

1/30/79

HOUSE TAXATION COMMITTEE

46th Legislature

Rep. Herb Huennekens, Chairman, called the committee to order at 8:30 a.m., January 30, 1979, in Room 434, Capitol Building, Helena. Rep. Fagg was absent, Rep. Lien was excused; others were present. Staff attorney was present.

House Bills 340, 367 and 385 were to be heard. HB 367 was not heard however.

Rep. Jack Ramirez, District #54, Billings, sponsor of HB 340, explained this bill would correct problems caused by two different due dates on Montana inheritance tax and Montana estate tax. When you calculate tax on \$50,000, there is a credit that you can calculate which the federal government gives to the taxpayer for the taxes he pays to the State of Montana. He can pay \$4,000 to the

HOUSE BILL 340 state and get that as a credit on the federal return. Sometimes the state tax ends up less than the estate tax - the state will levy additional tax up to the full amount of the credit so that the state gets the full amount of the credit not collected by the estate tax.

Nine months after death, the state estate tax is due. Eighteen months after death, the federal tax is due. Inheritance tax is less than the credit after state estate tax is due and so he is always late in making that payment. The purpose of HB 340 is to make the state estate tax due 18 months after death - the same as the state inheritance tax and would avoid late payment.

There were no opponents.

Tom Stohl, Inheritance Tax Division administrator of the Department of Revenue, agrees that by striking the reference to 72-16-440 any objections they would have would be cleared up. No money would be picked up on the state level. This would make it easier for the people who are paying the tax to comply with the law. Only one or two estates would have to pay this tax.

The estate tax is a tax that is imposed on the transfer of property without regard to the identity of the people who receive it. Inheritance tax is the tax imposed on the people who receive the transfer and varies with who receives it.

Rep. Jay Fabrega, District #44, Great Falls, sponsor, explained HB 385 would establish 'middle book value' as the assessment for automobiles and light trucks. 'Average trade' is perhaps better language than 'middle book'. The assessed value would be taxed at 6%. Needs an amendment where it says money is collected by the treasurer and is then distributed in direct relationship to the millage for each taxing district.

He feels this goes some ways towards solving some problems - would remove unnecessary delay through paper work and standing in line. Registrar will be able to provide assessment value and can mail you a notice so that you can renew your license by mail. Should prove to be a savings to most counties through less help required in county offices. The tax varies so much in different counties. Maybe by making those two changes, people would not go to a county that had lower millage rates in which to register their cars and get their licenses. If it should be lower, then we would get one unified command for next session.

HOUSE BILL

Opponents:

385

Dean Zinnecker, Director of Montana Association of Counties, liked HB 385 better than the fee bill. If the value of motor vehicles goes up, so does the tax. There is a bill being considered which deals with a larger tax base. He is concerned about equalization of the tax. Have to look at the services supplied in the cities. He urges consideration of the amendment on page 4 allowing taxing jurisdictions to use taxable valuations for all purposes except mill levies.

Rep. Fabrega feels a fiscal note is needed. The 6% rate calculated on the average trade-in value should replace the present level of income. A small amount goes to roads - the main portion goes to school districts. He believes there should be a uniform state tax rate so that you would pay the same for any portion of the state.

Questions from the committee:

Rep. Nordtvedt remarked because of the mobility of cars, there is presently registration in low-millage counties.

Rep. Reichert asked Mr. Zinnecker what portion does go to the streets and roads. He said it depends on the amount of money in the road levy.

Rep. Underdal doesn't feel this will equalize the tax.

Rep. Dozier said city people have the ability to raise and lower their own mill levies and so because they wouldn't have a word in this, maybe they shouldn't have it imposed on them.

Rep. Sivertsen said this would raise the tax in rural areas. Rep. Fabrega explained 6% would be the tax but no mill levy can be added. Each taxing jurisdiction gets to keep this money. Rep. Sivertsen said this will be shifting the tax burden from the city to the rural areas because of the fact that your rural school districts wouldn't have as high millages as school districts within a city. Under the fee system rural taxes on automobiles would go up considerably whereby those in the city could come down the same amount. How much of automobile tax revenues goes to school districts? There are no records kept of how much money goes to a certain district.

Rep. Huennekens reminded the old rate used a higher value x 13.5% x mill levy, compared with the middle book average trade-in value x 6% = tax rate as proposed by HB 385.

Rep. Williams used a specific example which indicated this proposed new method will increase the cost of taxes in the rural areas.

