

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 22, 1979

The thirty-fourth meeting of the committee was held 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 providing testimony are listed on enclosed Register.

CONSIDERATION OF SENATE BILL 265: Senator Stimatz presented his bill, dealing with inheritance tax, saying it would limit the debts that could be deducted from a decedent's estate when determining the market value for inheritance tax purposes. The bill is the result of a court decision dealing with such tax, and the Inheritance Tax Department had asked it be introduced. He introduced Mr. Stahl, of the Department, who further explained the Department's intention to bring the situation to the attention of the Legislature, through this bill. Senator Stimatz made his closing remarks since there was no other testimony or other witnesses.

The Chairman then permitted questions by the committee. It was explained that if this bill were passed the tax would be figured the same as the Federal. It was brought out that if two people owned a piece of property under joint tenancy and one of them died, 50% of the property is reportable for tax purposes. If there is a mortgage on the property, signed by both tenants, half of the mortgage was deductible under old law, and after a recent court decision all of the mortgage would be deductible.

Senator Towe illustrated the formula which would be used and following additional questioning, the members voted to move the bill out of committee.

Senator Towe Moved Senate Bill 265 Do Pass. The motion was carried unanimously.

CONSIDERATION OF SENATE BILL 508: Senator Manley said his bill followed fairly closely the Federal laws, in relation to inheritance taxes, in making it permissible to make installment payments, or to use an alternate valuation of farm and closely-held business properties when paying the taxes. The valuation method would allow the value of qualifying real property used for farming purposes, or in the businesses included, to be determined on its use as of the date of the decedent's death, rather than on the basis of its highest and best use. He introduced Mr. Johnson who further explained that Congress had passed legislation encouraging the use of property as it was at the time of the death. He said often the heirs are forced to sell the land and often it is valued on its potential rather than its present use, and speculative value is included in the estate. Congress also improved the situation by permitting installment payments. He said the law specifically states the decedent can-

not be a passive investor; he must have participated.

Other proponents of the bill included Mr. Zermuehlen who said the committee must consider carefully the legislation they pass as it could result in changes resulting in a business having to keep two sets of books, one for the Federal and one for the State. Mr. Teigen presented a copy of the resolutions that were passed by the Montana Stockgrowers Association at their May, 1978 meeting, see Exh. #1, attached, showing their concern with the estate tax laws. Mrs. Peterson, speaking for WIFE, NFO, FU and the Grange, said they support the bill as well.

Mr. Groff of the Department of Revenue spoke as a neutral in the matter, but urged the committee to address the possibility of the property being sold before the 15 year period, as he believed there would be serious and very costly consequences for the seller. Mr. Stahl, also of the D of R, spoke as a neutral and said too the committee should be aware of the roll back that would go into effect if the property was sold within 10 years. There would be a roll back of both State and Federal gift taxes as well as capital gains tax.

Senator Manley spoke briefly in closing and said if the heirs did sell they would expect to be paying such taxes but felt the amount would be the same as if they had not entered into the installment agreement and there would be no penalty to consider.

Discussion then followed on possibilities of the land being sold at higher than market value, and possible consequences. Mr. Stahl and Mr. Groff were questioned as to present laws concerning estate taxes, as was Mr. Zermuehlen.

The Chairman asked Researcher Terry Cohea to look at some possible amendments to the bill for the committee's consideration in the future. Hearing on SB508 was then closed.

The committee then directed their attention to several bills previously heard and the amendments proffered to them. They looked at SB303 by Senator Norman which had numerous amendments, see attached Exh. #2. The amendments were accepted and so moved:

Senator Norman Moved to Adopt Amendments to SB303; his motion carried unanimously.

Senator Norman then Moved SB303 Do Pass As Amended. The motion passed unanimously.

Senate Bill 347 was then considered, together with proposed amendment. They were discussed and accepted; see attached report.

Senator Towe Moved to Adopt Amendments to SB347; his motion was passed unanimously.

Senator Towe then Moved SB347 Do Pass As Amended. The motion was passed unanimously.


JEAN A. TURNAGE - CHAIRMAN

Date FEB. 22, 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.

