

HOUSE TAXATION COMMITTEE
46th Legislature

Rep. Herb Huennekens, Chairman, called the meeting to order at 8:30 a.m., February 7, 1979, in room 434, Capitol Building, Helena. All members of the committee were present. Randy McDonald, staff attorney was present.

Bills to be heard today were House Bills 546, 479, 367.

Rep. E.N. Dassinger, District #50, Forsyth, chief sponsor, said HB 546 would increase the gas and diesel fuel taxes by 1¢ a gallon most of which would be allocated to local governments for road construction and maintenance.

HOUSE BILL John Fitzpatrick, Office of Budget and Program Planning,
546 said this tax on gas and other fuels would raise approximately
 \$8.1 million. See his testimony attached.

Dan K. Mizner, Montana League of Cities and Towns, Helena, is a proponent with some reservations. HB 546 allocated \$800,000 for signal maintenance. Signals outside of cities are paid for by counties. They feel the highway department should take care of maintenance of these signals. He suggests this bill earmark money for the highway department for contracting for maintenance of signals for local governments.

Mike McGrath, Department of Justice, supports the bill and said they have no objections to the funding of the highway patrol since 54% comes from the gas tax. This bill would provide for 100% funding for personnel services for the highway patrol. The gas tax is a user tax - no problems with the constitutionality regarding the use of the money.

Dean Zinnecker, Director of the Montana Association of Counties, feels this bill may save a lot of people money in the long run. Favors changing formula for distribution to 50/50 between counties and cities. See testimony attached.

Opponents:

Larry Tobiason, Montana Auto Association, Helena, opposes HB 546 because he feels this extra tax is raised to balance the budget - would be general fund money. There is no provision for any money going back into the highway department fund. Gas tax is already 7¢ or 8¢ - federal government is considering raising the tax another 10¢ per gallon. The automobile is the most highly taxed article in the state. He thinks the highway patrol should still be funded out of the general fund.

Ed Nelson, Montana Tax Payers Association, Helena, thinks this legislation will increase gas taxes and reduce benefits to gas dealers 8¢ to 10¢ per gallon on top of the 8¢ and 10¢ on now, making 18¢ to 20¢ a gallon tax now. Would you pay to get as high a percentage on a general sales tax as you do on specific items? Tax Payers do support a gas tax. See testimony attached.

Marvin C. Beck, Intermountain Oil Association, Deer Lodge, cannot support this. It will generate \$5 million. House Bills 63, 60, 546, 479, Senate Bills 358, 324 are all asking for a penny or two pennies, including diesel, increase. Cannot continue to increase the tax that is being proposed by all of these bills.

Harold L. Paulsen, Highway Users, Helena, oppose HB 546. They support HB 63 to provide funds for construction of the interstate system. Can see merits of HB 546 but think the interstate is more important. See testimony attached.

Carol Kirkland, Montana Petroleum Association, Helena, opposes HB 546. Supports position of Montana Highway Users Federation.

Rep. Dassinger closed saying the high cost of automobiles compared to the cost of gasoline is not a big item in transportation costs - it is a very small portion of transportation. If it were a detriment to the use of fuel, it would be an advantage.

Questions from the committee -

Rep. Dassinger said to Mr. Nelson the specific sales tax he mentioned is a little bit high compared to terms of what a general sales tax would raise.

Rep. Johnson asked Mr. Fitzpatrick if they have considered using other means of funding the highway patrol such as an excise tax? Mr. Fitzpatrick said it costs \$3.3-\$3.5 million per year to fund the highway patrol, and an excise tax might not raise that much money.

Rep. Williams asked Mr. Fitzpatrick why the big increase between 1979 and 1980 cost? In 1979 the amount of money that is in an earmarked account totaled \$153,000, for 1980 it is \$623,000. Mr. Fitzpatrick said that is not an increase in the budget, that is a change in the funding mix. Going to earmarked accounts rather than general fund support. In 1979 the total budget was \$593,000, \$153,000 is earmarked revenue, the remainder is general fund money. The \$30,000 increase over 1979 is being proposed to be funded from earmarked revenue.

