

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 2, 1979

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

ROLL CALL: Roll call found all members present.

Witnesses giving testimony are listed on attached Register.

Chairman Turnage stated that since a number of people had not had sufficient notice before the hearing of SB254, several of them wished to give testimony and they were permitted to do so.

SB254: Mr. Crosswhite was an opponent of the bill as he believed it hurt the working man who must depend on unemployment benefits during seasonal lay-offs. He said next to be taxed will be insurance benefits, hospital payments and such. Mr. Clark and Mr. Murry of AFL, CIO echoed his comments, also opposing the bill.

Senator Lowe said the bill was not aimed at taxing low income people, but a certain group who collect benefits while the spouse is earning large enough income for the collective family. He repeated some of his earlier testimony that the payments would be taxed only if the individual's income reached \$10,000 single and joint income of \$12,500.

CONSIDERATION OF SENATE BILL 270: Senator Dover introduced his bill and explained the procedures or method of creating an RID or SID. He said this bill simply gives local governments the right to waive all the necessary requirements about advertising, public hearings, if the petition is signed by 100% of the residents.

Following his presentation other proponents testified, including Mr. Rehberg, Mr. Harrison, and following their testimony, the Chairman called for other witnesses and there being none, permitted questions from the committee. Senator Manley asked how this would affect irrigation districts which might border on the intended RID or SID. Sen. Dover countered this by saying his bill dealt with hearings, advertising for the SID's only, and how such RID's and SID's affected adjacent irrigation ditches had already to be in the present laws. Mr. Ellis at this point made objection to the bill and raised the same questions as Senator Manley, regarding irrigation ditches and improvements to them should the legislation proposed be passed.

Questions by committee members concluded the hearing on SB270.

CONSIDERATION OF SENATE BILL 184: Senator Mathers presented his bill which he said is a fee system for motor vehicles, automobiles only. He distributed copies of the Motor Vehicle Fee System, Exh. #1 and #2, referring to various charts in this booklet. He also had amendments to the book, as written, which would change the fiscal impact of the bill. He introduced Mr. Burr of the Department of Revenue, who said one advantage of the bill would be to save up to 25% of the County Assessors', Treasurers' time in figuring car tax assessments. Sen. Mathers next introduced Mr. Hutchinson who discussed Exhibits #3 and 4, and the fiscal impacts of the bill insofar as counties is concerned. He said Exh. 4 provides for lower schedule, and gives the Department of Highways 60% of fees collected on new car tax and 40% will go to local governments, this amount in proportion to their mill levies. He said the new schedule reduces top-end fees and will increase bottom-end fees somewhat. Sen. Mathers concluded the presentation.

Chairman Turnage then asked for other proponents of the bill and those giving supporting testimony included Mr. Stewart, who presented Exh. #5, attached; Mr. Raunig who distributed Exh. #6, attached, and said the bill did three things, in his opinion: 1) equalizes taxes; 2) the system would streamline our registration process; and 3) would eliminate the problem of people registering their cars in a low mill levy, neighboring county. Other proponents included Mr. McCauley, Mr. Clayton, Mr. Anderson, Mr. Clark, Mr. Hoovestal and Mae Jenkins, County Treasurer of Yellowstone County, who said she thought the bill would expedite their licensing procedure.

Other proponents included Mr. Nelson who distributed copies of Exh. #7; Rosemary Strope, Mr. Tobiason, Mr. Bill Olson, Mr. Verwolf, who suggested a number of problems, mentioning the driver of a camper, going through the state. Mr. Cox said the county treasurers opposed this bill last session, but now support it.

Opponents who spoke included Mr. Zinnecker who believed that this bill meant smaller counties would be subsidizing larger counties through the method of distributing the funds. He further objected to the portion of the bill that said "the Department of Revenue shall adopt rules" and said he did not believe the committee wanted to allow that Department this much leeway. Mr. Larry Anderson who said areas where the mill levies were lower demanded fewer services therefore he did not see a reason for those areas paying for added services in the high mill levy locales. He further stated the mill levy value is set and is uniform across the state. Opposition testimony was also heard from Mrs. Edwards and Mr. Hoffman, County Assessor from Madison County, who agreed with Zinnecker's testimony about the smaller counties subsidizing the larger counties. He further stated that the problem of people buying license in lower mill levied counties was not a Taxation Committee problem; rather, it was a police enforcement problem. Mr. White felt it was right to pay tax on value and said this method would offer no basis for bonding, and too, he felt the Legislature would have to raise the fees as inflation increased.