DATE

COMMITTEE ON

SEN.
 BILLS 265-508

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
TOM STOHL	DEPT OF REVENUE	265	✓	
✓	✓	508	—	—
Mons Teigen	Mark Stockgrowers of Woodgrowers	508	X	
Paul R. Michlen	C.P.A.	508	X	
Fred A. Johnston	attorney - rancher	508	X	
Sharon Peterson	W.D.F.E., H.F.O. F.U. Group	508	X	

(Please leave prepared statement with Secretary)

Exh. #1

RESOLUTIONS PASSED BY THE MONTANA STOCKGROWERS ASSOCIATION — May 20, 1978

1. ECONOMIC IMPACT STATEMENTS

BE IT RESOLVED that the Environmental Protection Agency be required to file an Economic Impact Statement before implementing any new regulations.

2. ESTATE TAX REFORM

WHEREAS by the Tax Reform Act of 1976 Congress amended the Internal Revenue Code to provide (1) that for Federal estate tax purposes ranch properties may be valued on the basis of use rather than at fair market value at their highest and best use, and (2) that the Federal estate tax on a closely held business like a ranch may be paid over a 15-year period at 4 per cent interest if the business comprises 65 per cent of the estate, and

WHEREAS the Montana inheritance tax law does not have similar provisions,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association favors legislation by the Montana Legislature to provide for such valuation or ranch properties for Montana inheritance tax purposes and for such extended period for the payment of the Montana inheritance tax.

3. ESTATE TAX REFORM

BE IT RESOLVED that the Montana Stockgrowers Association recommend that the Federal and State Inheritance tax laws be revised to eliminate the inheritance and estate taxes on estate transfers between spouses.

4. INITIATIVE FOR RETURN OF PROPERTY TAX APPRAISALS TO COUNTY

WHEREAS the new Montana Constitution states that the reappraisal of real and personal property in the state must be done in a uniform manner and be fair and equitable from county to county and within counties; and

WHEREAS the Department of Revenue was authorized this responsibility, and

WHEREAS the Property Tax Division of the Montana Department of Revenue has failed to do this;

THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association supports the petition drive that will put an initiative on the ballot and if passed will return property tax appraisals to locally elected county officials.

5. ELIMINATION OF TAX ON SPRINKLER IRRIGATION SYSTEMS

WHEREAS farming and ranching interests are large contributors to local governments in the form of property taxes, and

WHEREAS water-spreading systems such as a series of contour ditches, border dikes and land leveling are not taxed, and

WHEREAS irrigated land sometimes brings into production arid land of lower productivity, thus increasing the value of that land and thus increasing the property taxes paid on that land to local governments,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association ask the 1979 Montana Legislature to abolish the property tax on all irrigation systems.

6. NATIONAL BEEF REFERENDUM

BE IT RESOLVED that the Montana Stockgrowers Association should sponsor and take whatever action is necessary to provide for another beef referendum act.

7. STATE BEEF CHECK-OFF

WHEREAS there is a growing need for increased funding for beef market development, research and education, and

WHEREAS the Montana cattle producers overwhelmingly supported the Beef Referendum in 1977,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association support state legislation to provide a 25-cents-a-head check-off to be collected at the time of change of ownership brand inspection and such funds to be administered by the Montana Beef Council.

8. OPEN RANGE

WHEREAS there are efforts to change the open range law in Montana; and

WHEREAS these efforts would seek to make it the responsibility of the livestock owner to provide fencing to keep livestock off of roads and subdivided lands; and

WHEREAS the open range law is important to the continued use of grazing land in Montana,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association opposes changes in the open range law.

9. STOCKGROWER REVIEW OF LIVESTOCK LAWS

WHEREAS the House Joint Resolution #91 Committee is in the process of reviewing the livestock laws,

THEREFORE BE IT RESOLVED that Montana Stockgrowers Association requests that the proposed rewritten laws be presented to the Executive Committee of the Montana Stockgrowers Association and the Executive Committees of the local livestock organizations for their information and recommendations before adoption.

10. REGISTRATION OF FIREARMS OPPOSED

WHEREAS the Division of Drugs and Firearms of the Treasury Department has published proposed regulations in the Federal Register for public comment being Article #4355, which regulations would require the department to register all firearms, effective 15 June 1978;

WHEREAS this is an attempt to violate the Constitutional Right to keep and bear arms, and an attempt to circumvent the Congress by bureaucratic regulation;

THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association oppose this action by the Division of Drugs and Firearms, and a copy of this resolution be wired to the Montana Congressional Delegation and to the Division of Drugs and Firearms.