Mr. Mizner recommends this be an earmarked fund directed to the highway department and the highway department could fund signals then.

Rep. Bertelsen recommends using a percentage rather than a set amount. Mr. Fitzpatrick said they could do that if so wished. Taking a percentage truly ties the hands of the legislature when it gets to appropriations.

Rep. Nordtvedt asked total yearly cost to run the highway patrol, and if size is to be changed. Mr. Fitzpatrick said it costs \$7.2 million from all funds. Additional notification has been requested. Current level will not shift considerably.

Rep. Huennekens asked Mr. Fitzpatrick how far are we infringing on appropriations? Mr. Fitzpatrick said not all. A list of money would be available.

Rep. Fabrega asked Mr. Fitzpatrick about traffic control devices. Mr. Fitzpatrick said the highway department has to contract out work of maintenance. The state takes care of traffic signals outside of cities and towns, otherwise there is a contract. This will allow cities to take this money and maintain signals if they wish.

Rep. Fabrega asked Tom Crowley, City Engineer, Missoula, how he felt about the proposed funding of signal devices for cities. Mr. Crowley said the bill would need to be amended so the highway department would receive the monies for traffic signals because present law states it is their job to maintain traffic signals. See his testimony attached.

Dean Zinnecker remarked this bill only makes it permissive for cities and counties to use money for traffic control devices.

Rep. Underdal asked Mr. Fitzpatrick what percentage of traffic control is outside of cities. He didn't know.

Rep. Dassinger^{asked} what the total fines collected are and where they are allocated. Mr. Fitzpatrick didn't know at the moment.

Rep. Polly Holmes, District #67, Billings, chief sponsor, said HB 479 would increase the gas license tax by 1¢ per gallon to be allocated back to local governments (cities and towns) on the same formula as it now is. This will not be enough to do the job as well as it should be done, but this will help. Another bill levying a tax on diesel fuel is coming. Also includes counties.

HOUSE BILL

479

Dan Mizner, executive director of Cities and Towns, supports HB 479.

Dean Zinnecker, Director of Montana Association of Counties, supports HB 479, saying there are 63,000 miles of county roads in desperate shape and they need some means to improve them because of lack of sovereign immunity.

Walt Reisig, Billings City Councilman from Ward 5, Billings, supports HB 479 in preference to other such bills. See testimony attached.

Tom Crowley, City Engineer for the City of Missoula, supports HB 479. Based on cost of handling a city, they cannot adequately maintain streets. They have 1700 blocks of developed streets. It costs \$14,000 to pave one block 37 feet wide. They receive \$249,000 per year from gas tax money and \$110,000 from license fees. At 14,000 per block, it will take 65 years to complete a program. A 30-year life cycle is recommended. Property owners do not want to be assessed for the cost of curbs which is \$100,000 per year. Doing it this way, the city would make a life cycle of 90 years.

Al Thelen, City of Helena, said a \$60 million cost of proposed improvements has been reduced to \$30 million - they are getting \$4 million. They are levying 11 mills for improvements and maintenance of streets. They can't go to the property tax payer and are looking for some other means of funding necessary needs. They support HB 479.

Opponents: -

Jim Manion, Montana Automobile Association, opposes HB 479, saying the auto owner is one of the highest taxed individuals in Montana. There are six other bills to raise the gas tax. They feel this is placing an unfair burden on the residents of Montana. When members were asked if they were in favor of a gas tax price increase for the construction of city streets, 64% said they were not. Perhaps cities and towns could be encouraged to use an increased mill levy or bring this to the vote of the people to see if they want a gas

tax and if they approve, operate it at the discretion of the local government.

Mr. Manion said Mons Teigen of the Montana Stockgrowers Association opposes HB 479 supporting the view of the Montana Automobile Association.

Marvin Beck, Intermountain Oil Association, opposes HB 479. The ratio of population to mileage bothers him. Everybody pays this tax. Thinks the ratio should be studied a little more. Doesn't think the 50% to the larger population is unfair. Went along with the proposal of 1¢ for interstate system.

Harold Paulsen,, Highway Users Federation, Helena, supported HB 63, but do not support HB 479. See testimony attached.