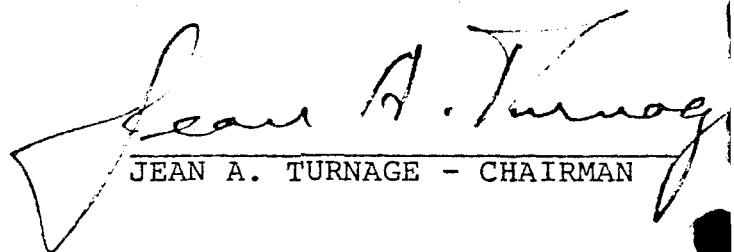
Feb. 2, 1979

There being no further witnesses the Chairman permitted Sen. Towe to introduce two amendments, see Exh. #8 and #9, attached. Following this, the committee began questioning witnesses.

Several of the committee members attempted to establish that where their counties would lose revenues because of lowered receipts with this proposed legislation, that revenue loss would have to be made up through another tax, likely property taxes. They discussed the point with Mr. Burr. The point was also made that this method of figuring automobile tax would lessen the at-present very heavy burden of the county assessors and treasurers, saving the county moneys in added personnel, etc., in computing auto tax under present law. Mr. Burr mentioned that the Department would be picking up some money on the low end of the fees chart, although losing some on the top end.

Following the discussion and questioning, the Chairman informed the committee, and those at the hearing, that further discussion would have to await another meeting.

Meeting was then adjourned.



JEAN A. TURNAGE - CHAIRMAN

Date FEB 2, 1979

## ROLL CALL.

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

SEN.

SENATE TAXATION COMMITTEEBILL ~~0000, 0000~~

VISITORS' REGISTER

DATE 2-2-1

184, 270

NAME	REPRESENTING	BILL #	(check one)
			SUPPORT <input type="checkbox"/> OPPOS <input type="checkbox"/>
Jerry R McGaughy	R.V. D. 111113	184	X
Ken M. Moseley	Montana Economic Assn.	184	X
Howard Stewart, Jr.	Montana Ford Sales	184	X
Billie L. West	Dept. Highways	184	Amend
Don Copley	Dept. of Highways	184	
William Olson	Mont. Contractors	184	Amend ✓
Donald E. Crayton	Montana Manufacturers Assn.	184	X
Deed T. Raunig	Montana Auto Dealers Assn.	184	X
Joe Currinwhite	Operating Engineers	254	XX
Jim Marion	Montana Auto Assn.	184	AMEND
Ray A. Tolpison	" " "	"	"
Lloyd L. Weller	Food Sales	184	X
Bill Fischer	AGRICULTURAL PRESERVATION Assn.	184	
Bill Hall	Dept. of Roads		
Dennis R. Redden	Master of Realtors	276	X
Bernard D. Clark		184	X
Bernard D. Clark	United Transportation	254	X
Don Zwickler	9th Assn of Counties	184	✓
Terry Anderson	Liberty Co. Commissioners	184	X
John Edwards	Power Co. Assn.	184	X
Robert Hoffner	Self	184	X
Ray W. Hall	Self	184	X
Mark D. Lewis	Gilhamton Circuit	184	X
W. H. Verwoert	City of Helena	184	

