

HOUSE TAXATION COMMITTEE

46th Legislature

Representative Herb Huennekens, District #68, Billings, chairman called the committee to order at 9:00 a.m., January 16, 1979, in room 434, Capitol Building, Helena, Montana. All committee members were present as was Randy McDonald, staff attorney.

Representative E. N. Dassinger, District #50, Forsyth, sponsored House Bill 102. He explained that a home valued at less than \$35,000, owned and occupied by certain persons who are single and have an income of less than \$7,000 or if married an income of less than \$8,000, and who are or are over the age of 62 years, is taxed in class 15 property tax classification. HB 102 would allow homes of all persons who have incomes of less than \$7,000 if single or less than \$8,000 if married, to be taxed according to class 15 property classification.

Class 15 property tax classification is taxed at one-half the rate of similar property not qualifying.

Rep. Dassinger explained that there are not many persons making the above-mentioned salaries, and the inflation rate has made such incomes of less value since earnings in 1977 of \$8,000 would purchase more than is being done today. If we are going to give a tax cut, can't see any better place to do it. Earnings have gone down in comparison with income. It is very proper to take into consideration this fact if we can afford a tax cut. The tax would not be cut to one-half - it only cuts out about 1/4 since under the code, taxation of homes is at 12%. This would be about 1/4, which would be quite different from last session's proposal.

Opponents:

Dean Zinnecker, Director of Montana Association of Counties, Helena, advised that if taxes are decreased, the budgets of local governments require the tax on real property to go up. It is getting difficult for the agricultural sector to exist because of higher taxes. He recommends an amendment to require the State of Montana to reimburse local governments for the loss of this tax base.

Rep. Dassinger in closing explained that the working people of this class can't come and can't afford to come to such a hearing as this to protect their interests. He feels this bill would be a step in the right direction.

During discussion Representative Williams questioned the approach to bring all ages under this type of legislation. Rep. Dassinger feels that there are many retired people, but a young person with a couple of children trying to make the payments on his home should have some relief also. If a retired person needs this tax saving, young persons need this benefit more than the older person who has his home paid for. The less tax wouldn't be so great that it would make it possible for a young person to buy a home which they couldn't afford in the first place. These people aren't buying expensive housing.

Rep. Vicki Johnson requested that a fiscal note show the rate of decrease in revenue if incomes were increased to \$9,000 and \$10,000.

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Rep. Fabrega advised the 6% tax rate could go back to 12% or 6%. Other bills will freeze this tax. Rep. Huennekens advised the wording is actually 6% on a sliding scale.

Representative Dan. W. Harrington, District #88, Butte, sponsored House Bill 128 at the request of the Department of Revenue. The existing law provides that the DoR may refund amounts paid in excess of the tax due within 5 years from the date the tax is due. The proposed bill would extend that period and allow refunds within 5 years from
HB 128 the date due or within 1 year from the date overpayment occurred, whichever is later. The bill also provides for an extended time for refund if an overpayment results from a net operating loss carryback. This is estimated not to reduce revenue more than \$20,000.

There were no opponents.

Rep. Fabrega asked Mr. Howard O. Vralsted, Department of Revenue, if sometimes the DoR is unaware of a refund due. Mr. Vralsted stated the refund time begins from the due date of the return and runs for 5 years. A net operating loss generally is carried back, which could produce an overpayment. It couldn't be refunded if carried back and the time wherein it could be refunded was over 5 years. The question of why the loss wasn't carried forward Mr. Vralsted answered by saying the loss had to be carried back three years statutorily and if that was over 5 years when figured, no refund could be paid. There is a 5-year statute of limitations applying to filing amended returns. This bill actually extends the refund period allowable one year.

Representative Dan W. Harrington as chief sponsor of House Bill 137, explained HB 137 would reduce the taxable percentage on motor vehicles from 13.3% to 10%. This would put automobile assessment back to 1978 figures, which would be a reduction which is an area of tax reduction that is very important to Montanans.

HB 137

Larry Huss, Montana Automobile Dealers Association, heartily supports this type of taxation relief as they feel automobile taxes are too high.

Opponents:

Dean Zinnecker, Director of Montana Association of Counties, explained this is the same situation of decreasing the tax base which makes for higher taxes on real property. This would make for approximately 10% or \$110 million loss in taxable value. Such a decrease has to be picked up by somebody else, thereby transferring the load again to real property and it is getting very serious.

