

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 27, 1979

The twelfth meeting of the committee was called to order on the above date in Room 415 of the State Capitol Building with Chairman Turnage presiding.

ROLL CALL: Roll call found all members present.

Witnesses giving testimony are listed on attached Register.

CONSIDERATION OF SENATE BILLS 162 and 163: Sen. Mathers said as both bills were dealing with same subject, he would present them both at the same time and introduced Rep. Ramirez to help explain the bills, saying SB163 was statutory legislation and SB162 was a constitutional amendment.

Rep. Ramirez said the basic idea behind the bills is to fix the level of state spending to help insure that government would always stay the same size in comparison to the individual income of the state's residents. He distributed Exh. #1, which showed graphs and explained them briefly. He also explained the formulae that had dictated the 1/10th figure in determining the spending limit of the bill. Exh. #1 is attached. He said both bills are designed to try to stop the trend to take more and more of the personal income of the people of this state, and though he said inflation and personal incomes have both risen, General Fund expenditures have increased about 4 times over those raises.

As he went through the exhibit he explained the funds that would and would not be included, the limitations, escape clause, provisions for a reserve fund and its function. He also distributed two amendments, Exh. #2 and 3, attached, and said they felt constitutional amendment is the only way to limit spending, He said the Legislature can always amend the law should the need for doing this arise.

Rep. Nordtvedt then gave testimony in support of the bill and said as the wealth of the state increases through the years, the government spending then can grow as well. This limitation system, he said, prevents government from growing faster than personal income, thus providing a base for Legislatures to follow in approving state spending.

Mr. Nelson also gave testimony in support of the bill and distributed three items, Exh. #4, 5 and 6, indicating his association's concern with the government spending problems in Montana. Ms. Fallan also distributed a letter, see Exh. #7, indicating the approval of the Chamber.

Following their testimony Chairman Turnage asked for opponents to the bill and Mr. Lucas spoke, saying the bill did not allow for any major increases in income and population, and too

he felt it took judgment and decisions away from the Legislature. Mr. Judge said the bill made some assumptions and that it does not meet the needs of approximately 14,000 taxpayers of the state. Sen. Blaylock also opposed the bill saying he did not like the limitations that would be imposed on the Legislature.

Rep. Ramirez responded and said he thought the bill was a philosophy, that those who feel every problem should be solved by legislation, and they are opposing the bill. He felt that the bill itself would put in limitations to spending and felt there were too many special interest groups and not enough restrictions on such groups.

CONSIDERATION OF SENATE BILLS 142 and 176: Sen. Roskie said he would have Rep. Fabrega present the bills and said he felt the formula used in computing tax was confusing but he believed this bill would help the Department of Revenue to come up with an equitable system of assessment. He distributed a letter from Dennis Burr of the Department, see Exh. #8. He said he did not feel some of the suits awaiting court decisions would solve the matter of assessments statewide, but did think this would bring the law into effect to make market values uniform in the state. He then distributed proposed amendments, see Exh. #9, attached. Rep. Ramirez also said the Fiscal Note was not correct.

Mr. Anderson spoke as a witness, saying if you are going to 100% of market value you must then reduce the percentage but you should eventually maintain a status quo. He said HB70 from last session prevented an escalation of values.

Chairman Turnage permitted proponents to conclude their testimony and then called for opponents to speak. Mr. Zinnecker said he is not sure what assurance there is in the bill that we are going to market value, as Rep. Fabrega stressed. Zinnecker said he would like also to see an accurate Fiscal Note on the bill. Mr. Groff also spoke, opposing the legislation.

Rep. Fabrega and Sen. Roskie made a brief closing statement.

Due to limited time the Chairman had permitted the hearing of all bills scheduled for the day and now opened the meeting for questions regarding all the bills, first on SB162 and 163.

