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2/9/79

HOUSE TAXATION COMMITTEE
46th Legislature

Rep. Herb Huennekens, Chairman, called the Taxation Committee to order at 8:30 a.m., February 9, 1979, in room 434, Capitol Building, Helena. All committee members were present. Staff attorney Randy McDonald was present.

Bills to be heard were House Bills 510, 512, 499.

Rep. Vicki Johnson, District #72, Columbus, chief sponsor of HB 499, at the request of the Department of Revenue, explained this bill pertains to the consumer counsel fee paid by the utilities. It provides for a 10% penalty and interest for failure to file or to pay the fee. Gives them the power to put a lien on any property affected.

HOUSE BILL James Madison, Miscellaneous Tax Division administrator,
499 Department of Revenue, advised the majority of the consumer
 counsel fee is paid by four taxpayers - Montana Power,
 Montana-Dakota Utilities, Mountain Bell and Burlington
Northern - they have no trouble with them.

Basically are talking about small truckers. Some PSC permit numbers have remained on the books for years and years and small operators are coming and going and cannot keep good track of them. Want to bring this in line with the rest of the taxes.

There were no opponents.

Rep. Johnson did not feel it necessary to close.

Questions from the committee -

Rep. Burnett asked how much money are you talking about? Mr. Madison advised \$80-\$125,000 per fiscal year.

Rep. Reichert asked how many truckers are there? Mr. Madison said about 400.

Rep. Johnson asked what amount goes uncollected? Mr. Madison said it is a fairly small amount - less than \$10,000, probably less than \$5,000 per fiscal year.

Rep. Underdal asked how much paperwork is involved for each trucker? Mr. Madison said one report per quarter where the tax being paid is less than \$10 per quarter. Have allowed small truckers to file on a yearly basis if less than \$10.

Rep. Robbins asked what this does to out-of-state truckers? Mr. Madison said only if they have intrastate hauling would they have to pay the tax.

Rep. Sivertsen asked what is the fee they would be paying, how is it based and what would be the dollar figure? Mr. Madison said the actual tax return is computed each year - .0006 of gross operating regulated revenues.

Truckers of livestock have to pay the fee, but do not have to pay for trucking grain.

HB 499 provides statutory authority for penalty and interest and is the same as in other lines.

Rep. Lien remarked the tax would be very small - maybe not worthwhile to collect.

Rep. Hirsch asked why collect a fee on the hauling of cattle and not grain? Cattle hauling is regulated.

Geoffrey Brazier, Administrator of the Consumer Counsel Division, advised there is a provision in the law now that is paid by the municipality and as a result in a court case, a consumer has claimed is unconstitutional because one entity is taxed differently than another.

Rep. Fabrega suggested an exemption up to \$100,000 deduction.

Rep. Reichert was appointed to act as chairman.

Rep. Herb Huennekens, District #68, Billings, chief sponsor explained HB 510 places in the state inheritance tax law the same approach to taxation of estates on productive value rather than market value that includes farm land or small business and provides a route whereby these estates may be kept within the family ownership. This would be a tool toward preserving family farms and small businesses.

HOUSE BILL

510

This bill would provide that if the land continues to be held in agricultural use it will be based on productivity value. The federal law took full recognizance of this. The bill has a whole series of safety features in it. On page 1, lines 15 and 16 apply to small businesses as well as farms.

Page 3, line 6, answers the question of when a person is a farmer. It describes a person's eligibility for this special treatment. Page 6, line 6 shows how it is assessed. Section 7 deals with the sale of land by the inheritor. Inheritors must actually operate the farm or they lose any gain from inheritance tax special treatment - must be farmed for 15 years after decedent's death.

Ron de Yong, Kalispell, farms 320 acres 5 miles from Kalispell. Has a wife and two children. He supports HB 510 - see his testimony attached.

There were no opponents.

Rep. Huennekens said in 1976 the federal inheritance tax laws were lowered.

Questions from the committee -

Rep. Johnson asked how long would there be any delay of loss of revenue to the state? Tom Stohl, director of Inheritance Tax Division of the Department of Revenue, said this bill creates a real statistical problem. Cannot set any figure loss because not as many people are using this as you might think. Farmers don't want the government with a lien on their land for 15 years. Don't know when the maximum loss might occur.

Rep. Bertelsen questioned how difficult this has become in an investment situation, both where the market and economic value would be placed on the properties and bottom computations are placed at the same time.