Rep. Harrington agreed this is between a 30 to 33% decrease, but this is the amount approximately that it has increased in the past few years. People will look upon this favorably. He doesn't feel this gain in itself will precipitate a great rush in the purchase of new vehicles.

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Other bills of this nature are being proposed and Rep. Bertelsen asked Rep. Harrington if action could be delayed until they are in committee. Rep. Reichert asked if sponsor would oppose a flat fee reduction angle.

Rep. Fabrega mentioned HB 70 (last session) didn't change the tax, it just made it possible for people to better understand taxation. The value of vehicles went up and is at the same percentage as was being used before based on the average loan value compared with the average market value.

Committee recessed to executive session:

Rep. Reichert moved that House Bill 72 DO PASS AS AMENDED. She then moved the following amendment Do Pass:

1. Page 2, line 3 , through line 9 on page 2

Following:

Strike: remainder of line 3 through line 9

Insert: "applies to payments made to a child of the taxpayer who is under 19 years of age at the close of the taxable year and to payments made to an individual with respect to whom a deduction is allowable under 15-30-112(5) to the taxpayer or the taxpayer's spouse."

Amendment was adopted unanimously. Motion to DO PASS AS AMENDED was adopted unanimously. All members of the committee were present.

Rep. E.N.Dassinger, chairman of the subcommittee on HB 63, reported on the progress the committee had made. He advised that funds going to the highway department could not be earmarked. The tax would sunset in 4 years. The question remained of how the administrative branch could be prevented from raiding the fund and using the proposed tax money for highway patrol or other unauthorized purposes. It will require about \$8 million per year for matching funds - \$5 million from this tax, and the other \$3 million to come out of the present funds available. Another \$3 million with which to finance the highway patrol has to be found.

Rep. Huennekens asked if a mandated review in the next session would allow the committee to oversee this process, or could the Revenue Oversight Committee during the interim oversee use of the funds as they are meant to be used.

Rep. Fabrega recommends that control be administered through the appropriations process.

During discussion Rep. Nordtvedt said he would like to see us in such a situation that if the interstate program collapses at the federal level, this tax increase would somehow revert back to the taxpayer. What if taxes are collected for 4 years and the federal program would collapse? This 1¢ has to be used for matching funds - it cannot be used for anything else. He wants the tax to be refunded if the federal program collapses.

Les Simkins, OBPP, stated the 1¢ would go into a special fund, but could not be refunded.

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Rep. Bertelsen raised the question as to urgency since the \$1.4 billion federal fund could be depleted by other states. Rep. Dassinger thought there was no need for urgency at this time since there is a time lag for making application for the funds. The money would be needed 90 days after July 1, 1979. Rep. Fabrega explained that in order to obtain commitment of these federal funds, a project must be all ready to be let.

Rep. Sivertsen thought that if we are going to be assured that we can get the \$181 million of federal money by matching with \$20 million, we should have the lump sum to lay down and say that we have it. How much federal funds will be available? \$1.4 billion will only do about 1200 miles of interstate highway figured at \$1.2 million per mile. This proposed 1¢ tax doesn't assure us that we are going to be able to participate in that fund.

Rep. Fagg mentioned that Rep. Hirsch had proposed a 4¢ tax for one year. Mr. Simkins said that it is necessary to have a project that is ready to go - and the highway department doesn't have the manpower or the projects to go with the amount of money a 4¢ for one year tax would generate. Taxpayers would more readily accept a 1¢ tax for 4 years than a 4¢ tax for one year. The 4¢ tax would make for an excess of matching funds since money can be committed out of federal discretionary fund for projects ready to let only.

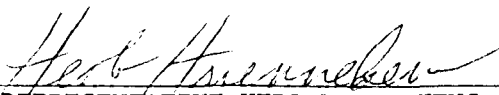
Mr. Simkins advised Montana projects are all engineered but a few right-of-ways are in court. Plans are ready and problems of getting projects going are minor. The Big Timber area is all ready to go.

Mr. Beckert, highway department engineering division, was requested to return and fill the committee in on road projects.

Mr. Beck and Mr. Beckert were to study further the proposal of 4¢ for one year tax.

The committee requested Mr. Ron Richards to meet with subcommittee if he could provide any further information. Other highway personnel are to meet with subcommittee also.

Meeting adjourned at 10:30 a.m.



REPRESENTATIVE HERB HUENNEKENS, Chairman



Secretary