Charlotte Edwards, representing the Association of County Assessors, commented there is a bit of confusion as to how the distribution of the tax would be finally arrived at. Assessors are quite concerned by the 13.5% against the 6%. It gets confusing when changing from a tax to a fee as to where funds are to go.

Rep. Johnson asked Mr. Zinnecker if he saw this as one more way for counties to lose control. He said No - the real intent of the bill is to equalize on a statewide basis which is presently far from a perfect system of taxation. It would decrease local control somewhat.

Rep. Dassinger asked Mrs. Edwards if this would be easier to apply than the old system. She said local government officers to have to have a direction as to where the tax money is to go. He asked her if they have problems with people buying licenses in other areas when they live in theirs. She said yes, because of geographic conditions.

Rep. Fabrega said we never did it that way before.

Rep. Polly Holmes was present for her closing statement on HB 210. She had been in the hospital at the time of the hearing on her HB 210, and was allowed this time for her presentation.

HOUSE BILL 210 She handed out a proposed amendment which would make any excess revenue from the proposed tax on cigarettes to go into the general fund.

Closing At least one-third of all cancer deaths are definitely related to smoking. Any ailments caused by smoking in any form are caused by those doing the smoking. Two-thirds of the smoke goes into the air. The fumes from the burning cigarette are more noxious than the smoke that is inhaled. Respiratory ailments in children are much more prevalent in those whose parents smoke. She thinks these should be paid by the product that is causing them. Tobacco is most habit forming. On a pack a day, a smoker would pay \$3.65 per year.

Tel-Med, a telephone consumer health education project proposed by HB 210, is to be tailored to the needs of the area. Montana has people who are eminently qualified to make the tapes. There will be six toll-free lines, 24-hour service. Doctors are urging passage of this bill so that they won't have to answer so many questions asked of them. The tapes can be of great help to the doctor.

Smokers won't quit smoking no matter how high the price becomes.

Questions from the committee:

Rep. Williams thinks there is a question of need for the tax when the proposed cost would be \$90,000 as against the million dollars that the tax would raise.

Rep. Reichert asked if all of the tapes are the same length. No, they would vary according to subject. The maximum length of time is about 10 minutes.

Rep. Vinger asked whose opinions are on the tapes. Chuck, Montana Foundation for Medical Care (which includes 21 persons) and represents most physicians in Montana, said there would be a diversity of opinions included on the tapes. Rep. Vinger questions liability if some unreliable information were on a tape. Chuck answered no liability has ever been raised. No legal questions have arisen.

Rep. Fabrega asked whether there is a follow-up and whether it is voluntary or involuntary.

Rep. Holmes explained the Tumor Registry also proposed by HB 210 is to provide a reexamination reminder to the physician rather than the patient. Would the Tumor Registry harass persons about coming in for a check up?

Rep. Hirsch remarked Montana is lagging behind other states in tumor registry. The State Department of Health in some other states provides this service.

Rep. Gilligan questioned as to who would be liable. Dr. Anderson said the legislative malpractice defense works in Montana. This would be under public contract and would be conducted by private enterprise. Under the private enterprise concept, if any misinformation developed that lead to some harm to someone, that particular Tel-Med might have some liability to it. The Highway Department has been sued for misdesign for highways.

Rep. Reichert said most information is very general, but anything specific would remain with a doctor through prescriptions, etc.

Rep. Dozier feels this makes for removal of doctor-patient relationship.

Chuck thinks the better informed the public is about health problems, the better off we will be.

Rep. Williams asked Chuck if he had any feedback as to the overall aspects of health help. The biggest success is in the call rate. More people are calling in. Children in specific third-grade classes assimilated information. Calls can be counted, and are monitored by man, woman or child through voice.

Rep. Reichert asked if pieces of information are available in written form. Chuck advised have never done that because of the expense involved. Tapes have a Tel-Med copyright on that.

Rep. Sivertsen mentioned history on existing programs shows they are funded by many, many different sources. There are 176 licenses and very few are funded by tax dollars. Chuck said when they are not funded by a consistent source, it takes a lot of money to go out and hussle that money. It is a never-ending battle to get funds.

A lady who has worked with such programs said there is a problem with funding the Tumor Registry. They have been operating at deficit last year. As a last resort they have brought this up before the legislature.

EXECUTIVE SESSION:

Rep. Hershel Robbins moved that HB 340 DO PASS. Rep. Robbins then moved an amendment to page 1, line 17 - following "in"; strike "72-16-440 and". Amendment adopted unanimously. Reps. Burnett, Fagg, Vinger, and Lien were absent. Rep. Robbins changed his motion to HB 340 DO PASS AS AMENDED. Motion was adopted unanimously by members present - same representatives were absent.