11. LEGAL HELP FOR INDIAN-WHITE WATER DISPUTES

WHEREAS water right disputes between various Indian tribes and individual citizens and states have become common, and

WHEREAS these disputes are based on past treaties and court actions extremely complex requiring specialized research and legal services through numerous courts and often the United States Supreme Court, and

WHEREAS the large legal expenses of the tribes have been partially paid for by the federal government but not for the other parties, and

WHEREAS justice requires top representation for both sides of the dispute,

THEREFORE BE IT RESOLVED that Montana Stockgrowers Association petition our state legislators and Congress to make funds and legal personnel available so both sides of the dispute can be equally represented.

12. CONSERVATION DISTRICT WATER RESERVATIONS

BE IT RESOLVED that the Montana Stockgrowers Association support the Montana Conservation District applications for water reservations for future agriculture needs.

13. RANGELAND RESOURCE PROGRAM

WHEREAS the rangelands, public and private, are Montana's most valuable natural resource; and

WHEREAS the members of the Montana Stockgrowers Association derive the major portion of their income from these rangelands, and

WHEREAS the rangelands must be managed to maintain this resource in proper condition to insure the future stability of the rangeland livestock industry; and

WHEREAS improved management of 41 percent of Montana's rangeland would result in an increase of 13 percent or approximately \$60 million of the value of this resource, and at the same time improve wildlife habitat, water quality and erosion problems;

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association endorse the Montana Rangeland Resource Program enacted by the 1977 Legislative session.

14. C. M. RUSSELL WILDLIFE REFUGE

WHEREAS legislative and administrative regulations have negatively affected and restricted domestic livestock grazing on land in the Charles M. Russell Wildlife Refuge, and

WHEREAS managed livestock grazing in these areas is a compatible and integral management tool in maintaining and developing optimum natural habitat areas for wildlife and fish;

BE IT RESOLVED that the Montana Stockgrowers Association favors the continued productive use of this natural renewable resource for domestic livestock grazing in meeting the multiple benefits of vegetation and wildlife habitat management, maintaining the socio-economic stability of affected food and fiber needs of the nation, and

BE IT FURTHER RESOLVED that the U.S. Fish and Wildlife and Bureau of Land Management administer the Charles M. Russell Wildlife Refuge consistent with other adjacent management units.

15. 160 ACRE LIMITATION

WHEREAS the Western Montana Stockmen's Association, on September 10, 1977, supported a resolution to repeal the 1902 160-acres limitation act, and

WHEREAS since that time there have been several bills introduced into the Congress of the United States dealing with this subject, and

WHEREAS there has been much testimony and debate concerning the size of the parcel of land under single ownership receiving irrigation water from a federal project,

WHEREAS most of this legislation and testimony deals with water projects administered by the Department of the Interior,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association again ask Congress to repeal the 1902 160-acre limitation act, and

BE IT FURTHER RESOLVED that any forthcoming legislation deal not only with the Bureau of Reclamation but also include all other federally funded projects.

16. FISH AND GAME LAW ENFORCEMENT

WHEREAS the Montana Fish and Game Commission has less funds in the department to expand their law enforcement program; and

WHEREAS increasing numbers of hunters and expanded hunting seasons have increased the burden on existing game wardens;

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association supports the Department of Fish and Game efforts to train and to give legal jurisdiction to Game Biologists who could better serve the department in this category during the hunting seasons, thus giving them game-warden privileges and the power to make arrests;

BE IT FURTHER RESOLVED that the Montana Stockgrowers Association make known its support for the implementation of this program to the Governor's Office.

17. SOUTHEASTERN MONTANA ROADLESS AREAS

WHEREAS the United States Forest Service and the Bureau of Land Management have been ordered to find more roadless areas suitable for study and designation as wilderness; and

WHEREAS three such areas on the Ashland Division of the Custer National Forest have already been designated for study,

NOW THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association oppose any areas of either Forest or BLM land in Southeastern Montana being included as roadless study areas for designation as wilderness.

18. IDENTIFICATION OF BRUCELLOSIS VACCINATES

BE IT RESOLVED by the Montana Stockgrowers Association that the tagging of brucellosis vaccinated cattle should remain optional with the owner as tattooing of animals is sufficient identification of brucellosis vaccinated cattle.

19. FOREIGN MEAT LABELING

WHEREAS the Montana Stockgrowers Association has in the past supported a resolution that foreign beef be subjected to the same standards as American beef, and

WHEREAS the Montana Stockgrowers Association supports the concept of awareness of the type of product the American consumer buys,

NOW THEREFORE BE IT RESOLVED that all foreign beef whether it be fresh, frozen, chilled, cubed or whatever other form it is imported in be labeled as such and stamped with the country of its origin, and

BE IT FURTHER RESOLVED that the Montana Stockgrowers Association commend the efforts of the Montana CowBelles to publicize the lack of enforcement of Montana's 1975 Meat Labeling Law.