Mr. Stohl said they keep files for 5 years - this would require them to be kept for 15 years.

Rep. Fabrega questioned if the title would show this type of lien. Rep. Underdal wondered if this could be mortgaged with this type of lien on it. Mr. Stohl thought it might be difficult with a lien on it.

Rep. Williams asked how valuation of small business was approached, Rep. Vinger asked who qualified for this treatment? How do you value a business other than a farm?

Rep. Huennekens resumed chairmanship of the committee.

EXECUTIVE SESSION

HOUSE BILL 106 - Rep. Fagg moved amendments to HB 106 be accepted - adopt amendments 1 and 2. Unanimously adopted. Reps. Burnett, Robbins, Johnson, Fabrega were absent. Rep. Fagg then made a motion that HB 106 DO PASS AS AMENDED. A roll call vote was tied 9-9. Rep. Robbins was absent. Rep. Lien made a motion that HB 106 be sent to the House floor WITHOUT RECOMMENDATION. Motion carried. Reps. Reichert, Hirsch, Dozier, Vinger and Burnett voted No. Rep. Robbins was absent.

Committee continued hearing since sponsor was now present.

Rep. Ann Mary Dussault, District #95, Missoula, co-sponsor of HB 512, explained this bill proposes to limit state general fund spending in two ways - by taking the product of the last biennial appropriation and the average percentage change in Montana total personal income for the 5 most previous years. The bill also provides for creation of a tax relief account into which excess general fund money is placed for distribution when the fund is great enough to provide funding for the homestead tax relief program.

HOUSE BILL

512

She offered an amendment on page 2, following line 16, insert "total general fund appropriation for the preceding biennium".

This bill sets a limit on spending from the state general revenue fund.

George Bousliman, Budget Director, explained page 2 of the fiscal note. A date of July 1, 1979 - would not be effective for appropriation purposes until 1981. 2/3 vote of each house can allow appropriation over the \$521.7 million. The disbursements and expenditures are assumed to be approximately equal in the biennium. This would limit general fund spending and automatically trigger property tax relief. The bill might make property tax relief in the coming biennium feasible.

Why limit only the general fund monies? Why not earmarked and other funds as well. This is something that was considered when drafting the bill. The general fund is really the life blood of the state government and provides for operations of most state government. Earmarked and general fund together there could be some very serious problems under appropriations to either if applied to both.

Joe Roberts, Governor's office representative, supports the bill. He worked on drafting of this bill.

Opponents:

Ed Nelson, Montana Taxpayers Association, Helena, opposes HB 512. See his testimony attached.

Janelle Fallan, Montana Chamber of Commerce, Helena, feel HB 512 is better than nothing, but it definitely is not the best solution, and therefore oppose it. See testimony attached.

Rep. Dussault closed saying HB 512 does not limit and does not contain in the limitation the earmarked funds. Must not propose to the people something that is essentially fallacious and could prohibit work being done. Limitation would be so tied that it should not effect the necessity to dictate that the spending limitation be disavowed - that they would not be able to do that. An uncon-sionable act. "Let us not opt for ignorance when ignorance is not called for."

Questions from the committee -

Rep. Reichert asked has the "homestead relief act" ever been considered in any other concept. Mr. Roberts answered they have an ongoing program to which it can go into. The bill could be amended to put the money into another account or local government.

Rep. Huennekens asked if the Montana Chamber of Commerce supported a 10% overall reduction in taxes. Ms. Fallan said they do not support a mandatory reduction.

EXECUTIVE SESSION Continued

HOUSE BILL 94 - The committee decided the Statement of Intent was not necessary for this bill. It is to proceed to the floor for second reading.

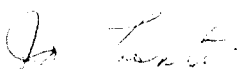
HOUSE BILL 465 - Rep. Johnson moved HB 465 DO NOT PASS. Rep. Sivertsen made a substitute motion for all motions pending that the committee come out with a committee bill and approach the problem by taxing the Blues. Motion was with-drawn after further discussion. Rep. Dassinger moved HB 465 BE TABLED. Rep. Robbins voted No. Motion carried.

Rep. Fagg moved that the researcher prepare a committee bill along the lines Rep. Fabrega mentioned concerning the taxation of the Blues. Unanimous accept-ance. Reps. Williams and Robbins were absent.

Meeting adjourned at 10:50 a.m.



REP. HERB HUENNEKENS, Chairman



Janelle Fallan, Secretary