

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 6, 1979

The forty-second meeting of the committee was held on the above date in Room 415 of the State Capitol Building, Chairman Turnage presiding.

ROLL CALL: Roll call found all members present except Senators Brown and Roskie who were excused. Witnesses presenting testimony are listed.

CONSIDERATION OF HOUSE BILL 582: Representative Burnett appeared in appropriate headgear to present his antique airplane bill. He asked that the planes be exempt from taxation after 40 years of age. He said autos are exempt from property tax after 30 years and he thought airplanes should be considered in this law as well. The Chairman asked for further proponents or opponents, and as there were none, committee members briefly discussed the bill, agreeing to move on the legislation:

Senator Towe Moved HB582 Be Concurred In. The motion was carried unanimously.

CONSIDERATION OF HOUSE BILL 320: Representative Ramirez presented the bill briefly, saying it would allow county assessors to apportion property tax due on subdivided land in proportion to the size of the subdivided parcels. Following his presentation Dennis Rehberg gave supporting testimony as well, saying they are in favor of any measure that might help alleviate the problems that arise between the buyer and seller of land. He said too, that sometimes there is a tax bill about which the prospective buyer is unaware. Mr. Groff and Mr. Burr of the Department of Revenue were present to answer questions of the committee also, saying there would be a great deal of work involved in prorating taxes on every land sale in the state.

Representative Ramirez made his closing remarks following a number of questions by the committee, and said there weren't that many transfers of land which is what his bill addresses, and saw no large problem in the prorating process.

Discussion continued on the bill; the committee suggested reinserting the word "delinquent" in the body of the bill. The problem of prorating the taxes for the period of time before due date, November 30th, was questioned as well. The Chairman at this point stated several years ago he had introduced a bill which was to have accomplished purpose of HB320. The statutes concerning this matter were looked over and Chairman Turnage said perhaps that law was not doing what it was intended to do. Representative Ramirez said he was unaware of such legislation. Following brief discussion, hearing was closed on HB320.

CONSIDERATION OF HOUSE BILL 370: Representative Ramirez presented this bill as well, which would require county assessors to prorate property tax due on mobile homes in proportion

to the number of months the home was in the county. Edith Cox gave supporting testimony to the bill and said there is conflict under the present system. Mr. Groff questioned several portions of the bill, including the method by which the county treasurer is to be paid back from the state. There followed discussion on the method of reimbursement the treasurers, also discussion on the definition of mobile homes in present statutes. The hearing on HB370 was then closed.

CONSIDERATION OF HOUSE BILL 371: Representative Ramirez said the bill would permit correction of assessment books in matters not under litigation. In such case the books could be changed only with the consent of the county attorney. Ms. Cox was a proponent of this bill as well, saying much paperwork could be saved if county treasurers, among those mentioned in the bill, could have authority to make such corrections.

Vice Chairman Goodover asked for other proponents or opponents, and hearing none, permitted questions by the committee. Mr. Burr was questioned in the matter and he agreed there is a problem at times and thought the county assessor should be referred to as the 'agent' of the Department. After brief discussion hearing on HB371 was closed.

CONSIDERATION OF HOUSE BILL 467: Representative Hurwitz said his bill would allow county commissioners to levy up to \$50,000 for a fire district, over the \$15,000 present limit. Proponents of the bill included Mr. Korn of the Montana Firefighters organization, Mr. Ellis, Mr. Fisher and Mr. Orr. Vice Chairman Goodover called for other proponents or opponents and as there were none, permitted questions by the committee. There followed extensive discussion on the bill; the committee expressed their concern that such levy would go on city residents as well, who already pay for fire protection. Senators Norman and Towe expressed this concern saying the assessment would be county-wide the way the bill is written. Hearing on the bill then closed.

CONSIDERATION OF SENATE BILL 235: Senator MacCallum explained the amendments that were adopted by the committee, see Committee Report attached.

Senator Towe Moved to Amend SB235. Motion carried. Note for the record Senator Hager voted "No".

Senator MacCallum then Moved SB235 As Amended, Do Pass. Motion carried. Note absence at this point in meeting of Senators Manning and Roskie.

