEANINGFUL TAX REFORM IN MONTANA. OBVIOUSLY, IF THE CLASSIFICATION OR VALUE OF A GIVEN PROPERTY IS CHANGED, THEN THAT PROPERTY WILL PAY MORE OR LESS TAXES. HOWEVER, IF THAT PROPERTY HAS BEEN OVER ASSESSED OVER THE YEARS, THEN THAT PROPERTY HAS BEEN OVER TAXED AND OTHER PROPERTY HAS NOT ASSUMED ITS PROPER BURDEN. LIKewise, A RECIPIENT OF THE TAXES, GOVERNMENT, HAS RECEIVED AN UNWARRANTED WINDFALL OF REVENUE.

TAX REFORM CAN NEVER BE BROUGHT ABOUT IF THE ATTITUDE AND OBJECTION TO "A TAX SHIFT" PREVAILS. INEQUITIES WILL CONTINUE ON INTO THE FUTURE UNDER SUCH A PHILOSOPHY.

TOTAL ROAD-USER AND PERSONAL PROPERTY TAXES PAID ON SELECTED MOTOR VEHICLES
IN THE MOUNTAIN STATES AND THE UNITED STATES -- 1973

TYPE OF VEHICLE	Use	Arizona	Colorado	Idaho	Montana	Nevada	N. Mex.	UTAH	Wyoming	Mt. States Average	U. S. Average	Montana Rank Mt. States
Motorcycle	P	\$ 23	\$ 20	\$ 13	\$ 39	\$ 18	\$ 10	\$ 25	\$ 18	\$ 21	\$ 21	1
Small 4-passenger Sedan	P	68	66	62	118	58	52	73	67	71	73	1
Medium weight Passenger car	P	107	10	89	180	89	82	118	104	109	110	1
Heavy sedan Passenger car	P	171	169	101	338	138	104	182	161	170	167	1
47-seat Diesel-powered Intercity bus	C	3,163	3,410	1,442	1,610	1,642	2,011	2,401	2,486	2,520	2,055	7
Pickup truck	F	82	79	60	137	82	58	91	81	84	80	1
5,000 lbs. Gross weight	P	103	107	87	189	101	80	113	103	110	113	1
Stake truck	F	133	108	79	140	109	74	150	112	113	115	3
14,000 lbs. Gross weight	P	193	258	152	245	208	152	209	189	201	221	3
Van truck	C	346	378	231	340	265	217	275	254	289	310	1
24,000 lbs. Gross weight	P	427	505	339	621	476	321	526	409	453	489	1
Dump truck Tandem-axle, diesel	P	816	1,188	884	1,955	1,017	596	1,148	932	1,067	1,003	1
Tractor-semitrailer 3-axle, gasoline	P	764	1,252	715	1,022	787	777	998	1,057	921	981	3
40,000 lbs.	C	1,438	1,605	1,392	1,307	920	1,019	1,153	1,332	1,271	1,243	5
Tractor-semitrailer 4-axle, gasoline	P	1,303	2,566	2,252	1,800	1,332	1,656	1,634	1,980	1,815	1,708	4
55,000 lbs.	C	2,650	3,030	2,682	2,254	1,482	1,972	1,809	2,320	2,275	2,030	5
Tractor-semitrailer 4-axle, diesel	P	1,087	2,345	1,890	1,820	1,142	1,419	1,434	1,675	1,601	1,478	3
55,000 lbs.	C	2,383	2,761	2,246	2,262	1,252	1,687	1,560	1,950	2,013	1,748	3
Tractor-semitrailer 5-axle, diesel	P	1,696	4,042	3,468	3,004	1,725	2,447	2,173	2,938	2,687	2,268	4
72,000 lbs.	C	3,511	4,042	3,468	3,431	1,725	2,447	2,173	2,938	2,967	2,402	4
Tractor Semi & Trailer 5-axle, diesel	P	1,798	4,910	3,952	3,247	1,803	2,786	2,372	3,341	3,026	2,605*	4
72,000 lbs.	C	4,118	4,910	3,952	3,791	1,803	2,786	2,372	3,341	3,384	2,780*	4
Truck & Trailer 5-axle, diesel	P	2,125	4,927	4,316	4,298	1,968	2,955	2,928	3,654	3,396	3,020*	3
76,000 lbs.	C	4,345	4,927	4,316	4,818	1,968	2,955	2,928	3,654	3,739	3,312*	2

