

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 27, 1979

The fifty-ninth meeting of the Taxation 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 the members present except Senators Brown, Roskie and Manley, all excused.

CONSIDERATION OF HOUSE BILL 471: Representative Fabrega said the bill was at the request of the Department of Revenue and dealt with the returns on trust and indemnity tax. He said the House Tax Committee had limited the language in the bill. He said further, coal companies had pointed out their contracts are serious matters and the language in the law gave the Department authority to look at the contracts. He said the bill would amend the law. Mr. McGee of the Department said the Department had had problems with one of the fuel companies in the state and the Federal Energy Commission had required they process a refund. Mr. Burr also testified briefly saying that company was selling old oil at new oil prices and a substantial refund was made to their customers.

The Chairman called for further proponents and opponents and then for questions from the committee. Several amendments were suggested, to have funds go to ear marked fund, to the Resource Indemnity Fund, to be deposited by the Department. This motion was moved by Senator Towe; motion carried.

Senator Norman then Moved HB471 As Amended, Be Concurred In. His motion carried.

CONSIDERATION OF HOUSE BILL 702: Representative Fabrega said this bill provided that for taxes paid under protest the court can direct the county to pay the refund, if a refund is due. Mr. Zinnecker of the Montana Association of Counties testified also and said it was the intent to tie the responsibility with the Department. At present he said, it puts the counties in the position of trying to defend the Department and this bill would tie the Department to those cases so they could defend their own actions.

The Chairman asked for other proponents or opponents and there being none, permitted questions by the committee. Chairman Turnage asked if this would have anything to do with the present Coal Tax lawsuit. He also said if there is a suit against the Department it must be clarified that it is in the right venue of the taxpayer. An amendment was recommended that the "costs shall be assessed against the Department of Revenue but not against the taxing unit" which the committee then considered and accepted. The motion was made to adopt such amendment by Senator Towe, and carried. Motion was also made, and accepted to include "For the purposes of proceedings before the county tax appeals board, service on the department may be obtained by serving the local county assessor" and this amendment, moved by Senator Towe, was also carried.

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Senator Towe then Moved HB702 As Amended, Be Concurred In. Motion carried. Senator Hager voted "No."

House Bill 63, previously heard and passed out by the committee and then re-referred to this committee, was then discussed. Senator Lockrem presented a number of amendments to the bill, as well as the Statement of Intent. These are attached. The distributions he was advocating would result in a distribution to cities and counties of approximately \$2 million per year. He said the distribution method was from Senator Watt's SB324. He showed figures which indicated a surplus in the Highway Department account and felt the 1¢ gas tax, which HB63 calls for, would not only provide enough money to finish interstate road system in the state, but there would be enough revenues to help cities and counties to the extent he mentioned above. Senator Mathers testified also, and said the figures they used were current ones and they had worked with the Highway Department to obtain accurate projections and felt the amendments referred to would give some relief to cities and counties.

There followed some discussion and questions of the figures. Chairman Turnage asked about the interstate program and Senator Lockrem replied there would be sufficient moneys for the match. Questions were also raised about the money earmarked for promotion of the state through tourism; the amount earmarked for maintenance; for extra costs for snow-removal.

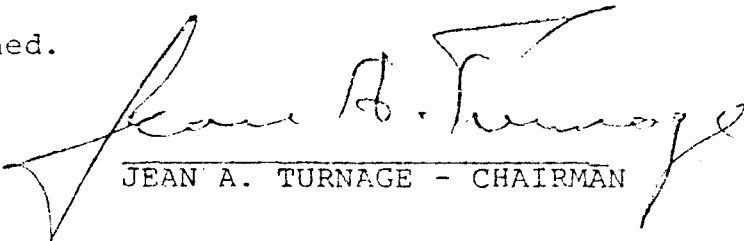
Senator Watt then Moved Amendments on exhibit be Adopted. His motion carried. The Statement of Intent, as amended, was also adopted.

The committee then discussed HB646 and the 'domestic insurer' as defined in the Montana codes. It was thought the impact of the 2 3/4% of property tax being deducted would be quite significant if the bill were passed. They agreed the big companies, already established in the state and with substantial real property, are being helped; this bill would help smaller companies get started here. Senator Norman attempted to get the committee's feelings by asking if they felt the bill was needed. He also made a motion to find if they wanted to move the bill:

Senator Norman Moved HB646 Be Not Concurred In. A roll call vote failed 4-6.

They discussed the bill further and debated its merits as far as encouraging new business to come into the state, creating broader tax base and increased job opportunities. The bill, they said, specified that 50% of their assets must be invested within the state. They discussed list of companies with investments in Montana, see Exh. #4, attached.

Following this, meeting adjourned.


JEAN A. TURNAGE - CHAIRMAN

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SENATE COMMITTEE TAXATION

Date 3-27-79 Turnage Bill No. 646 Time 9:45

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

4 6

Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: B. M. [Signature]

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

Eck
#1

PROPOSED AMENDMENTS TO HB 63

1. Title, line 7.

Following: "CENT"

Insert: "AND TO PROVIDE FOR ITS DISTRIBUTION"

Following: "SECTIONS"

Insert: "15-70-101,"

Following: "15-70-204"

Insert: ", "

2. Page 2, line 2.

Following: "GASOLINE".

Strike: remainder of line 2, line 3 through 7, and "OBLIGATED" on line 8.