Ed Nelson, Montana Taxpayers Association, Helena, recommends requirements you won't find any reduction in the need for property taxation. If you are, in fact, going to do something like this for the benefit of local governments, that the language will preclude bailing out any state agency for balancing its budget benefit. Please don't let this get away from you.

Carol Kirkland, Montana Petroleum Association, concurs in opposition to this bill.

Rep. Holmes said in closing people are being asked whether they think this tax is necessary. The formula has been criticized, but it is not being changed. She feels it is a tradition. Mr. Paulsen suggested we fund road repairs for local governments by a local levy - several areas are levying to their limit already. Persons who don't use the streets should not be asked to pay for something they do not use.

Questions from the committee -

Rep. Reichert asked Mr. Mizner what 1¢ brings in per year, Both HB 479 and HB 546 relate to the same thing, but HB 479 purports to raise \$6,500,000 to \$11,500,000 and HB 546 \$2,300,000. Mr. Mizner said a 1¢ tax on gas raises a little over \$5 million based on past history. A 1¢ tax on diesel raises just under \$1 million. Out of that \$6 million, would be \$11.8 million - \$4.2 million would go into the highway department. Any excess over 1¢ brings in goes to highway department fund.

Rep. Dassinger asked Mr. Nichols, administrator of the Motor Vehicles Tax Division of the Department of Revenue, if he had a comparison of what each bill would provide. Mr. Nichols said he didn't have a breakdown. Gasoline refunds on 37 million gallons goes back to rural areas 92%.

Rep. Nordtvedt asked Mr. Crowley if they start repairing curbs with gas tax money, aren't some of the persons who have already paid for curbs going to be unhappy. Mr. Crowley said they would like to consider paying for the curbs and gutters - it could make some persons unhappy.

Rep. Fagg questioned Mr. Manion about persons who don't drive receiving any benefits, Mr. Manion said other people who don't drive or drive very little do benefit from streets and roads. Non-users are served by other vehicles which use the roads and receive some benefits in that manner. Rep. Fagg asked about the 64% who don't want the tax in their membership - where were the surveys taken? Mr. Manion said the Montana Motorist included a poll in their publication. Rep. Fagg asked who writes the questions for the polls? Mr. Manion said the statistical department of the Carroll College.

Rep. Fagg feels they have no reliability.

Rep. Bertelsen asked which bill the counties and towns preferred. Mr. Mizner recommends HB 479. HB 546 takes care of only one small portion.

Both bills will be held until relative bills are received in committee.

Rep. Ed Lien, District #49, Wolf Point, chief sponsor explained HB 367 would exempt wool pools from corporation license taxes. It would clarify that wool pools are exempt from the \$50 license tax. There are 25 wool pools in Montana.

HOUSE BILL 367 Bob Gilbert, Secretary-Treasurer for the Wool Growers Association, said out of the 25 wool pools, 10 are paying the corporation license tax. The fiscal note is not accurate. This bill says they will be exempt from the corporation law.

Bill Groff, Special Legislative Adviser for the Department of Revenue, said the department wholeheartedly supports this bill. A wool pool is a non-profit organization. They approve passing this bill and getting it out of their hair.

Rep. Huennekens asked Mr. Groff if this would be covered in another section because of the question of whether sheep are sold through the wool pool. He said an amendment to that effect might solve a few questions.

EXECUTIVE SESSION

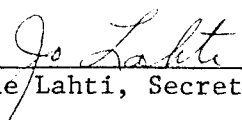
HOUSE BILL 367 - Rep. Lien moved to amend HB 367 by inserting "wool and sheep" wherever 'wool' appears. Unanimously adopted. Reps. Burnett and Fagg were absent. Rep. Lien made a motion that HB 367 DO PASS AS AMENDED. Unanimously adopted. Rep. Fagg was absent.

HOUSE BILL 94 - Would have provided a maximum credit of \$5,000 plus 20% of amount over \$5,000. The state allows 1/5 of federal liability.

Meeting adjourned at 11:00 a.m.



REP. HERB HUENNEKENS, Chairman



Josephine Lahti, Secretary