P -- Private Use

F -- Farm Use

C -- Contract Carrier Use

* Some states do not permit this combination.

U. S. average is computed for those states that do register vehicles in this category.

E46 #4

Taxes Paid by Residents In State Capital Cities



Fiscal Facts No. 6

Montana Taxpayers' Association
Box 577, Helena, Montana

TAXES PAID BY RESIDENTS OF CAPITAL CITIES--11 WESTERN STATES 1972 TAXES ON \$10,000 GROSS INCOME \$20,000 RESIDENCE; 1969 FORD GALAXIE 500 AND GENERAL SALES TAX

	<u>MONTANA</u>	<u>OREGON</u>	<u>UTAH</u>	<u>IDAHO</u>	<u>CALIFORNIA</u>	<u>COLORADO</u>	<u>ARIZONA</u>	<u>NEW MEXICO</u>	<u>WASHINGTON</u>	<u>WYOMING</u>	<u>NEVADA</u>
Residential Property Taxes	\$ 654	\$ 650	\$ 420	\$ 510	\$ 616	\$ 505	\$ 484	\$ 310	\$306	\$370	\$346
Personal Income Taxes	372	280	246	210	64	175	136	110	None	None	None
Automobile License & Taxes	69	10	49	15	45	48	47	67	47	37	34
General Sales Tax	<u>None</u>	<u>None</u>	<u>213</u>	<u>127</u>	<u>135</u>	<u>131</u>	<u>142</u>	<u>206</u>	<u>222</u>	<u>140</u>	<u>121</u>
TOTAL--FOUR TAXES	\$1,095	\$ 940	\$ 928	\$ 862	\$ 860	\$ 859	\$ 809	\$ 693	\$575	\$547	\$501
Rank of State--Total Taxes	1	2	3	4	5	6	7	8	9	10	11

TAXES PAID BY RESIDENTS OF CAPITAL CITIES--11 WESTERN STATES 1972 TAXES ON \$15,000 GROSS INCOME \$30,000 RESIDENCE; 1971 FORD GALAXIE 500 AND GENERAL SALES TAX

	MONTANA	OREGON	UTAH	CALIFORNIA	IDAHO	COLORADO	ARIZONA	NEW MEXICO	WASHINGTON	WYOMING	NEVADA
Residential Property Taxes	\$ 981	\$ 974	\$ 530	\$ 924	\$ 765	\$ 757	\$ 726	\$ 464	\$ 459	\$ 550	\$ 518
Personal Income Taxes	865	582	499	244	474	405	301	272	None	None	None
Automobile License & Taxes	113	10	81	77	18	73	73	79	68	61	53
General Sales Tax	None	None	265	181	158	163	176	256	277	175	149
TOTAL--FOUR TAXES	\$1,964	\$1,566	\$1,475	\$1,426	\$1,415	\$1,398	\$1,276	\$1,071	\$804	\$796	\$720
Rank of State--Total Taxes	1	2	3	4	5	6	7	8	9	10	11

Assumptions: (1) Actual property taxes levied for 1972 on residence with market value of \$20,000 and \$30,000 in 11 capital cities. (2) Estimated tax (as of October 1971) using standard deduction of married couple with two dependent children, with income derived entirely from salary or wages. (Federal personal credit computed at \$675.) (3) 1972 license fees and property taxes on 1969 and 1971 Ford Galaxie 500, V-8, 4-door sedan. (4) Sales taxes as computed by Internal Revenue Service.
Source: Local Tax Officials in Capital Cities, State Taxpayer Associations, Department of Internal Revenue.