Rep. Melvin Williams moved a DO NOT PASS recommendation on HB 149. He felt this action might establish a basic philosophy that the state pay in lieu taxes all over the state.

Discussion by committee members - Rep. Sivertsen feels that the prison farm is providing a social service that no other institution provides. Rep. Bertelsen said the prison farm takes a huge piece of property from taxation. He feels that in all fairness a small amount of money from the present unit would be very, very minimal. 1. First, it will reduce the amount of burden on some for the amount of money that goes for Powell County schools. (Children from the prison farm workers go to Powell County schools.) 2. It will do something for the people who are adjoining property owners. Besides the actual financial burden, he feels those neighbors have a sort of fear for having the type of person who resides in the prison. People in Powell County are being asked to bear a burden out of proportion to other state people. Purchasing record of the prison does not show much purchasing is done in Powell County. Really believe that when state Fish and Game has paid in lieu taxes, this would not be creating a new area.

Rep. Bertelsen recommends HB 149 DO PASS.

Rep. Fabrega feels this should have a DO PASS because the prison is being operated for the benefit of the State of Montana. The rehabilitation cost and selling the product at cost to other institutions is commendable. This ranch operation is entirely different from a university or other such institution. It operates with a ratio of 21 staff to 60 inmates. He doesn't feel Powell County should support the whole impact.

Rep. Johnson mentioned other counties have larger portions of state land. In lieu taxes are paid on federal lands.

Rep. Dassinger's greatest concern was not the prison. He agrees with thinking of Reps. Fabrega and Bertelsen.

Rep. Hirsch supports Rep. Williams' motion. Question of tax equity - two other state institutions have productive land and do not pay taxes.

Rep. Reichert is worried about precedent. Would present precedent relate to Fish and Game? F&G pay in lieu taxes on all its land.

Rep. Underdal supports Rep. Williams - recommends a general fund appropriation to Powell County rather than taxation.

Rep. Robbins made a substitute motion that HB 149 DO PASS.

Rep. Fabrega commented the F&G is for the common good. The prison farm is in productive competition with the state farmers and ranchers. What if Powell County sold its ranch and bought one in your county?

Rep. Nordtvedt thinks there shouldn't be property exempt from taxation. He supports Rep. Williams' motion.

Rep. Sivertsen believes if HB 149 passes, would have to look at the entire situation. He suggests a general fund appropriation for that portion of taxes and look at this very carefully.

Rep. Williams thinks as legislation this is a poor bill since it deals with a specific group or specific county. Should take a look at the whole picture for all of the state.

Rep. Dassinger moved that the bill be amended as follows: 1. Title, line 6; following "ON"; insert "PRODUCTIVE FARM". 2. Page 1, line 11, following "and"; insert: "productive farm"; 3. page 1, line 12, following "at"; insert "and owned by". Amendments were unanimously adopted. Reps. Burnett, Lien and Fagg were absent.

Randy McDonald, staff attorney, will check whether this is a specific group interest for questions of constitutionality.

Roll call vote on the motion that HB 149 DO PASS AS AMENDED was adopted by a 10-7 vote, with Reps. Lien and Fagg being absent.

Rep. Nordtvedt moved to reconsider HB 141 in order to offer amendments on the fee structure. Motion was accepted with Rep. Les Hirsch voting No.

Rep. Nordtvedt moved that HB 141 DO PASS AS AMENDED. Motion was adopted. Rep. Hirsch voted No; Reps. Lien, Burnett and Fagg were absent.

HOUSE BILL 150 was discussed. Banks would have to pay \$900,000. The fiscal note on HB 150 was discussed. Rep. Huennekens said this sets up a special class as it is if it goes to local government and not to the general fund.

Rep. Hirsch said banks do not have an inventory class, but car dealers, etc., always pay inventory tax. The increase in corporation license tax is not all that bad.

Rep. Sivertsen mentioned out-of-state catalog companies don't pay an inventory tax. The S&Ls feel they are being put upon because of additional tax to them.

Rep. Dassinger moved that HB 150 be referred back to the subcommittee for information on the fiscal note. Motion unanimously adopted.

Rep. Fabrega mentioned that this would be transferring \$5,160,000 from the general fund and giving it to local governments.

Meeting adjourned at 11:30 a.m.



REP. HERB HUENNEKENS, Chairman



Josephine Lahti, Secretary