

HOUSE TAXATION COMMITTEE

46th LEGISLATURE

The House Taxation Committee was called to order by Chairman Herb Huennekens on April 7, 1979, at 8:30 a.m., in Room 434, Capitol Building. Representatives Fagg and Johnson were absent and Representatives Robbins and Williams were excused. The staff attorney Randy McDonald was present.

Bills to be heard were SBs 195, 234 and 235. Also HJR 66.

Senator George McCallum, District #12, Plains, chief sponsor of SBs 234 and 235, which authorizes a county or municipality to exceed mill levy limits if approved by a majority of the electors. The bill had said general election but went back to the primary election. This would help them set the budget in October if they knew of its approval. The county government does not have much flexibility to raise additional money. More money may be needed for roads, hospital, or some other emergency area. The mill levy can only be imposed for two years. He said the fiscal note is based on assumptions. They assume 41 counties would use the provision and 75% of the counties will get the permission from their voters to exceed their mill levy. It can only be imposed for two years. SB 234 does this for the county and SB 235 for the municipality. He said this gives the county and the city more flexibility if they need money and if the people feel it is justified they will vote it in.

Dean Zinnecker, representing the counties, said they support this type of legislation as it gives them some flexibility at the local level, as long as the legislature does not use this as a reason to bypass their obligations.

Ed Nelson, Montana Taxpayers Association, felt these bills offer a reasonable and flexible way of solving some fiscal problems for counties and cities.

Dan Mizner, League of Cities and Towns, spoke in support of the bill. He said SB 235 takes off the limitation that has been on the cities for a long time.

There were no opponents.

In answer to a question Senator McCallum said they set it for two years as that is when there are elections--did not feel a special election should be called. There could only be one of these drawn up at a time.

Rep. Nordtvedt asked if it would be the majority of those voting or the majority of electors that would approve the levy. The answer was the majority of qualified electors.

Senator William R. Lowe, District #33, chief sponsor of SB 195, said the bill is about industrial development bonds. It provides the tax incentive methods by which counties and municipalities may encourage business. He said these tax incentive methods have become very wide in their application and at times over and above the intent. The purpose of the bill is to fix some guidelines or some

SENATE BILL

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criteria for the governing bodies to use in granting these bonds. If these continue to proliferate a whole new tax level will be created. This loss of tax base is becoming disturbing to the federal government. The bonds should only be granted for projects that will be an extreme economic benefit to an area, and will not substantially harm existing industry in the area. This bill is badly needed and will give the granting bodies a definition they can use in court. He left a suggested amendment which will exclude already granted projects.

Tom Harrison, D.A. Davidson, said they are obviously concerned as it adversely affects the issuing and selling of industrial revenue bonds. He felt the only kind of project that would qualify under this bill is a unique one--one that is unlike any other--and he didn't feel this was the intent of the statute that established the bonds. In a capital poor state we want to encourage capital investment. Time of high inflation--seems like this bill is going counter productive of what the state is trying to do. He said it isn't a wide open door as the project can be turned down by the local officials. He urged the bill be killed.

Al Thelen, City of Helena, spoke next in opposition and a copy of his testimony is attached to the minutes.

Royal Johnson, City of Billings, spoke in opposition. He said the bill came about because of a specific instance in Billings. The Denver Dry came in and complied with all the laws of the industrial revenue bonds but some of the downtown people took exception to this. He said the law should not be changed because of specific instances like this. He said all the money (3 million dollars) came from New York and not a dollar from the state of Montana. The governing body felt it was a viable, workable project.

Tom Honzel, Montana Association of Realtors, objected especially to sub 3 (c), page 2, lines 1-20. He said the language is extremely broad. He said lawyers love terms like "viable enterprise." He said it wouldn't be good for the general economy of our communities.

Dan Mizner, League of Cities and Towns, said they do have a need for industrial bonds. He feared some of the processes already started would be eliminated by this bill, so he requested if the bill passes to change the date of implementation to January 1, 1980.

Dean Zinnecker, Association of Counties, said in sub 3, page 2, the governing body is mandated to publish something that the newspaper is fully aware of and should pick up on their own. The governing body should issue a press release but if you mandate a thing like this it raises the cost to the county.

Representative Harold Gerke, Speaker of the House, said he rises rather reluctantly to oppose the bill. He said he was among the group to get industrial revenue bonds on the books and can't stand by and watch it go down the drain, which he thought would happen if this bill were to pass. Revenue bonds have served a really good purpose and have provided jobs for a lot of people because the capital wasn't available through any other way. Local governments and county commissioners have all the rights they need and have all the rights

pointed out in this bill. They don't need any more authority.

Senator Lowe in closing said you have heard from all the people who don't want to be regulated. We are talking about capital exemptions and one of the first went to Denver Dry. Denver Dry announced before they would come whether they got the bond or not. Why did the city grant them this advantage as opposed to some other industry that is trying hard to subsist? This is trying to keep our local officials from playing the role of God. They should have a few guidelines on how they should decide if Denver Dry should run Hart Albin out of business. With this bill they must demonstrate the industry receiving the bond is going to create employment and not just another empty building--it has to be a business that is good for the state.

During questions Rep. Sivertsen asked if Mr. Harrison considered it proper to help one business and others are self supporting. Mr. Harrison said the governing body has to consider that. Can't prohibit just because you don't want any competition.

Rep. Sivertsen mentioned an incident relating to section 1, sub. 1, in which there were protests and a hearing held. The project met all criteria and even though there were objections the governing body was going to issue the bond.

Representative Kenneth Nordtvedt, Jr., District #77, chief sponsor of HJR 66, said this is a request for a study by the Revenue Oversight Committee. It is to study treatment of capital gains, interest income and expenses, and depreciation deductions under the income tax structure during a time of sustained inflation.

HJR 66

There were no further proponents and no opponents.

Chairman Huennekens opened the meeting to executive action on the following bills.

EXECUTIVE SESSION

HOUSE JOINT RESOLUTION 66

Rep. Dozier moved the bill do pass. The motion carried unanimously with those present.

SENATE BILL 234

Rep. Dassinger moved be concurred in. He felt this would give a little more local control. Rep. Dozier said the bill would not apply to chartered municipalities like Billings. Rep. Sivertsen said if we believe in local government we should be in favor of this bill.

The question was called and the motion of BE CONCURRED IN carried unanimously with those present.

SENATE BILL 235

Rep. Dassinger moved be concurred in. This motion carried unanimously with those present.

SENATE BILL 195

Rep. Dozier moved be not concurred in. He felt industrial revenue bonds are a new concept and so there will probably be some bad experiences but he felt they were starting to tighten them up. He felt they do create a secondary money market that we need since we are a low capital state.

Rep. Lien felt the bill an important one. He said there is a real possibility the federal government could give a blanket disapproval of industrial bonds in Montana if we don't tighten them up.

Rep. Hirsch felt the words used in the bill didn't tighten them up. He spoke for the motion. If a bad decision is made they have the courts to turn to.

Rep. Fabrega said he was interested in providing language for refinancing existing projects. He asked if the title would allow this.

Rep. Dassinger said he was in favor of the motion. He felt there should be something concerning the vote of the public having more effect but he didn't feel this was the proper vehicle to use. He felt a public official is going to have to answer to the public and won't usually decide against the wishes of that public--if he does there is an election coming up.


Rep. Nordtvedt spoke against the motion.

Rep. Reichert said she liked the reporting to the Department of Revenue.

Rep. Dozier withdrew his motion.

Meeting adjourned at 10 a.m.


HERB HUENNEKENS, CHAIRMAN


Emelia Satre, Secretary