OPINIONS & IMPRESSIONS

State should eliminate vehicle property tax

In recent years The Independent Record and other newspapers in Montana published editorials calling for an overhaul of the system of purchasing license plates. The common theme centered around the long lines in the county courthouses and the inefficiency of the system.

The legislature, in its wisdom, conducted a study and finally adopted a staggered system of vehicle licensing which seems to be working quite well.

Now, a move is under way in the legislature to provide a fee in lieu of personal property tax on motor vehicle and trailers.

Senate Bill 193 is the measure that would eliminate the property tax, substitute a fee and eliminate the new car sales tax.

The bill would reduce the amount of money owners of new and late model vehicles pay for license plates drastically.

In spite of this big reduction, counties would not lose any revenue. A formula is included in the bill to insure that this is the case.

Vehicle owners would pay a standard \$10 fee for license plates plus a fee based on the age of the vehicle.

SB 193 proposes that an automobile would be assessed a fee according to the following table:

- Less than 2 years old, \$50;
- 2 years to less than 4 years old, \$45;
- 4 years to less than 6 years old, \$40;
- 6 years to less than 8 years old, \$35;

8 years to less than 10 years old, \$30;

10 years to less than 12 years old, \$25;

12 years and older, \$20.

A truck, including a tractor designed to pull a trailer or semitrailer; a bus; and a motor home, meaning a self-propelled vehicle with integral living and sleeping quarters, would be assessed fees ranging from a high of \$60 to a low of \$30.

We think the proposal to eliminate the property tax and substitute a fee system makes good sense.

One good reason that the fee system should be instituted is that the difference in taxes on vehicles between cities is difficult to justify since vehicles are mobile property and enjoy public services in areas other than the taxing jurisdiction of the owners' house. The difference in tax between a vehicle whose owner lives within the city limits and one owned in the same county is harder to justify since both vehicles are used in both the city and the county.

Furthermore, administrative expenses incurred in licensing older vehicles often exceeds the property tax that is levied.

There are other benefits. Passage of this legislation would encourage new car sales, reduced administrative expenses at the county and state level and cut the taxes of a majority of vehicle owners.

We think SB 193 is a good bill. If you agree, let your legislators know how you feel.

Exl. #6

Amend section 1, page 1, line 23

Following: "table:"

Insert: "Engine of more	Engine of 4
than 4 cylinders	or fewer cylinders"

Following: line 23

Strike: line 24 on page 1 through line 5 on page 2 in their entirety.

Insert: "Less than 2 years old	\$70	\$50
2 years to less than 4 years old	\$60	\$45
4 years to less than 6 years old	\$45	\$35
6 years to less than 8 years old	\$30	\$25
8 years to less than 10 years old	\$20	\$20
10 years to less than 12 years old	\$15	\$15
12 years and older	\$10	\$10"

Exh # 67

MY NAME IS STEWART G. STEWART. I RESIDE AT STEVENSVILLE AND I AM THE STATE DIRECTOR FOR THE "GOOD SAM CLUB", A STRICTLY VOLUNTEER POST, THE GOOD SAMS OF MONTANA ARE IN SUPPORT OF S. B. 193 AND WE RECOMMEND THAT CERTAIN AMENDMENTS BE ADOPTED.

JOE AND ROSIE GOOD SAM SOLD THEIR MODEST RANCH A COUPLE YEARS AGO, AND THE CONTRACT FOR DEED THEY TOOK IN PAYMENT IS FINANCING THEIR RETIREMENT.