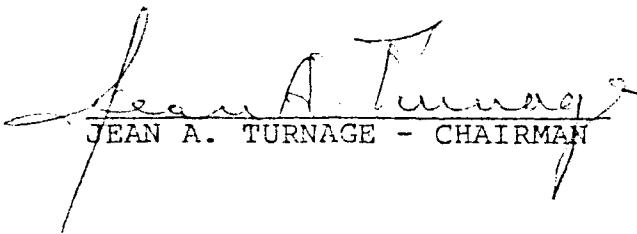
The Chairman asked the committee to take up SB184, vehicle fee system, which had been heard previously and discussed on several occasions by the committee. Manse Hutchinson of the Department of Revenue was present to answer questions of the committee regarding various fee schedules they might wish to adopt. The discussion also included input from Dennis Burr, also of the Department. They agreed to bring back several schedules for the committee using different rates, new car sales tax percentages. Mr. Burr reminded the committee of the present cumbersome assessment system and the time that is necessary to assess vehicles. The committee expressed their concern that the present system is affected by inflation and most stated their agree-

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ment that if an equitable schedule could be found, they would prefer it for various reasons, including the afore-mentioned inflationary affect on the present system, also as a savings of time and convenience for the taxpayer.

The committee also expressed their concern about the bottom of the fee schedule, about taxing the older cars excessively, and too, they reflected the loss of the new car sales tax to the Highway Department could prove a deterrent to the completion of the interstate highway system in the state.

The meeting was then adjourned.



Jean A. Turnage
JEAN A. TURNAGE - CHAIRMAN

house
BILL 320,370,
71,467,582

SENATE TAXATION COMMITTEE

VISITORS' REGISTER

DATE 3-6-79

Please note bill no.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

LIGHT TRUCKS

LIC. # 2

COUNTY TAX	FEE < \$3,000	FEE > \$3,000	NEW VEHICLE FEE ¹	TOTAL FEE	DIFFERENCE
<2 yrs. \$ 185,508	\$ 58,950	\$ 141,300	\$1,317,000	\$1,458,300	\$1,272,792
3 yrs. 1,264,699	384,107	975,040	1,359,147	94,448	
4 yrs. 854,246	254,797	648,573	903,370	49,124	
5 yrs. 893,850	241,653	664,546	906,200	12,350	
6 yrs. 765,845	195,500	586,500	782,000	16,155	
7 yrs. 514,911	136,817	383,087	519,904	4,993	
8 yrs. 308,335	82,440	206,100	288,540	19,795	
9 yrs. 248,179	62,100	165,600	227,700	20,479	
10 yrs. 179,280	39,480	118,440	157,920	21,360	
11 yrs. 319,215	70,810	283,240	354,050	34,835	
6 & older					
TOTALS \$5,534,068	\$1,526,654	\$4,172,426	\$1,317,000 ²	\$7,016,080	\$1,482,012

1. 15,496 new trucks were sold in Montana in 1978.

Assumption 1. 50% of new trucks were 3/4 ton or smaller pickups.

2. 1/3% of the pickups weigh 3,000 lbs. or less.
3. 2/3 of the pickups weigh more than 3,000 lbs.

2. 60% of the new vehicle fee would go to the Department of Highways (\$790,200). Thus, the difference between total fees and the present tax which would be available for mill levy contribution would be \$691,812.



The Big Sky Country

Ex. H. #4 (b)

Montana State Senate

SEN. ELMER D. SEVERSON
BOX 28, RT. 1
STEVENVILLE, MONT. 59870

COMMITTEES:
TAXATION
LABOR
EDUCATION

The 1977 Legislature passed H. B. 70, which was proposed by the Legislative Interim Comm. on taxation. The purpose of this bill was to simplify the procedure in arriving at the taxable value of taxable items.

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I think the bill was necessary and it points out some problems in arriving at market value.

Most of the motorized vehicles and larger equipment have book values established by the industries involved. These include cars, tractors, some equipment, snowmobiles, motorcycles, airplanes, boats, etc.

In general these books list three values; average loan, average as is, and average resale. Some of the books use different terminology but all mean basically the same thing.

These book values are arrived at by averaging sales by dealers in the whole country, or in some cases by areas. This is resale book value. These values are generally hidden in the book by coding or being put in a different section of the book. This is so that it is not easy for a customer to see the figures. This book value has a profit margin of 20%

or more plus the cost of reconditioning to get the unit ready for resale.