**SENATE COMMITTEE**

**BILL**

**VISITORS' REGISTER**

DATE \_\_\_\_\_

COUNTY	TAX	FEES	NEW VEHICLES	TOTAL FEES	DIFFERENCE
Beaverhead	\$ 119,387	\$ 147,240	\$ 44,215	\$ 191,455	\$ 72,068
Big Horn	86,412	145,940	39,960	185,900	99,488
Blaine	95,371	111,385	46,435	157,820	62,449
Broadwater	54,146	65,610	24,235	89,845	35,699
Carbon	144,727	172,055	13,505	185,560	40,833
Carter	25,846	35,535	185	35,720	9,874
Cascade	1,781,718	1,522,560	650,090	2,172,650	390,932
Chouteau	133,177	161,540	25,715	187,255	54,078
Custer	295,247	281,845	89,170	371,015	75,768
Daniels	72,692	66,575	11,840	78,415	5,723
Dawson	264,286	257,445	61,235	318,680	54,394
Deer Lodge	347,347	273,630	67,340	340,970	6,377-
Fallon	63,172	90,440	18,685	109,125	45,953
Fergus	243,043	257,870	71,225	329,095	86,052
Flathead	864,043	968,470	292,670	1,261,140	397,097
Gallatin	787,446	780,195	296,925	1,077,120	289,674
Garfield	21,940	32,175	1,480	33,655	11,715
Glacier	132,262	155,290	39,960	195,250	62,988
Golden Valley	16,052	22,145	-0-	22,145	6,093
Granite	44,640	52,770	4,625	57,395	12,755
Hill	393,179	374,870	77,145	452,015	58,836
Jefferson	120,448	119,730	2,960	122,690	2,242
Judith Basin	48,094	61,440	6,290	67,730	19,636
Lake	235,891	287,795	61,420	349,215	113,324
Lewis and Clark	938,595	886,325	323,195	1,209,520	270,925
Liberty	49,948	59,780	19,795	79,575	29,627
Lincoln	235,332	293,835	64,380	358,215	122,883
Madison	86,583	108,675	370	109,045	22,462
McCone	59,960	68,470	6,475	74,945	14,985
Meagher	31,674	34,655	5,555	40,210	8,536
Mineral	66,570	59,175	3,330	62,505	4,065-
Missoula	1,652,131	1,413,860	672,105	2,085,965	433,834
Musselshell	52,015	91,615	18,500	110,115	58,100
Park	242,605	254,000	56,055	310,055	67,450
Petroleum	7,811	11,010	-0-	11,010	3,199
Phillips	77,630	94,190	20,165	114,355	36,725
Pondera	128,652	148,585	51,615	200,200	71,548
Powder River	35,311	69,395	6,105	75,500	40,189

the second half establish some structure or system such as  
water, sewer, street, sidewalk, or structures may be attached to abutting  
roads—sinking fund—refunding revenue  
provement district  
struction of sidewalks, curbs and gutters without form  
provement district  
duction or replacement of any approaches without the  
provement district  
or bonds and warrants  
and materials—interest—redaction  
provement district revolving fund  
from revolving fund for paying improvement  
for loans from revolving fund—supplies district  
provement district

(3) An improvement district may also be formed for the sole purpose  
of maintaining, repairing and improving pedestrian malls, or  
streets, sidewalks, facilities, and parkings and parkways.

(4) Subject to the powers granted and the limitations contained in  
this section, the powers and duties of the municipality and the procedure  
to be followed are as provided in this chapter for other types of special  
improvement districts.

(5) If a petition for the formation of an improvement district under  
this section is filed with the governing body of the municipality and  
a majority of the requirements provided in this section are met,  
the governing body may by resolution of its entity or by order of the mayor, declare  
a resolution of incorporation and make a finding "the [ ] shall exercise  
and shall have, immediate jurisdiction to adopt the regulations, organization  
and improvement pursuant to the following provisions, without the necessary  
of the incorporation and, posting of the resolution of incorporation  
for incorporation.

(6) The governing body shall make annual statements and estimates  
of the expenses of the district, which shall be published by the law  
and collection of ad valorem taxes upon the taxable value of all the real  
and personal property in the district, shall publish notice thereof and  
shall have hearings on the statements and estimates of the taxes  
provided for incorporated cities and towns by Chapter 11-221. The  
governing body, on or before the second Monday in August each  
year, shall fix, levy and assess the amount to be raised by ad valorem  
taxes upon all of the property of the district. All taxes provided for  
the levy and collection of state and county taxes, including the collection  
of delinquent taxes and sale of property for nonpayment of taxes, shall  
be applicable to the district taxes provided for under this section.

(7) An improvement district formed for the purposes of establishing  
a pedestal, stall or other street parking may be financed in accordance with  
the provisions of 11-221, and in accordance with the method of financing  
set forth for the construction of water or sewer systems as set forth in  
11-2218.

(8) The governing body may create special lighting districts on any  
street or streets or public highway for the purposes of lighting them and  
assess the costs for installation and maintenance to property abutting  
thereon and collect the costs by special assessment against the property  
manner provided in 11-2215 on property abutting the street or highway  
and lying outside the boundaries of the city or town, as long as that portion  
of the street or public highway to be lighted is adjacent to the boundary  
line of the city or town, lies partially within the city or town or extends  
from one point within the city or town to another point within the city  
or town.