BACK IN THE 40'S, THEY STARTED MARRIED LIFE ON A RANCH WITHOUT ELECTRICITY OR RUNNING WATER (EXCEPT WHEN IT RAINED). EVEN THOUGH THEY ARE NOT AS OLD AS MOST RETIRED PEOPLE, JOE IS HARD OF HEARING AND ROSIE IS CRIPPLED WITH ARTHRITIS. THE LEGACY OF YEARS OF HARD AND CONFINING WORK. A YEAR AGO, JOE AND ROSIE WINTERED IN THEIR TRAILER IN THE DESERTS OF THE SOUTH-WEST. THEY FOUND IT MADE THEM FEEL SO COMFORTABLE, EVEN AFTER RETURNING TO MONTANA IN LATE SPRING THAT THEY GOT ACTIVELY INTO SQUARE DANCING. CONSIDERING THEIR ASSETS AND THEIR INCOME THEY FIGURED THAT THEY COULD AFFORD TO SPEND ALL THEIR TIME TRAVELING; WITH A LONG PERIOD IN THE WINTER SPENT IN THE SOUTH, PROVIDED THEY SOLD THEIR PERMANENT HOME. THIS WAS PARTICULARLY DRIVEN HOME TO THEM WHEN THEY SOUGHT TO REREGISTER THEIR SECONDHAND 26' AIRSTREAM TRAILER. THE COUNTY TAX LEVIED PROMPTED THEM TO REGISTER THE TRAILER AT THEIR DAUGHTER'S HOME IN ILLINOIS. THAT IS THEIR PERMANENT AND VOTING ADDRESS, NOW, BUT WE STILL EXPECT TO SEE THEM AROUND MONTANA IN THE SUMMER, EVEN IF THEY ARE NOW "TOURISTS".

-2-

HANK AND FRANKIE OWNED A 1700 SQ. FT. RESIDENCE WITH ATTACHED GARAGE. REAL ESTATE TAXES NEVER EXCEEDED \$450. THEY HAD AN OLDER AND SMALLER MOTOR HOME. THEN HANK, WHO IS AN INSURANCE AGENT AND WILL GET INCOME FROM RENEWAL PREMIUMS ON INSURANCE HE SOLD IN PAST YEARS, DECIDED TO MAKE 1977 HIS YEAR OF RETIREMENT. SO LAST YEAR HE TRADED IN THE OLD MOTOR HOME AND BOUGHT THE ONE OF HIS DREAMS. THEN HE PUT HIS LOVELY RESIDENCE UP FOR SALE. WHEN HANK FOUND OUT THIS YEAR THAT THE COUNTY TAX ON THE NEW MOTOR HOME WAS GOING TO BE \$1200 (HE HAD ALREADY SOLD AND MOVED OUT OF THE RESIDENCE THAT WAS TAXED IN THE LOW 400'S FOR MORE THAN TWICE WHAT THE MOTOR-HOME COST), HE JUST ACCELERATED RETIREMENT. CONSIDERING THEMSELVES "FULL-TIMERS" AT LEAST FOR A COUPLE OF YEARS, THEIR NEW MOTOR HOME IS NOW REGISTERED IN OREGON. STILL I KNOW THEY INTEND TO SPEND MORE THAN A COUPLE OF MONTHS EACH YEAR WITH FRANKIE'S WIDOWED SISTER WHO HAS A HOUSE ON FLATHEAD LAKE.

BILL AND WILMA EXPECT TO BE RETIRED LATER THIS YEAR. BILL WILL GET A UNION PENSION FROM HIS JOB AT A MONTANA WOOD PRODUCTS MILL. QUITE A FEW YEARS AGO BILL SOLD HIS DAIRY HERD. ALL THOSE YEARS THAT HE MILKED TWICE A DAY, SEVEN DAYS A WEEK, 52 WEEKS A YEAR, HE PROMISED WILMA THAT WHEN THEY RETIRED THEY WOULD GO TO ALL OF THOSE GLAMOROUS PLACES THEY READ ABOUT. PART OF THE MONEY THEY GOT FOR THE DAIRY HERD WAS USED TO BUY A LOT ON PLACID LAKE. THEN, ABOUT THREE YEARS AGO, THEY FOUND A USED MOTOR HOME THEY COULD HAVE PAID FOR BY THE TIME RETIREMENT DAY ROLLED AROUND. THEN THEY COULD TRAVEL AND SEE THOSE FAR AWAY PLACES AND RETURN TO THEIR LAKE LOT IN MONTANA IN SUMMER AND FALL. AS I SAID, BILL WON'T RETIRE UNTIL LATER THIS