20. CANNED BEEF

WHEREAS there is a need to put more domestic beef into export markets, and

WHEREAS there is no beef used in food give-away programs abroad, nor is there domestic canned beef available for disaster aid programs,

THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association supports research efforts in the canning of beef, and

BE IT FURTHER RESOLVED that the Montana Stockgrowers Association supports the use of beef in Food for Peace programs and the supplying of beef for natural disaster aid programs.

21. CONFIRMATION

BE IT RESOLVED by the Montana stockgrowers Association that the actions of the officers and Executive Committee of the Montana Stockgrowers Association during the period April 30, 1977, to and including April 30, 1978, in administering the affairs of the association, are hereby approved and ratified; and

BE IT FURTHER RESOLVED that the official acts of said officers and Executive Committee of the same period are hereby expressly approved insofar as said actions are within the scope of their authorized activities.

22. APPRECIATION

WHEREAS the Montana stockgrowers Association has been privileged to enjoy the hospitality of Billings, Montana, we wish to express our appreciation to all who did so much to make this, our 94th Annual Convention, such a successful meeting.

THEREFORE BE IT RESOLVED that the Montana Stockgrowers Association does hereby extend our sincere thanks to the Montana CowBelles, to the management and staff of the Ramada Inn and to all those who contributed to the success of the convention.

RECOMMENDATIONS PASSED BY

THE MONTANA STOCKGROWERS ASSOCIATION — May 20, 1978

1. WATER RIGHT ADJUDICATION

BE IT RECOMMENDED that the Montana stockgrowers Association recommend that the Department of Natural Resources be required to recognize water rights defined in the State Constitution and that those rights be adjudicated within five (5) years, with one set of the adjudication records to be kept in the Capitol and one in the office of the respective County Clerk and Recorder offices.

2. COUNTY LINE PERMITS

WHEREAS the Legislative subcommittee will recommend that county line livestock moving permits exceptions be abolished;

NOW THEREFORE BE IT RECOMMENDED that the Montana Stockgrowers Association resist repeal of this exception.

PROPOSED AMENDMENTS TO SB 303

E4^d.#2

1. Page 1, line 12.

Following: "(1)"

Insert: "The following categories of property are exempt from taxation:"

Following: "(a)"

Strike: "The"

Insert: "the"

Following: "of"

Insert: ":

(i)"

2. Page 1, line 14.

Following: "districts"

Strike: ", "

Insert: ";

(ii)"

3. Page 1, line 15.

Following: "profit"

Strike: ", "

Insert: ";

(iii)"

4. Page 1, line 16.

Following: "corporations"

Strike: ", "

Insert: "; and

(iv)"

Following: "libraries;"

Insert: "(b)"

5. Page 1, line 20.

Following: "church;"

Strike: "such other"

Insert: "(c)"

6. Page 1, line 21.

Following: "property"

Strike: "as is"

7. Page 1, line 22.

Following: "purposes,"

Insert: "and for"

8. Page 1, line 23.

Following: "hospitals"

Strike: ", and"

Insert: ";

(d)"

Following: "property"

Strike: ", both real and personal, without limitation as to amount except that real property owned shall not exceed 640 acres,"

Insert: "that meets the following conditions:

(i) is"

9. Page 2, line 2.

Following: "21"

Strike: ", "

Insert: "; "

Following: "cemeteries"

Strike: "which operates"

Insert: "(ii) is held exclusively for use in connection with"

10. Page 2, line 3.

Following: "cemeteries"

Strike: ", provided such cemeteries and any land claimed to be exempt are"

Insert: ";

(iii) is"

11. Page 2, line 5.

Following: "profit;"

Insert: "(e)"

12. Page 2, line 6.

Following: line 5

Insert: "(f)"

13. Page 2, line 7.

Following: "Montana;"

Strike: "and"

Insert: "(g)"

14. Page 2, line 9.

Following: "profit"

Strike: remainder of line 9 and all of line 10

Insert: ";

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence and

(i) a truck canopy cover or ropper weighing less than 300 pounds and having no accommodations attached."

