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HOUSE TAXATION COMMITTEE

46th Legislature

Rep. Herb Huennekens, Chairman, called the meeting to order February 5, 1979, at 8:30 a.m., in room 434, Capitol Building, Helena. Rep. Fagg was absent. All other members were present. Staff attorney Randy McDonald was present.

Bills to be heard were HB 430, 433 and 440.

Rep. Jack K. Moore, District #41, Great Falls, chief sponsor, said HB 430 proposes to put an excise tax on hotel and motel rooms. He wants to make an amendment on page 2, lines 3 and 6 by striking reference to "taxing jurisdictions" and inserting the words "unit of local government".

HOUSE BILL                    Marie Thompson, Billings, supports HB 430 with the amendments  
430                            proposed by Rep. Moore. She does not feel the school districts  
                                 should receive the benefit of this proposed tax. Testimony attached.

Dan K. Mizner, Executive Director of the League of Cities and Towns, supports the bill as amended by the sponsor. The tax base has gone down in 65 cities.

David Sexton, Montana Education Association, Helena, supports the bill as it is written. See testimony attached.

Vern Sloulin, Department of Health and Environmental Science, Helena, neither is an opponent nor proponent. He questions administration of this proposal.

Stan Bradshaw, DHES, Helena, legal division, has a few concerns with their particular involvement. Thinks it will be necessary to amend. In Section 5, subsection 2 "shall" mandates their department. It places the burden upon the county treasurer when this fourth conviction occurs. Makes revocation mandatory. He feels the intent is the "department of revenue" rather than their department.

Opponents:

Phil Strobe, Montana Innkeepers Association, Helena, represents 50% of hotels and motels, and 70% of rooms. This is a voluntary association. HB 430 imposes an excise tax on an industry. Have to stay in the President's guidelines for increases. Property taxes are borne by improvements upon real property. He thinks this is a sales tax. They oppose HB 430.

Jim DeMers, Yogo Inn, Lewistown, president of the Montana Innkeepers Assoc., opposes HB 430. They employ 80 persons. Other taxes have gone up. A 5% excise tax on top of this will really hurt. See testimony attached.

Janelle Fallan, Montana Chamber of Commerce, Helena, opposes HB 430. See testimony attached.

Al Donahue, Heritage Inn, Great Falls, feels this is a selective sales tax. Montanans would basically be paying this tax. Opposes HB 430.

Jim Manion, Montana Automobile Association, opposes HB 430 saying they get quite a bit from tourists - which is the third largest industry in the state. Tourists are using other services. He feels this is a discriminatory tax. Their membership is 75% against this bill - urges a do not pass.

S. Keith Anderson, Montana Taxpayers Association, Helena, opposes any selective sales tax. See his testimony attached.

Gordon R. Twedt, Montana Innkeepers Association, Great Falls, opposes HB 430. He thinks this is a punitive, single industry tax which strikes at the wrong people. It will not solve the problem of municipalities. Canadians will be unhappy about this sort of tax on top of the exchange rate. See testimony attached.

Rep. Moore closed saying that Mr. Mizner nor the Great Falls Chamber of Commerce manager had anything to do with the introduction of this bill. This bill is across the board, statewide. He thinks this is a positive attitude. In reference to being a selective sales tax, this tax will not go to any school districts. It is only to go to cities, towns and counties in which the unit is located. It does not impose a 5% tax on your business - it imposes on the persons who use the room. This idea was his and several other colleagues. Maybe the tax could be on a limited number of rooms; say maybe over 10-20 rooms.

Questions from the committee -

Rep. Underdal thinks this would fine the innkeeper for doing the job of collecting, but would not pay him.

Rep. Nordtvedt asked how many total rooms there are in the state. Mr. Strobe advised in the neighborhood of 3,000.

Rep. Reichert asked if the county would realize any money at all from this tax if small motels are eliminated. Rep. Moore thought not if a limit was set.

Rep. Dozier asked how many cities have more than 10 or 12 motels or hotels. Rep. Vinger thought if smaller hotels are exempt, 15-20-25 might be eliminated.

Rep. Huennekens asked Rep. Moore if the tax would be applied during the summer vacation season only. Rep. Moore said maybe the middle of May to the middle of September - has no particular objections to that.