YEAR, BUT AFTER PAYING THIS YEAR'S TAXES ON THAT FIVE OR SIX YEAR OLD MOTOR HOME, THE LAKE LOT IS FOR SALE. THEY DON'T WANT TO LEAVE MONTANA, BUT THEY, LIKE MANY OTHER OF THESE RETIREES MUST CONSIDER THEIR PRIORITIES VERY CAREFULLY. SO A SAVING OF A COUPLE HUNDRED DOLLARS A YEAR ON RV TAXES MEANS ENOUGH TO MAKE THEM CONSIDER WHERE THEIR HOME SHOULD BE.

THESE ANECDOTES ARE DERIVED FROM TRUE EXPERIENCES. PERSONAL EMBARRASSMENT TO CERTAIN INDIVIDUALS PRECLUDES MY DOCUMENTING THESE INSTANCES, BUT MANY OF YOU HAVE TOLD ME OF PARALLEL SITUATIONS AMONG YOUR ACQUAINTANCES.

NOTE THAT EACH OF THESE PEOPLE ARE MAKING THEIR STATE OF RESIDENCE ELSEWHERE THAN MONTANA. TO WHOM WILL THEY PAY THEIR STATE INCOME TAX ON THEIR RETIREMENT INCOME?

THEREFORE, THE GOOD SAMS OF MONTANA, IN THE SPIRIT OF GOOD CITIZENSHIP BELIEVE THAT SUPPORT OF S.B. 193 PROPERLY AMENDED WILL RESULT IN MORE TAXES REALIZED IN MONTANA AND BENEFIT TO ALL CONCERNED.

GOOD SAMS KNOW TAX REVENUES MUST BE COLLECTED TO PAY THE COSTS OF GOVERNMENT. GOOD SAMS ARE NOT ASKING FOR TAX REDUCTION, BUT FOR FAIR EQUALIZATION THAT WILL KEEP MONTANA TAX REVENUES IN MONTANA.

THESE MIDDLE CLASS TAXPAYERS DON'T MAKE MANY DEMANDS ON THE SCHOOLS OR GOVERNMENT SERVICES, SO THIS "SOAK THE RICH" PHILOSOPHY IS DRIVING THEM OUT OF THE STATE AND IS THE RESULT OF A TOTAL MISUNDERSTANDING OF THE PROBLEM.

WHEN THE TAXES ON AN RV WHICH IS SIMILAR TO A SUMMER HOME ARE TWO AND THREE TIMES THE TAXES ON PERMANENT

DWELLINGS THAT HAVE A MUCH HIGHER MARKET VALUE, IT ONLY FOLLOWS THAT, WHEREVER POSSIBLE, RV OWNERS WILL FIND IT ADVANTAGEOUS TO REGISTER THESE VEHICLES IN STATES THAT HAVE LOWER COSTS. WHERE PEOPLE ARE RETIRED, NO LAW IS BROKEN BUT YOU AND I BOTH KNOW THAT SUBTERFUGES BECOME WORTH THE RISK WHEN THE MONEY INVOLVED BECOMES SUBSTANTIAL.