The as is or middle value is arrived at by deducting a 20% or more profit margin and the average cost of reconditioning this vehicle to get it ready for resale. In some cases only the profit margin is deducted and the reconditioning is to be taken off the middle book value by the dealer. Motorcycles, snowmobiles, boats, boat trailers, and recreation vehicles fall into this class.

Loan value is the figure most loan organizations will lend on these vehicles. This generally will vary between 50 and 66% of resale value.

I have no argument with using market value for tax purposes, but what is market value? I feel the market value of your car, tractor, snowmobile or what have you, is that value when you turn the ignition key off in your garage or yard. That figure is the middle book value, the "as is" value. There is no way that you should be taxed on a margin of profit charged by the dealer, the repair, and reconditioning he must put on the vehicle to get it ready for resale. These charges are legitimate but should not be used in figuring taxable value.

I spent 21 years of my life selling farm equipment and used both books and my knowledge of the business to determine values of equipment.

The Department of Revenue is using the resale or retail figure as market value. This is wrong! H. B. 70 did not cause this as this is the figure they have been using since "I don't know when." H. B. 70 just made it easy to see.

This is something I think we must change in the next session of the Legislature by getting into the nitty gritty of actual figures that the Dept. must use.

Following is a list of examples of more reasons why resale or retail figures are not market values of your cars, trucks, or equipment.

These are examples of book values of different pieces of equipment. The percentages to the right are the increase of resale value over as-is value or the middle value.

RECREATION VEHICLES

UWS. stands for Used Wholesale.

It is the average wholesale value of clean used units ready for resale.

UR. stands for Used Retail.

It is the average wholesale plus the average markup charged by dealers.

Bell 10' Camper

Year	UWS	UR	Percentage increase
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1974	\$1150	\$1720	49%
1973	\$840	\$1340	59%
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1971	\$700	\$1120	60%
1970	\$580	\$950	63%
1969	\$520	\$850	63%
1968	\$380	\$720	89%
1967	\$290	\$550	89%
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1973	\$490	\$800	63%
1972	\$420	\$690	64%
1971	\$240	\$450	87%
1970	\$190	\$360	89%

Winnebago Motor Home

Year	UWS	UR	Percentage increase
1976	\$7760	\$10080	30%
1975	\$6090	\$7910	30%
1974	\$4900	\$6370	30%
1973	\$4790	\$6220	30%
1972	\$4440	\$5770	30%
1971	\$4070	\$5290	30%
1970	\$3930	\$5100	30%
1969	\$3470	\$4510	30%

Bell Travel Trailer

1976	\$3100	\$4030	30%
1975	\$2840	\$3830	35%
1974	\$2340	\$3150	35%
1973	\$1950	\$2630	35%
1972	\$1550	\$2170	40%
1971	\$1380	\$1930	39%
1970	\$1470	\$2050	39%
1969	\$1150	\$1720	49%
1968	\$910	\$1369	49%
1967	\$790	\$1260	59%
1966	\$670	\$1100	64%

CARS AND TRUCKS

Average trade-in-----Latest average wholesale values based on auction report and Dealer wholesale reports throughout territory.

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Ford Gran Torino	Ave Loan	Ave. Tradein	Ave. Retail	%
1976	\$3025	\$3325	\$4050	22%
1975	\$2250	\$2500	\$3100	24%
1974	\$1875	\$2075	\$2650	28%
1973	\$1375	\$1525	\$2075	36%
1972	\$1050	\$1150	\$1650	44%
1971	\$ 625	\$ 675	\$1125	66%

Chev. 3/4 T. Pick-up

1976	\$3525	\$3900	\$4675	20%
1975	\$3225	\$3575	\$4325	20%
1974	\$2700	\$2975	\$3700	24%
1973	\$2025	\$2225	\$2875	29%
1972	\$1550	\$1700	\$2275	34%
1971	\$1175	\$1300	\$1850	42%
1970	\$1000	\$1100	\$1650	50%

Here is a clear cut example of how the person with an older car is being taxed at a higher rate than the person that can afford to drive a new car.

This is 180 degrees to my thinking.

Farm Tractors and Equip.

Average as is values are applicable to machines in average condition.

