

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 21, 1979

The fifty-fourth 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 the committee present.

John Lopach was present to speak on House Bill 845, a bill that had been transferred to the Taxation Committee. He gave some background on the bill and said deregulation of the airlines by the federal government would be a blow to Montana's air travel. Only if feeder airlines could receive the assistance provided for in this bill would they be able to remain operating in the state and transport Montana's flight passengers to the main terminals to meet the major airlines. His testimony included figures: Big Sky Airlines of Montana, as his example, needed about \$3 million to buy about 6 needed aircraft.

The committee was permitted to ask questions of Mr. Lopach. Senator Norman asked if there was a precedence for an agency of the state to issue bonds, as is requested. The question was also raised why Big Sky didn't go to a nearby town, to their central location, and have that town obtain an industrial revenue bond. The Chairman also pointed out this was a new concept in bonding procedures whereby the lessee of the project is the one who is benefited and the city or other entity obtaining the bonds is the lessor. The point was made that railroads worked on somewhat the same financing method with the railroad subsidies being given them. The discussion continued, however no decision was reached. The Chairman said he hoped the committee would stay within the traditional concept of bonding and asked to have Researcher Terry Cohea and Mr. Lopach get together on some possible amendments to be introduced to the committee.

Senator Mathers then distributed copies of SB300 with his amendments. He pointed out the new percentages and explained his reasons for the changes. He said he agreed the coal impact areas should be given additional funds, particularly if Colstrip 3 and 4 come in. Senator Towe said some projects get pushed aside when funding time comes and the Arts project, which he mentioned specifically, might not fare well were they to ask for appropriations. He also said he felt coal area highways should continue to get revenues. Senator Mathers said the \$16 million in that fund has not been touched. He said Senator Manning had been to Washington D.C. to try to get some matching funds and while he was there Kentucky also appeared before the committee and they received the moneys instead, as the federal government felt that state needed the funds more since they had an impact of longer duration than Montana's.

Senator Manning then said often the courts rule the coal belongs to everyone and he felt Montana should be careful in allocating Coal Tax Trust Fund moneys as the changes could bring adverse decision. (He

referred to the suit filed by companies paying the 30% coal severance tax which has been appealed by them.)

Senator Mathers countered by saying he felt this allocation formula would strengthen the state's position in the lawsuit and said he felt the danger lay in putting 50% aside for future generations, as the court might judge from this that the state did not really need the funds. He said he did not feel this was endangering the lawsuit and instead, that this was a better way of handling apportioning.

Senator Severson stated his approval of most of the allocations of Senator Mathers; however, he had questions about increasing money into the alternative energy program. There followed some discussion on such programs.

Introduction of exhibits included a copy of the bill, with Senator Mathers' proposed amendments. The amendments were finally accepted by the committee:

Senator McCallum Moved the Amendments to SB300 be Adopted. The motion passed by a roll call vote 9-3.

Senator McCallum then Moved SB300 As Amended Do Pass. This also passed on a roll call vote, 8-4.

Senator Towe introduced a memo into the minutes concerning a telephone conversation regarding the afore-mentioned lawsuit. See it, Exh. #1, attached. He then stated his concern that the state would become dependent upon the coal tax if too much of it was placed in the General Fund. He also expressed the fear that the state could become 'subservient' to the coal companies from being too dependent upon the revenues. He also stated he felt that the road moneys particularly, should not be cut for the impact area.

Senator Roskie responded to the above argument by saying he too felt the Arts needed appropriations but that the Legislature should look at the application of that group. He also responded to the notion of the state being 'hooked' on coal funds and said the state had survived being 'hooked' on copper, oil, utility taxes. All have paid large amounts of tax to the state, as have gas, timber industries, and he said, the state is 'hooked' on revenues from such entities. He continued saying he did not believe funds should be earmarked specifically, due to the limitations then imposed. Senator Towe said you are talking about a total of about \$23 million going into the General Fund which, if doubled in the next 10 years, would be about 1/10th of the budget, a substantial increase.

The Chairman said if the lawsuit were lost it would very probably be because of the special earmarked funds. Senator Watt stated his opinion that he felt the state should have a right to build up the trust fund; he disagreed with the elimination of the educational trust fund and said he felt funds should be retained in the highway account, and reinsert a small additional amount to it. He further stated he did not object to seeing some additional go into the General Fund.

The amendments to HB411 were then discussed and agreed upon:

Senator Watt Moved to Adopt Amendments to HB411. Motion carried

Senator Watt then Moved HB411 As Amended Be Concurred In. Motion carried.