THE DEPARTMENT OF REVENUE HAS COMPUTED A SERIES OF FEES TO BE CHARGED "IN LIEU OF TAXES" THAT WHEN LEVIED STATEWIDE WILL REALIZE AS MUCH INCOME AS THE PRESENT SYSTEM OF UNBALANCED COUNTY TAXATION. OBVIOUSLY, UNDER THIS SYSTEM SOME WILL PAY MORE SO THAT SOME CAN PAY LESS, BUT EVEN THE MAXIMUM FEES ON THIS SCHEDULE ARE NOT HIGH ENOUGH TO MAKE IT WORTHWHILE FOR MONTANANS TO CHANGE THEIR RESIDENCE ADDRESS, SO MONTANA WILL NOT ONLY DERIVE AS MUCH IN FUNDS AS CURRENT RV TAXATION, BUT ALSO WILL STOP THE EROSION OF INCOME TAX INCOME FROM RETIREES FORCED OUT OF STATE.

SENATE BILL 193 HAS A PROBLEM, HOWEVER. SINCE THE FEES ARE SOLELY BASED ON THE AGE OF THE VEHICLE, CRITICS ARE PROMPT TO POINT OUT THAT "THE RICH" OR THE HIGHEST PRICED VEHICLES FARE THE BEST. THEREFORE, THE MONTANA GOOD SAMs RECOMMEND THAT THE NEW CAR SALES TAX BE RETAINED; THAT IT NOT BE PRORATED; AND THAT THE ADDITIONAL FUNDS GENERATED BY ITS RETENTION BE USED TO ADD AN ADDITIONAL CLASS BEYOND THE 12 YEAR OLD AUTOMOBILE, TRUCK OR BUS, SO THAT THOSE WHOSE MEANS ARE SO LIMITED THEY CANNOT AFFORD NEWER ARE NOT UNFAIRLY DISCRIMINATED AGAINST, EITHER.

WITH AMENDMENTS AS STATED, THE MONTANA GOOD
SAMS RECOMMEND A "DO PASS" FOR S. B. 193.

THANK YOU.

Susan Brown

Montana Energy and MHD Research & Development Institute

#8

It is proposed that Senate Bill 193 be amended to base vehicle fee on gross vehicle weight rather than age. The basis for this change is the following:

- 1) the transportation sector uses 31 percent of all energy used in Montana
- 2) the assessment should reflect prudent or abundant use of precious non-renewable resources
- 3) Gross vehicle weight approximates mile per gallon performance and thus its energy consumption. For instance, under typical operating conditions energy use per passenger mile is:

$\frac{4.6 \text{ thousand Btu}}{2,000 \text{ lb vehicle}}$

$\frac{2.9 \text{ thousand Btu}}{3100 \text{ lb vehicle}}$

According to discussion with the Department of Justice, this amendment can easily be adopted.

Page 2
SENATE BILL 145

February 9, 1977
TAXATION COMMITTEE

5. Amend page 2, section 2, line 5.
Following: line 4
Insert: "(1)"
Following: "means"
Strike: "1"

6. Amend page 2, section 2, line 6.
Following: line 5
Strike: "(1)"

7. Amend page 2, section 2, lines 7 through 9.
Strike: the lines in their entirety
Insert: "and (2) the term "residential real property" means a dwelling occupied by a taxpayer as the owner of record or owner under contract for deed and used by the taxpayer as his principal residence."

AND AS SO AMENDED,

DO PASS

WILLIAM MATHERS

CHAIRMAN

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STANDING COMMITTEE REPORT

February 9 1977

MR. PRESIDENT.....

TAXATION

We, your committee on.....

having had under consideration..... SENATE Bill No. 145

Respectfully report as follows: That..... SENATE Bill No. 145,

introduced bill, be amended as follows:

1. Amend title, line 6.
Following: "FO"
Insert: "certain"
2. Amend page 1, section 1, line 18.
Following: "of"
Insert: "residential"
3. Amend page 1, section 1, line 19.
Following: "on"
Insert: "residential"
4. Amend page 2, section 2, line 4.
Following: "2."
Strike: "Definition"
Insert: "Definitions"
Following: "act"
DO PASS: Strike: ", "
Insert: ":'

CONTINUED