Rep. Dassinger said since this would be a relief to the taxpayers, he couldn't understand Mr. Anderson's position. Mr. Anderson said the taxpayer won't get any relief. It is going to the counties or cities. Rep. Moore said if the tax relief is used anywhere, it wouldn't mean taxes would go down - might prevent taxes from going up any more.

Rep. Williams said the City of Billings imposed a transient occupancy fee for everyone over 18 who stays in a motel or hotel facility. A lawsuit was filed against the ordinance - no statutory authority and irrational - city repealed the ordinance. Marie Thompson said the city did not drop the ordinance. The room tax went because of other taxes going.

Rep. Sivertsen asked Rep. Moore if this is tax equity. Instead of taxes we are collecting fees for this, that and the other. Rep. Moore thinks we have to start somewhere. Doesn't look at it as taxing people of Montana - it is an excise tax on those using the facilities.

Rep. Williams asked if this is not regulatory and discriminatory. What about local control - why would it not be feasible for the city and county to levy the tax and not make it statewide? Would it be discriminatory to be only imposed by certain jurisdictions which couple this with a sales tax. Rep. Moore asked why not give the taxing jurisdiction to the government? Very discriminatory otherwise - would make it difficult to get meetings in cities with a tax.

Rep. Dozier asked Rep. Moore - in light of the fiscal note, you are looking at probably \$35,000 a city would collect under this tax, do you think that the cost of collecting it will nullify income? Rep. Moore said a check would be prepared by the bookkeeper by the 7th of the next month and sent to the state treasurer.

Larry Tobiason, Montana Automobile Association, advised a Triple A member cannot be charged any more than the rates set by the book in effect. Triple A members will not pay for this tax - the motel and hotel owner will have to pay it. Books cannot be changed until 1980. This is not only in Montana - there are 22,000,000 members all over the country.

Rep. Harrington, District #88, Butte, chief sponsor explained HB 433 is an act that would include in class 15 property the home and lot owned by an active member of a volunteer fire company.

HOUSE BILL 433 Dave Fisher, Montana Volunteer Firemen's Association, Butte, supports HB 433. He has been an active firefighter volunteer for 29 years. It is getting increasingly difficult to recruit members for their force. It is high risk - insurance companies say this of any work in the country including police work. Cannot compensate for any ill effects to a volunteer. They take their own car - sometimes have to go 4-5 miles. Persons losing shifts on their regular work do not get compensated. The day you become inactive, the tax exemption provided in HB 433 comes off your home.

Art Korn, Montana State Volunteer Firemen's Association, Butte, is in support of HB 433. At the Warm Springs fire he lost two shifts plus doctor bills because he wasn't off for five shifts. He has been a fireman for the last 30 years. 99% of volunteer firemen have lost shifts through fighting fires with no compensation. High risk carrying duties. Dangerous types of fires now with new materials. They are taking schooling for radioactive type fires. Are asking little compensation for those who risk their lives and property to fight fires.

Henry E. Lohr, Montana State Volunteer Firemen's Association, Townsend, supports HB 433. They cover 900 square miles of country in their area.

Robert A. Ellis, Montana Firemen's Association, Helena, supports HB 433.

## Opponents -

Rep. Robert Dozier, District #61, Billings, representing and carrying for Rep. Wm. Baeth the opposition of the Libby Volunteer Fire Department to HB 433. See letter from Rep. Baeth attached. 75 firemen in that community are against HB 433.

Dan Mizner, Montana League of Cities and Towns, Helena, said a lot of small communities have volunteer fire departments. 65 cities and towns have lost taxable value bases. You mandate a mill increase in HB 433 - opposes this bill.

In closing Rep. Harrington said he doesn't feel any better bills deal or would compensate those who through their public spirit donate their time to go out and protect their neighbors' homes and other communities to aid other local and paid firemen. This is a very small compensation for what these people do.

## Questions from the committee -

Rep. Huennekens asked Rep. Harrington if a small tax in the fire district and payment of a direct salary would be better? Mr. Fisher said the West Yellowstone firemen are volunteer firemen. If they were paid, they would have to put on a tax to raise \$15,000 a year. Rep. Huennekens said a bit of pay would be analogous to what this bill does - part paid and volunteer. Bozeman paid firemen are supplemented by volunteers. Mr. Fisher said they waste more gas going to meetings and fires.