The committee then decided to move SB312 out of the committee, a bill which had amendments already considered:

Senator Roskie Moved the Amendments be Adopted on SB312. Motion carried.

Senator Norman then Moved SB312 As Amended Do Pass. His motion carried unanimously.

Chairman Turnage reminded the committee at this point they would have to make a choice between SB241 and SB142 because of their similarity. Senator Towe then explained his bill, SB241, with its limitation of 1 1/2% (property tax) of true market value. Senator Roskie's bill, SB142, was 5% of the taxable value. They explained their proposed amendments and following their presentations, the bills were acted upon.

Senator Towe Moved to Adopt Amendments to SB241; this motion was carried.

Senator Towe then Moved SB241, As Amended, Do Pass. His motion failed on a roll call vote 7-5. (Bill is tabled, without motion.)

Senator Roskie then Moved to Adopt Amendments to SB142. Motion carried.

Senator Roskie Moved SB142, As Amended, Do Pass. His motion carried on a roll call vote 8-4.

The committee then was shown a Fiscal Note for SB384, a bill to exempt expenses incurred on wages earned in Montana, (while living in another). The fiscal analysis showed an apparent major impact and Researcher Terry Cohea was instructed to ascertain its accuracy.

The committee then discussed other bills still in committee and came up with motions to table the following bills: SB198, SB242 and SB176.

Senator Towe Moved to Table these three bills, SB176, 198 and 242. Motion carried. Senator Hager registered a "No" vote.

Senator Towe then Moved SB163 be tabled. Motion unanimous.

Without objection SB285, previously tabled, then recalled, will again be considered Tabled for the record.

Following disposition of these bills, meeting adjourned.


JEAN A. TURNAGE - CHAIRMAN

SENATE COMMITTEE TAXATION

①

Date 3-21-79 Sen Bill No. 500 Time 9:30 a.m.

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	X	
SEN. BROWN	X	
SEN. HAGER	X	
SEN. MANLEY	X	
SEN. MANNING		X
SEN. McCOLLUM	X	
SEN. NORMAN	X	
SEN. ROSKIE	X	
SEN. SEVERSON	X	
SEN. TOWE		X
SEN. WATT		X
CHAIRMAN TURNAGE	X	

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Amend to add Sec. 11
2 AD 300

(include enough information on motion—put with yellow copy of committee report.)

SENATE COMMITTEE TAXATION

(2)

Date

3-26-79

Bill No.

118

925

Time

9:52 a.m.

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	X	
SEN. BROWN	X	
SEN. HAGER	X	
SEN. MANLEY	X	
SEN. MANNING		X
SEN. McCOLLUM	X	
SEN. NORMAN		X
SEN. ROSKIE	X	
SEN. SEVERSON	X	
SEN. TOWE		X
SEN. WATT		X
CHAIRMAN TURNAGE	X	

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion:

D. Ross

(include enough information on motion--put with yellow copy of committee report.)

SENATE COMMITTEE TAXATION

(3)

Date 3-21 Sen Bill No. 2111 Time 9:50

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)		X
SEN. BROWN		X
SEN. HAGER	X	
SEN. MANLEY		X
SEN. MANNING	X	
SEN. McCOLLUM		X
SEN. NORMAN	X	
SEN. ROSKIE		X
SEN. SEVERSON		X
SEN. TOWE	X	
SEN. WATT	X	
CHAIRMAN TURNAGE		X

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Robert D. [unclear]

(include enough information on motion--put with yellow copy of committee report.)

SENATE COMMITTEE TAXATION

(4)

Date 3-21 Sen Bill No. 1472 Time 9:55

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	X	
SEN. BROWN	X	
SEN. HAGER	X	
SEN. MANLEY	X	
SEN. MANNING		X
SEN. McCOLLUM	X	
SEN. NORMAN		X
SEN. ROSKIE	X	
SEN. SEVERSON	X	
SEN. TOWE		X
SEN. WATT		X
CHAIRMAN TURNAGE	X	

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Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: (to Am De Pass)

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 21

19 79

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 142

Respectfully report as follows: That Senate Bill No. 142,
introduced bill, be amended as follows:

1. Title 1, line 4.

Following: "TO"

Strike: remainder of the bill

Insert: "LIMIT THE TAXABLE VALUE ON MOST RESIDENTIAL, INDUSTRIAL,
AND COMMERCIAL PROPERTY TO 5% OF ITS TRUE MARKET VALUE; AND
PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Limitation on taxable value. (1) The taxable value as determined under the provisions of 15-8-111 of property in 15-6-112, 15-6-116, and 15-6-119(1)(a) may not exceed 5% of its true market value.