15. Page 2, line 11.

Following: line 11

Strike: "(b) As used in this subsection, the"

Insert: "(2) (a) The"

16. Page 2, line 14.

Following: "profit"

Strike: ", and the"

Insert: "."

(b) The

17. Page 2, line 20.

Following: line 20

Insert: "(c) The term "property" means all real or personal property."

18. Page 2, line 21.

Following: line 20

Strike: lines 21 through 25 and lines 1 through 3 on page 3

STANDING COMMITTEE REPORT

February 22 19 79

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 255

Respectfully report as follows: That Senate Bill No. 255

DO PASS

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STANDING COMMITTEE REPORT

February 22 19 79

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 303

Respectfully report as follows: That Senate Bill No. 303,

introduced bill, be amended as follows:

1. Page 1, line 12.

Following: "(1)"

Insert: "The following categories of property are exempt from taxation:"

Following: "(a)"

Strike: "The"

Insert: "the"

Following: "of"

Insert: ":

(i)"

2. Page 1, line 14.

Following: "districts"

Strike: ", "

Insert: ";

(ii)"

3. Page 1, line 15.

Following: "profit"

Strike: ", "

Insert: ";

(iii)"

CONTINUED

Page 2 Senate Bill 303 Taxation Committee

4. Page 1, line 16.

Following: "corporations"

Strike: ", "

Insert: "; and
(iv)"

Following: "libraries;"

Insert: "(b)"

Following: "buildings"

Strike: ", with land they"

5. Page 1, line 17.

Following: line 16

Strike: "occupy"

Following: "therein"

Strike: ", "

6. Page 1, line 18.

Following: "worship"

Strike: "and"

Insert: "or"

7. Page 1, line 20.

Following: "buildings"

Strike: "owned by a church; such"

Insert: ";

8. Page 1, line 21.

Following: line 20

Strike: "other"

Insert: "(c)"

Following: "property"

Strike: "as is"

9. Page 1, line 22.

Following: "purposes,"

Insert: "and for"

10. Page 1, lines 23, 24 and 25.

Following: "hospitals"

Strike: ", and all"

Insert: ";

(d)"

Following: "property"

Strike: ", both real and personal, without limitation as to amount
except that real property owned shall not exceed 640 acres,"

Insert: "that meets the following conditions:

(i) is"

11. Page 2, line 2.

Following: "21"

Strike: ", "

Insert: ";

Following: "cemeteries"

Page 3 Senate Bill 303 Taxation Committee

11. Continued

Strike: "which operates"

Insert: "(ii) is held exclusively for use in connection with"

12. Page 2, line 3.

Following: "ceneteries"

Strike: ", provided such ceneteries and any land claimed to be exempt are"

Insert: "; and

(iii) is"

13. Page 2, line 5.

Following: "profit;"

Insert: "(e)"

14. Page 2, line 6.

Following: line 5

Insert: "(f)"

15. Page 2, line 7.

Following: "Montana;"

Strike: "and"

Insert: "(g)"

16. Page 2, lines 9 and 10.

Following: "profit"

Strike: remainder of line 9 and all of line 10

Insert: ";

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence and

(i) a truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached."

17. Page 2, line 11.

Following: line 10

Strike: "(b) As used in this subsection, the"

Insert: "(2) (a) The"

18. Page 2, line 14.

Following: "profit"

Strike: ", "

Insert: ". "

19. Page 2, line 15.

Following: line 14

Strike: "and the"

Insert: "(b) The"

20. Page 2, line 16.

Following: "observatories" "

Strike: "mean"

Insert: "includes"

CONTINUED

Page 4 Senate Bill 303 Taxation Committee

20. Continued

Following: "only"

Strike: "such"

Insert: "those"

21. Page 2, line 17.

Following: "ownership,"

Strike: "as"

Insert: "that"

22. Page 2, line 18.

Following: "charge"

Strike: "or fee"

23. Page 2, lines 21 through 25.

Following: line 20

Strike: lines 21 through 25 and through line 3 on page 3.

And, as so amended,

DO PASS

JEAN A. TURNAGE - CHAIRMAN

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STANDING COMMITTEE REPORT

February 22 19 79

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 347

Respectfully report as follows: That Senate Bill No. 347, introduced bill, be amended as follows:

- 1. Page 1, line 22.
Following: "development"
Insert: "in that area or 1972, whichever is later,"
- 2. Page 2, line 1.
Following: "development"
Insert: "in that area or 1972, whichever is later,"

And, as so amended,

DO PASS

He