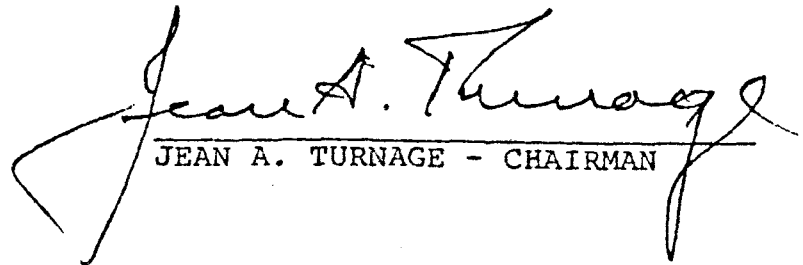
Sen. Towe questioned the Fiscal Note on 163, and also asked about the reserve fund should a surplus be built up. Rep. Ramirez said such situations would be handled by the Legislature when they returned for the next session and they could reduce state revenues in such event. The questions were also raised on how the bill's authors would define "emergency" as used in the bill.

Following additional discussion Chairman Turnage permitted questions concerning SB142 and 176.

Sen. Towe again questioned the cyclical reappraisal and wondered if it would be necessary to institute a new reappraisal program. He also asked about limitations of the bill to real estate and excluding other properties. Rep. Fabrega said other

classes of property are close to market value and there are fewer variables to consider, it being easier to determine what is 100% of market value. The committee members discussed methods of arriving at market value and percentage of taxable values.

Since a number of the committee members had other hearings to attend, the Chairman announced the closing of this hearing; meeting was adjourned.


JEAN A. TURNAGE - CHAIRMAN

Date Jan. 27, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

SB
162, 163

DATE 1-27-79

TAXATION

COMMITTEE ON

142-176

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check	
			Support	Opp
Jack Pears x	myself	SB 162-163		X
Mr. W. Taylor	T&M Investments			
Ken Nordkvist x	HD 77		✓	
Janille Tallan x	MT Chamber of Commerce	162-163 176	✓	
Dean Simpson	Met Assn of Counties →	142		
Keith Anderson	Montax			
Bobby Spilker	House District # 32			
Edward Wilson x	MONT. TAXPAYERS ASSN.	162-163 176-142		
Jack Ramirez x	HD 64	162, 163		
Ray Fabrega x	HD 44	142		
J. Hammond	Self	162-163 176-142		
Robert Sivertsen	HD # 17	SB 162 163-146-142		
London W. Jordan	Mont RR Assn			
MURICE J. MULCAHY	A.F.S.C.M.E AFL-CIO			
Donald B. Judge x	A.F.S.C.M.E AFL-CIO			
Jerry Driscoll	Laborer's Local # 78			
Bill Huff	Dept of Revenue			
James Burr	Dept of Revenue			
Dennis Lopach	Montana Power			

ExH #1

MONTANA PERSONAL INCOME
ACCOUNTS FOR:

1. POPULATION GROWTH
2. INFLATION
3. REAL ECONOMIC GROWTH

AND THEREFORE IS A
REASONABLE STANDARD
ON WHICH TO BASE A
STATE GOVERNMENT
SPENDING LIMIT.

Senate Bill 162, introduced bill, be amended as follows:

E.L.#2

1. Page 1, line 14.

Following: "as"

Strike: "defined"

Insert: "estimated"

2. Page 2, line 5.

Following: "services"

Strike: remainder of line 5

3. Page 2, line 6.

Following: line 5

Strike: "bequests;"

Insert: "payments from endowments, constitutional trusts, and pensions; proceeds from gifts and bequests"

E4L # 3

Senate Bill 163, introduced bill, be amended as follows:

1. Page 1, line 25.

Following: "(c)"

Strike: remainder of line 25

Insert: "money paid for unemployment
or disability benefits;"

2. Page 2, line 4.

Following: "money"

Strike: "received"

Insert: "paid"

3. Page 2, line 4.

Following: "endowments,"

Insert: "constitutional"

4. Page 2, line 13.

Following: "as"

Strike: "defined"

Insert: "estimated"

5. Page 2, line 18.

Following: "annual"

Insert: "estimated"

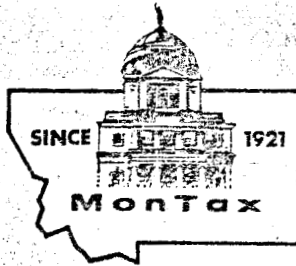
6. Page 2, following line 20.