Average retail values are the average prices received by dealers after an average amt. of reconditioning and a 20% mark up.

Example. Resale price \$800.00
-Reconditioning \$ 55.00

- 20% Markup \$745.00
= Average as is \$149.00
= Average as is \$596.00
price

Allis Chalmers
190 xt

Year	average as is	Ave Retail	Percentage increase
1972	\$5657	\$7642	35%
1971	\$5198	\$7068	36%
1970	\$4773	\$6537	37%
1969	\$4380	\$6046	38%
1968	\$4017	\$5592	39%
1967	\$3681	\$5172	40%
1966	\$3371	\$4784	42%
1965	\$3084	\$4425	43%

John Deere
55 combine

1969	\$3889	\$5312	37%
1968	\$3472	\$4791	38%
1967	\$3096	\$4321	39%
1966	\$2757	\$3897	41%
1965	\$2452	\$3515	43%
1964	\$2176	\$3170	46%
1963	\$1927	\$2859	48%
1962	\$1702	\$2528	52%
1961	\$1500	\$2325	55%

Snowmobiles

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High Book is for good clean units minus cost of repairs.

Code price is the resale price with the markup added.

Boats and Motorcycles have similar definitions.

The repair is to be deducted from the high and low book prices.

SkiDoo

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Motorcycles

Honda 350

1976	\$633	\$720	\$986	37%
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1973	\$220	\$316	\$432	37%
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Larson 18 ft.

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1969	\$1520	\$1955	\$2541	30%
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Airplanes This was taken from a 1972 book and there is no explanation of values

Cessna 310

Year	Ave. Wholesale	Ave. Retail	%
1971	\$54,500	\$63,500	16.5%
1970	\$46,250	\$55,000	19%
1969	\$40,000	\$47,500	18%
1968	\$35,250	\$42,500	20%
1967	\$31,000	\$37,500	21%
1966	\$28,500	\$35,000	23%
1965	\$27,000	\$32,500	20%
1964	\$23,500	\$28,500	21%
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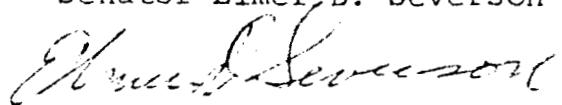
These figures and comparisons were all taken from industry books. Some of the books were not of current issue but the comparisons would be the same.

I think it explains very well that the Resale or Retail value is not the true value of your vehicle or piece of equipment when you turn the ignition key to off and park it for the night.

I think it also explains why we have all the different rates of taxation in these classes from 11 $\frac{1}{2}$ to 16 $\frac{1}{2}$.

Thank you gentlemen for listening to my research and thinking.

Senator Elmer D. Severson





The Big Sky Country



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1959	\$14,500	\$18,000	24%
1958	\$13,000	\$16,500	27%

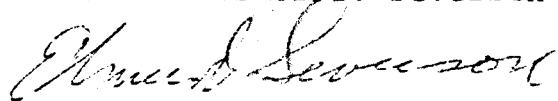
These figures and comparisons were all taken from industry books. Some of the books were not of current issue but the comparisons would be the same.

I think it explains very well that the Resale or Retail value is not the true value of your vehicle or piece of equipment when you turn the ignition key to off and park it for the night.

I think it also explains why we have all the different rates of taxation in these classes from 11% to 16%.

Thank you gentlemen for listening to my research and thinking.

Senator Elmer D. Severson



LIGHT TRUCKS

COUNTY TAX	Fee <3,000	Fee >300	New Vehicle Fee ¹	Total Fee	Difference
<2 yrs. \$ 185,508	\$ 58,950	\$ 141,300	\$1,317,000	\$1,458,300	\$1,272,792
3 yrs. 1,264,699	384,107	975,040		1,359,147	94,448
4 yrs. 854,246	254,797	648,573		903,370	49,124
5 yrs. 893,850	241,653	664,546		906,200	12,350
6 yrs. 765,845	195,500	586,500		782,000	16,155
7 yrs. 514,911	136,817	383,087		519,904	4,993
8 yrs. 308,335	82,440	206,100		288,540	19,795
9 yrs. 248,179	62,100	165,600		227,700	20,479
10 yrs. 179,280	39,480	118,440		157,920	21,360
11 yrs. 319,215	70,810	283,240		354,050	34,835
11 yrs. & older _____	_____	_____	_____	_____	_____
TOTALS \$5,534,068	\$1,526,654	\$4,172,426	\$1,317,000 ²	\$7,016,080	\$1,482,012

1. 15,496 new trucks were sold in Montana in 1978.