Rep. Fabrega mentioned to Rep. Harrington this would amount to \$80-\$100 if in Class 18. Mr. Korn said there are 160 unincorporated fire districts in Montana - 230 incorporated. Rep. Fabrega asked what about a fireman who doesn't live in the district in which he is a volunteer fireman? Mr. Fisher said they have to live in the district and be 30-45 years old. Rep. Fabrega feels they should be reimbursed, but if given a break this way would have to raise millage to other persons in the district. If you get this little tax reduction, you are saying for that \$100 you are raising everybody's taxes? Mr. Fisher said we are going to have to have all paid firemen instead of any volunteer firemen. This will be on an average of 16 houses in each county. Exemption goes off when they retire.

Rep. Fabrega asked about putting a one mill levy in each district. Rep. Williams told Mr. Fisher many other volunteer organizations, maybe search and rescue, would want such an exemption.

Rep. E.N. Dassinger, District #50, Forsyth, chief sponsor, said HB 440 would allow itemized deductions to nonresidents according to the prorated amount of the deductions allowed a resident taxpayer. This especially applies to persons living in Wyoming and working in coal mines in Montana.

## HOUSE BILL

440

The Montana Coal Council supports the basic concept of this bill - might be too broad. There are a number of people working in coal mines in Montana and living in Wyoming who wouldn't benefit from services from the coal severance tax.

Rep. Dassinger mentioned there is another tax bill coming from the Senate that would apply only to salaried wages. That is the most important portion of this bill. He suggests the committee keep this bill until the Senate bill comes in. There are a lot of impacts we don't have in Montana because of persons living in Wyoming.

Rep, Fabrega asked Mr, Vralsted if a person earns 100% in Montana, would this allow them to deduct contribution and everything that they paid for in Wyoming? Montana fails to receive any benefit from those taxes because you can deduct on the federal return if you owned rental property in Wyoming? Mr, Vralsted said Montana cannot tax nor allow any deductions for income <sup>not</sup> received in Montana, Montana cannot tax a nonresident for income earned outside Montana.

Rep, Huennekens asked Mr, Vralsted if this would allow only a pro rata standard deduction, Mr, Vralstead said they have this problem now, They have to start with the federal return and work back to Montana.

Rep, Bertelsen asked Mr, Vralsted if there would be a great deal of revenue loss to Montana, Mr, Vralsted said there will be some loss, Have been segregating - can get a rough idea,

#### EXECUTIVE SESSION

HOUSE BILL 63 - Staff attorney Randy McDonald was requested to prepare a Statement of Intent for HB 63,

HOUSE JOINT RESOLUTION 10 - Rep, Fabrega moved HJR 10 DO PASS, Motion was adopted 10-6 with 3 absent, Reps, Williams, Vinger, Hirsch, Sivertsen, Lien, Robbins voted No, Reps, Gilligan, Fagg, Burnett were absent,

HOUSE BILL 94 - This bill was discussed, The department will be called to answer some questions,

HOUSE BILL 255 - Rep, Fabrega moved HB 255 DO PASS, Rep, Dassinger made a substitute motion HB 255 BE TABLED in order to take assessment of what effect it would have on income to the state,

Rep, Vicki Johnson, chairman of the subcommittee, said there was no way to tax teachers' retirement ex post facto, She recommends this bill concept should be assigned to the Revenue Oversight Committee, The minority in the committee recommended reducing the exemption to \$2400, The majority report by Rep, Dozier was Do Not Pass because other subsidies are mandatory and people must belong to them, For true tax equity - a bunch of other stuff has already been exempted, If \$3600 is allowed to every type of retirement benefit as a deduction, some retirees would have several \$3600 deductions allowable, She suggests exempting "X" number of dollars, There are too many legal problems because of class action suits that might arise, Motion to TABLE was adopted with 11 members voting to Table, 5 voting against, and 3 absent, Those voting No were Reps, Johnson, Nordtvedt, Vinger, Williams, Underdal, Reps, Fagg, Burnett, Gilligan were absent,

HOUSE BILL 440 - Rep, Dassinger moved HB 440 BE TABLED until relative Senate bill has been received in committee, Unanimously adopted, Reps, Burnett, Fagg, Gilligan, Robbins were absent,

Meeting adjourned at 11:00 a.m,

  
 REP, HERB HUENNEKENS, Chairman

  
 Josephine Lanti, Secretary