(2) "True market value" means the most current value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

~~Section~~ Section 2. Effective date. This act is effective on passage and approval and applies to taxable years beginning after December 31, 1978."

And, as amended,
DO PASS
SENATE
MONTANA, MONT.
AA

SEN. A. TURNER,

Chairman

STANDING COMMITTEE REPORT

March 21, 1972

MR. President

We, your committee on Taxation

having had under consideration Senate Bill No. 312

Respectfully report as follows: That Senate Bill No. 312,
introduced bill, be amended as follows:

1. Page 1, line 24.
Following: "8.55%"
Insert: "8.5%"
2. Page 3, line 20.
Following: "4.275%"
Insert: "4.25%"
3. Page 7, line 18.
Following: "1.995%"
Insert: "2%"

And, as amended,

DO PASS

243-81

MEMORANDUM

TO: SENATOR THOMAS TOWE
FROM: MIKE McGRATH, Assistant Attorney General *MMG*
RE: Coal Tax Challenge
DATE: 14 March, 1979

On March 2, 1979, I participated in a telephone conversation with Senator Mathers, Senator Bob Brown, Roger Tippy, and Professor Walter Hellerstein of the University of Chicago Law School, regarding the effect of reallocating the proceeds from the Montana coal severance tax on the pending suit challenging the tax. This memo was prepared as a summary of the notes I took of the conversation.

The thrust of the conversation concerned whether or not increasing the portion of the Severance Tax allocated to the General Fund by reducing the portions of the tax specifically earmarked for other funds would have a negative impact on the suit. Professor Hellerstein indicated that he couldn't say much with confidence; there isn't much law that clarifies the question. He indicated that the bill could have a negative impact on the suit but that he wasn't really able to say for sure.

(He did state that, in his opinion, it would be better to leave the tax as originally conceived; the less tampering with the tax the better.

The conversation lasted approximately 20 minutes. There was some discussion about the present status of the law suit. Some of the arguments that the state may or may not use in the future, including what law may or may not apply should the state lose its motion to dismiss the case in the district court, were addressed. Time was also devoted to the various aspects of the constitutional trust and its intent to cope with future problems that Montana could suffer as a result of coal development.

The conversation concluded with a discussion of the length of time the suit could be pending in the court system. Professor Hellerstein reiterated that he was unable to say whether reducing the amount of earmarked revenue would affect the law suit. While earmarking can cut both ways, it does provide an argument that would not be available should all the revenue be placed in the General Fund.

STANDING COMMITTEE REPORT

March 21 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 411

Respectfully report as follows: That House Bill No. 411, third reading bill, be amended as follows:

1. Title, line 5.
Following: "AUTHORIZATION"
Insert: "AND TO CLARIFY THAT AN ELECTION MUST BE HELD BEFORE SPECIAL ADDITIONAL MILLS MAY BE LEVIED"
2. Title, line 5.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS"
3. Title, line 6.
Following: "7-34-2134"
Insert: "AND 7-34-2135"
4. Page 1, line 16.
Following: "levy"
Insert: "for two years"

DO:PASS

(continued)

5. Page 1, ~~insert~~

Following: line 19

Insert: "Section 2. Section 7-34-2135, MCA, is amended to read:
7-34-2135. Election required to impose special additional mill
levy. (1) Before the each additional levy provided for in
7-34-2134 may be made, the question shall be submitted to a vote
of the people at ~~some-general-or-special~~ a primary election held
in an even-numbered year in the following form:

"Shall there be an additional levy of (specify number) mills
upon the taxable property of the (specify hospital district)
for two years necessary to raise the sum of (specify the approximate
amount to be raised by the additional tax levy) for the purpose of
(specify purpose for which the additional levy is made)?

// FOR An additional levy to raise the sum of (state the
approximate amount to be raised by the additional tax levy),
and being (give number) mills.

// AGAINST an additional tax levy to raise the sum of (state
approximate amount to be raised by the additional tax levy),
and being (give number) mills."

(2) Notice of the election, clearly stating the amount and the
purpose of the additional levy, must be given and the election
held and conducted and the returns made in all respects in the
manner prescribed by law with regard to the submission of
questions to the electors under the general election laws."

Renumber: subsequent section

AR

And, as amended,
BE CONCURRED IN

Date MAR. 21, 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.