Insert: "(2) In calculating the limitation provided in (1) of this section, average annual estimated total personal income in the state during the 3 calendar years prior to the convening of a session of the legislature shall be determined using the most recent estimates available from the United States department of commerce as of October 31 preceeding the convening of the appropriating legislature."

Renumber subsequent subsections

HOW DOES #5 MONTANA COMPARE ?

STATE AND LOCAL TAXES



Montana Taxpayers Association

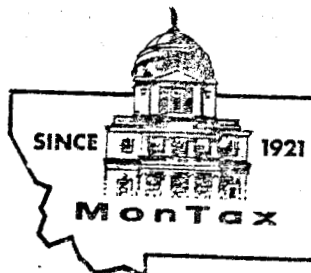
Fiscal Facts 14 - Jan. 1979

Phone 406-442-2130

Box 4909

Helena, Montana 59601

#4 Montana State General Fund Spending



Montana Taxpayers Association

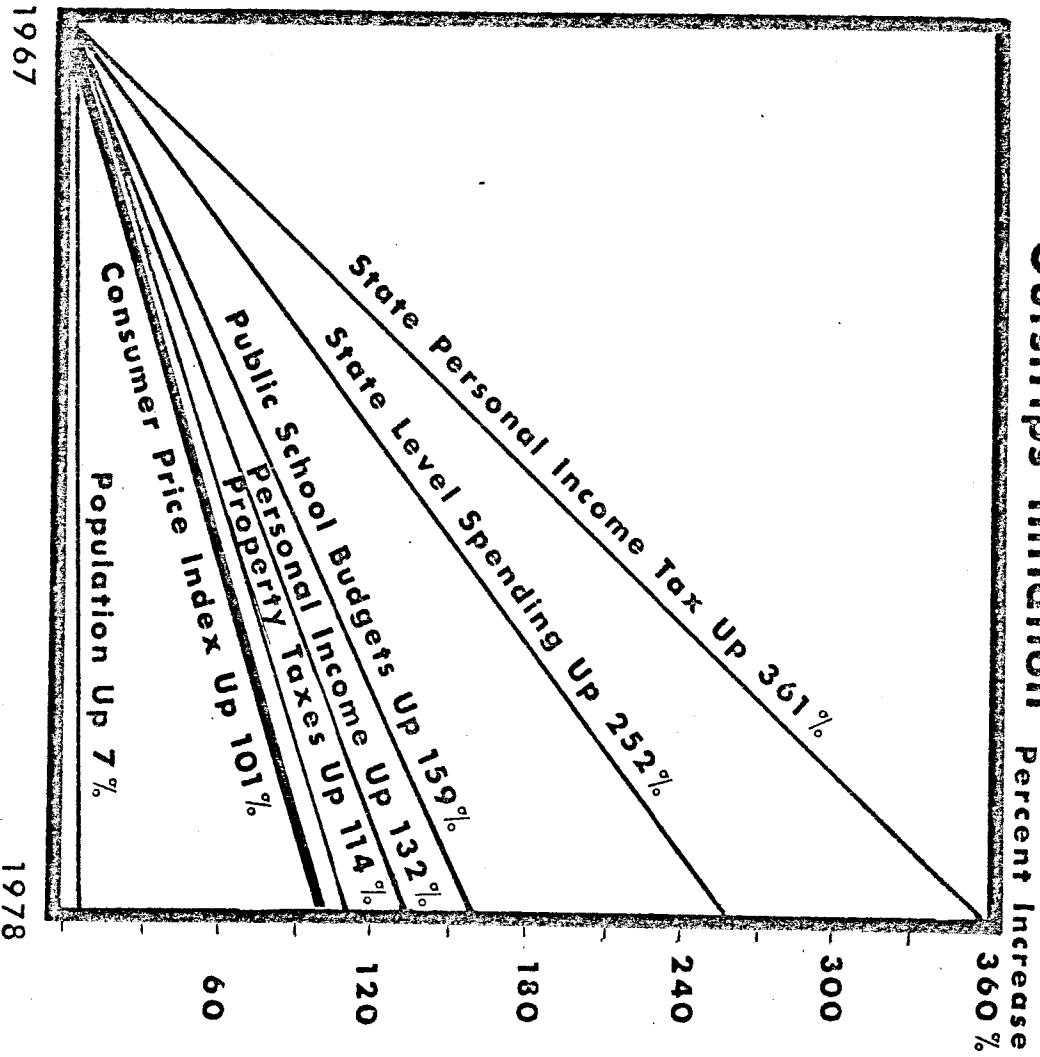
Fiscal Facts 13 - Oct. 1978

Box 4909

Helena, Montana 59601

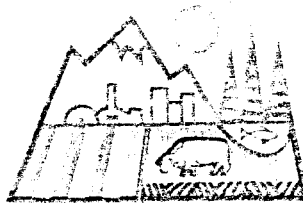
#6

Montana - State & Local Spending Outstrips Inflation



1967

1978



Exh #7

MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

• HELENA, MONTANA 59601

• PHONE 442-2405

Testimony on Senate Bills 162, 163 and 176
Senate Taxation Committee
January 27, 1979

For the record, my name is Janelle Fallan; I am representing the Montana Chamber of Commerce. The Montana Chamber is an organization of about 1200 large and small businesses, plus individuals, throughout Montana.

In November, we surveyed our members on legislative issues to find out what we, as an organization, should support during this session. Among those items getting the strongest support were the ones dealing with personal taxation and state spending.

Seventy-six per cent supported limiting state spending, as is proposed in Senate Bills 162 and 163. In fact, 79 per cent supported a mandatory decrease of state employment and state expenditures. We think the message is clear that the people are tired of state spending growing and growing, whether or not any tax increases are approved by the legislature.