6-2-2

Exhibit 5

My name is Stewart G. Stewart, Sr. of Stevensville, Montana. As State Director of the Good Sam Club, [REDACTED] have authorized me to tell you that they heartily support and endorse SB184. 440

We take this positive position for several reasons:

- (1) It is an outdated concept that vehicle owners operate in a radius close to their respective residences. Today, a motor vehicle owner travels widely throughout the state. Therefore uniformity in registration fees, fees in lieu of taxes, etc., more equitably distribute operating costs to all registered vehicle owners in Montana.
- (2) Many RV owners are retired, no longer gainfully employed and because of their enjoyment of the long anticipated freedom to travel widely in North America, do not spend any protracted period of time in any one location or jurisdiction. Although they may even own Real Estate in Montana, it may be quite questionable as to which of the 49 continental states can truly claim them as residents.

These people are not indigent; their retirement is dependent on substantial taxable income to supplement Social Security proceeds.

Our present chaotic method of appraising and taxing their vehicles has the effect of encouraging those with the most valuable RV's (and thus the most likely to have large taxable incomes) to reconsider in which state to establish permanent residence.

Nevada actually advertises seeking these people, and Oregon, Texas, Arizona and other states have successfully lured a large number to register their vehicles in those states at quite nominal fees.

Whether or not these competing states have sales taxes, etc., are of no consequence. We are talking about a mobile population who travel widely, seldom spending more than a few weeks or months in any single state. [REDACTED]

The MONTANA GOOD SAM'S are concerned with stopping this flight of taxpayers from Montana taking not only their county vehicle taxes, but probably also their state income tax away. This they may do and still travel throughout Montana in the summer and enjoy just as much as if they were still taxpaying residents.

We believe the schedule of fees in SB184 are reasonable enough so as to remove the incentive to register RV's in other states.

Take note that unless a person is gainfully employed in Montana there is NO compulsion to register the vehicle in the state. Also, because of their freedom from employment commitments it is impossible even for them to determine the total length of time they may spend in residence in Montana.

- (3) In the previous legislative session it was felt that a fee bill saddled an undue burden on the less fortunate in order to raise revenue equal to the present methods.

We wish to call your attention to the fact that SB184 will be of tremendous benefit to those who can least afford to take time off from work to travel to the County Courthouse (sometimes as much as 75 miles). The fee system will permit them to purchase a Post Office Money Order locally and register their vehicle by mail.

The present assessment and taxation methods actually favor the more affluent taxpayer because only they can afford to send a blank check to facilitate reregistration by mail. Likewise, the County Treasurer can only have confidence in and process without delay the blank checks of the affluent taxpayer.

- (4) All of us are aware that this is a time of taxpayer revolt. The fantastically high taxes assessed in some taxing districts against RV's, and the undiplomatic responses prompted by these excesses can go a long way toward stimulating leadership for an unwanted backlash. The fees in SB184 are reasonable. It would be wise to adopt them.

In view of these considerations the RV owners of Montana who may be more than 10% of the population, represented by the [REDACTED] GOOD SAM families respectfully request that you recommend SB184 for passage without further amendment.

# Cost of Automobile Licenses Excessive to Montana Owners

Motor vehicle owners in Montana continue to pay excessive costs for obtaining licenses to operate their vehicles. The main reason is that owners pay property taxes based on the market value of the vehicle and current mill levies. In addition there is a license plate fee. As a result, while motor vehicles are valued at a uniform rate, the final licensing cost varies from county to county and from school district to school district because of the wide variance of mill levies. For example, because of the mill levy differential it would cost \$224.07 to license a 1978 Ford LTD in Missoula while it would cost \$129.25 to license the same vehicle in Broadus. In Missoula rural (outside the city limits) the cost would amount to \$169.97 while the cost for a license in Broadus rural school district would be \$88.92. In Lame Deer 6, Rosebud County, the cost of licensing the same vehicle would have amounted to \$62.61. These figures are based upon the mill levy and book market value for the tax year 1977-78.

The differential in costs of licensing vehicles is obviously an incentive for the taxpayer to purchase a license outside the owners school district — if another district has a substantial reduction in mill levy. While this is illegal under Montana law the incentive remains to purchase a license where the cost is the least.

This is only one objection to current taxing policies of motor vehicles. In comparison to other types of property, motor vehicle taxes are excessive and they are

## Eleven Western States

The cost of obtaining a license for motor vehicles in Montana is brought into sharp focus when comparison is made with the cost of licensing motor vehicles in state capitals of the eleven Western States.