Assumption 1. 50% of new trucks were 3/4 ton or smaller pickups.

2. 1/3% of the pickups weigh 3,000 lbs. or less.
3. 2/3 of the pickups weigh more than 3,000 lbs.

2. 60% of the new vehicle fee would go to the Department of Highways (\$790,200). Thus, the difference between total fees and the present tax which would be available for mill levy contribution would be \$691,812.

THIS CHART IS BASED ON THE ASSUMPTION THAT AVERAGE TRADE VA
I N' RE

Refer to page 5

1976	Average	Tax on	% Tax	Tax on	% Tax	Ave
	Trade-In	200 mills	of Value	300 mill	on Value	Val
Ford	\$3325	\$88.40	2.65%	\$132.60	3.97%	\$40
Gran Torino						
1971	Average	Tax on	% Tax	Tax on	% Tax	Ave
	Trade-In	200 Mill	On Value	300 mill	on Value	Res
Ford	\$675	\$17.95	2.65%	\$25.57	3.97%	\$11
Gran Torino						

MEMBERS OF THE COMMITTEE:

Cars, Trucks, Snowmobiles, Motorcycles, Farm taxed at a rate above their actual value. The top priority of this committee to create a line with other property. This table shows a problem.

We also have the problem of our vehicle taxes some of our neighboring states. This creates recreational vehicles, most especially with a

I believe we need to lower motorized vehicle

Maybe we can merge my thinking of using middle fee system into a system that will work for M

UNIFORM FEE SCHEDULE
Automobiles and Light Trucks

	<u>3000 Lbs. and Under</u>	<u>Over 3000 Lbs.</u>
Less than 2 Years	\$ 125	\$ 155
2	110	140
3	85	115
4	65	85
5	50	65
6	40	50
7	30	40
8	20	30
9	15	20
10	10	15
11	5	10

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8/1/82

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Nite Room 415

STANDING COMMITTEE REPORT

March 6..... 19...79...

MR. President

We, your committee on Taxation.....

having had under consideration Senate.... Bill No. 235.....

Respectfully report as follows: That..... Senate.... Bill No. 235,
introduced bill, be amended as follows:

1. Page 2, line 13.
Following: "raised;"
Strike: "and"

2. Page 2, line 14.
Following: "required
Insert: "; and
(d) the specific mill levy limitation to be exceeded"

3. Page 2, line 17.
Following: "at"
Strike: "a"
Insert: "the next"

4. Page 2, line 18.
Following: "regular"
Insert: "primary or general"
Following: "election"
~~584486~~ Strike: "or a special election called for that purpose by the
governing body"
Insert: "on either odd numbered or even numbered years. The
question may not be submitted more than once in any calendar
year."

March 6 79

19

Page 2 Senate Bill 235 Taxation Committee

5. Page 2, line 22.

Following: "resolution"

Insert: "for a period not to exceed 2 years"

6. Page 3, lines 7 through 11.

Following: "give"

Strike: remainder of line 7 through 11

Insert: "in the manner prescribed by law for noticing of elections"

7. Page 3, line 23.

Following: "made"

Insert: "and the period for which it shall be in effect"

8. Page 4, line 18.

Following: line 17

Insert: "Section 7. THERE IS A NEW NCA SECTION THAT READS:
Emergency provisions not affected. Nothing in [this act]
shall affect the emergency expenditures provided by law."

And, as so amended,

DO PASS

JEAN A. TURNAGE - CHAIRMAN

STANDING COMMITTEE REPORT

.....March 6.....19...79.....

MR. President

We, your committee on **Taxation**

having had under consideration **House** Bill No. **582**

House Bill 582 - Burnett (Manley)

Respectfully report as follows: That **House** Bill No. **582**

BE CONCURRED IN

DONPASSX

Ga

STATE PUB. CO.
Helena, Mont.

Jean A. TURHAGG -

Chairman.

Date May 6, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.