By the same token, we support the property tax limits presented in Senate Bill 176.

Surgery is necessary on state spending and state government growth. It's bound to be a little painful, and it's a kind of surgery for which no one seems to have developed an anesthetic. But we believe these constitutional amendments present a reasonable, careful approach that will allow the patient to live.

We urge a do-pass vote from this committee.

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STATE OF MONTANA

DEPARTMENT OF REVENUE

MITCHELL BUILDING
HELENA, MONTANA 59601

January 18, 1979

Burr #8

Rep. Jay Fabrega
House of Representatives
State Capitol Building
Helena, Montana 59601

Dear Jay:

This letter is to confirm our conversations regarding the assessment level in Montana on class eleven property. As you are aware, we have used a 1972 replacement cost manual to value residential buildings and a 1976 replacement cost manual to value commercial buildings in Montana. The use of these manuals obviously produce values lower than 1978 market values. Our studies have shown that for both residential and commercial buildings our appraisals range between 50% and 60% of current, 1978 market values. I must stress that these figures are averages and that some properties are appraised at above this average and others below the average. I mention this to point out the inequities that would occur if we were to attempt to increase all properties by a uniform percentage to arrive at current market value.

Please call on me if you have further questions.

Very truly yours,

Dennis M. Burr
Dennis M. Burr, Administrator
Property Assessment Division

AMENDMENTS TO SB 142

E.L.#9

1. Page 7, line 17
Following: "(5)"
Insert: "(a) Class eighteen property listed in subsection
(1) (a) shall be taxed at 1.25% of its market value.
(b)"

2. Page 7, line 17
Following: "property"
Insert: "listed in subsections (1) (b) through (1) (d)"