Local taxing authorities were queried by MonTax as to the cost of licensing a 1978 and 1973 Ford LTD, 4-door, Series 63-V8 with air conditioning, power brakes and radio. Montana ranks first in the eleven Western States to license this automobile. To license, ranges from \$10 in Salem, Oregon to \$213.85 in Helena, Montana for the 1978 vehicle. For the 1973 automobile the range is \$10.00 in Salem, Oregon to \$79.25 in Helena, Montana.

The situation is little different when it comes to licensing a pickup truck. The same survey included the tax, license and miscellaneous fees on a Ford F100 1/2 ton pickup, 2-wheel drive with air conditioning, power steering, brakes and radio. The total cost to obtain a license for this vehicle includes property taxes in some states, a license fee, gross vehicle weight fees as well as other charges. Again Montana charges the most for licensing such a vehicle. In Salem, Oregon the cost for a 1978 pickup would be \$10.00 as compared to \$179.64 in Helena, Montana during 1978.

For the 1973 model of the same vehicle the cost would vary from \$10.00 in Salem, Oregon to \$96.81 in Helena, Montana. While the survey only includes an average automobile and pickup, charges for

legislature it was pointed out in various hearings that the practice of "nailing" anyone owning a motor vehicle led to the practice of not only motor homes being licensed outside the state but some automobiles as well. This despite existing Montana law.

Motor vehicle owners can expect high licensing costs to continue until the Montana legislature changes existing law. The current law provides that motor vehicles become part of the local tax base and assume the existing mill levy. Motor vehicles therefore become an important part of the property tax base and as mill levies go higher so do the property taxes. In many instances the cost of licensing a vehicle increases despite depreciation.

This is because mill levies increase at a greater rate than depreciation and some motor vehicles hold their value better than others. Objections have been received from some public officials and special interest groups when an effort is made to reduce the tax burden on automobile owners. Their objective is to maintain and to increase the valuation of property so property will produce more dollars per mill for the support of local governments.

If the attitude prevails during the legislature to continue taxing motor vehicles at the existing rate no relief can be expected from motor vehicle owners in the state. On the contrary they can expect increased costs from year to year as the cost of government continues to increase. Strict mill levy limitations on what local governments can spend will help not only motor vehicle owners but all property owners. A more stringent control would be a lid or cap on local government expenditures that

Ech # 8

PROPOSED AMENDMENTS TO SB 184

1. Page 2.

Following: line 6

Insert: "Section 5. Special automobiles. For the purposes of [section 9], "special automobile" means an automobile with a factory A.D.P. or P.O.E. valuation of more than \$14,000, including any options on the automobile for which an additional value is stated, as valued in the "N.A.D.A. Official Used Car Guide."

2. Renumber: subsequent sections

2. Page 4.

Following: line 7

Insert: "Section 9. Schedule of fees for special automobiles. The owner of a special automobile, as defined in [section 5], shall pay a fee based on the age of the automobile according to the following schedule:

less than 2 years old	\$500
2 years old and less than 3 years old	460
3 years old and less than 4 years old	390
4 years old and less than 5 years old	320
5 years old and less than 6 years old	280
6 years old and less than 7 years old	240
7 years old and less than 8 years old	200
8 years old and less than 9 years old	150
9 years old and less than 10 years old	80
10 years old and less than 11 years old	60
11 years old and less than 12 years old	40
12 years old and older	20

Renumber: subsequent sections

*Ech. # 9*

PROPOSED AMENDMENTS TO SB 184

1. Page 2.

Following: line 6

Insert: "Section 5. Special automobiles. The following makes of automobiles are "special automobiles" for the purposes of [section 9]: Bentley, BMW 530i, BMW 733i, BMW 633CSi, Cadillac Seville, Cadillac Fleetwood Limousine, Jaguar, Porsche, and Volvo 262C." *Mercedes*

Renumber: subsequent sections

2. Page 4.

Following: line 7

Insert: "Section 9. Schedule of fees for special automobiles. The owner of a special automobile, as defined in [Section 5], shall pay a fee based on the age of the automobile according to the following schedule:

less than 2 years old	\$500
2 years old and less than 3 years old	460
3 years old and less than 4 years old	390
4 years old and less than 5 years old	320
5 years old and less than 6 years old	280
6 years old and less than 7 years old	240
7 years old and less than 8 years old	200
8 years old and less than 9 years old	150
9 years old and less than 10 years old	80
10 years old and less than 11 years old	60
11 years old and less than 12 years old	40
12 years old and older	20

Renumber: subsequent subsections