3. Page 3, line 9.

Following: "1983"

Strike: "OR WITHIN 30 DAYS OF LEGISLATIVE TERMINATION OF THE FEDERAL INTERSTATE MATCHING FUNDS PROGRAM, WHICHEVER COMES FIRST"

4. Page 3, line 8.

Following: "GAS"

Strike: remainder of line 8, lines 9 through 12, and through "OBLIGATED" on line 13.

5. Page 3, line 14.

Following: "1983"

Strike: ", OR WITHIN 30 DAYS OF LEGISLATIVE TERMINATION OF THE FEDERAL INTERSTATE MATCHING FUND PROGRAM, WHICHEVER COMES FIRST"

6. Page 3, line 17.

Following: line 16.

Insert: "Section 3. Section 15-7-101, MCA, is amended to read:

"15-70-101. Disposition of funds. All taxes, interest, and penalties collected under this chapter shall be turned over promptly to the state treasurer who shall place the same in the earmarked revenue fund to the credit of the department of highways, except those funds hereinbelow allocated to cities, towns, and counties, which funds shall be paid by the state treasurer directly to such cities, towns, and counties.

(1) ~~10,500,000~~ ^{18,500,000} of the funds collected under this chapter shall be allocated each fiscal year on a monthly basis to ~~the~~ municipalities and incorporated cities and towns in

Montana for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys, as provided in subsections (a) and (b) hereof:

(a) ~~\$2,950,000~~ ^{\$3,250,000} shall be divided among the various counties in the following manner:

(i) 40% in the ratio that the rural road mileage in each county, exclusive of the federal-aid interstate system and the federal-aid primary system, bears to the total rural road mileage in the state, exclusive of the federal-aid interstate system and the federal-aid primary system;

(ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns bears to the total rural population in the state outside incorporated cities and towns;

(iii) 20% in the ratio that the land area of each county bears to the total land area of the state;

(b) ~~\$3,550,000~~ ^{\$5,250,000} shall be divided among the incorporated cities and towns in the following manner:

(i) 50% of the sum in the ratio that the population within the corporate limits of the city or town bears to the total population within corporate limits of all the cities and towns in Montana;

(ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the federal-aid interstate system and the federal-aid primary system, within corporate limits bears to the total street and alley mileage, exclusive of the federal-aid interstate system and federal-aid primary system, within the corporate limits of all cities and towns in Montana.

(2) All funds hereby allocated to counties, cities,

2
\$300

5,250
3,550
1,700

3

and towns shall be used exclusively for the construction, reconstruction, maintenance, and repair of rural roads, city or town streets and alleys or for the share which such city, town, or county might otherwise expend for proportionate matching of federal funds allocated for the construction of roads or streets which are part of the federal-aid primary or secondary highway system or urban extensions thereto.

(3) Upon receipt of the allocation provided herein, the governing bodies of the recipient counties, cities, and towns shall inform the department of highways of the purposes for which the funds will be expended so that the county commissioners, the governing body, and the department of highways may coordinate the expenditure of public funds for road improvements.

(4) All funds hereby allocated to counties, cities, and towns shall be disbursed to the lowest responsible bidder according to applicable bidding procedures followed in all cases where the contract for construction, reconstruction, maintenance, or repair is in excess of \$4,000.

(5) For the purposes of this section where distribution of funds is made on a basis related to population, the population shall be determined by the last preceding official federal census.

(6) For the purposes of this section where determination of mileage is necessary for distribution of funds, it shall be the responsibility of the cities, towns, and counties to furnish to the department of highways and state treasurer a yearly certified statement indicating the

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total mileage within their respective areas applicable to this chapter. All mileage submitted shall be subject to review and approval by the department of highways.

(7) None of the funds authorized by this section shall be used for the purchase of capital equipment."

AMEND STATEMENT OF INTENT - HB 63

51(1)

1. Page 1, line 7.

Following: "construction"

Insert: "and to aid incorporated cities and counties in
constructing and reconstructing streets that have deteriorated
as a result of recent severe winter weather"

2. Page 1, line 8.

Following; line 7

Strike: lines 8 through 19.

3. Page 1, line 21.

Following;; "funds"

Insert: "constructing and reconstructing county and city
streets"

4. Page 1, line 22.

Following: "for"

Strike: "the purpose of matching federal interstate funds"

Insert: "these purposes"

If Highway Patrol (total operation) and
Travel Promotion are Added
3/26/79

Ex. # 2

Department of Highways

	<u>Fiscal 1980</u>	<u>Fiscal 1981</u>
Beginning Fund Balance	\$22,268,237	\$16,157,922
**Revenues:		
Motor Fuels	51,171,000	53,260,240
GVW Collections	17,000,000	17,500,000
Royalties	2,600,000	2,700,000
Misc.	1,134,534	1,238,909
Acct. 03857 Trans.	523,000	-0-
H.B. 63	<u>6,400,000</u>	<u>6,400,000</u>
Total Funds Available	\$78,828,534	\$81,099,149
Expenditures:		
Highway Dept. Oper.	63,276,740	66,372,315
6% Per. Svcs. Increase	1,069,276	2,200,867
Highway Patrol		
A. Uniformed Patrolmen Salaries and Benefits*	4,233,784	4,374,855
B. All Other Expenses	3,230,911	3,312,302
Dept. of Revenue	455,653	463,070
Highway Safety (DCA)	43,580	44,452
City/Co. Distribution	8,575,000	8,575,000
Bond Payment	569,380	569,380
Planning Program	-0-	-0-
Long Range Building	<u>3,484,525</u>	<u>-0-</u>
Total	\$84,938,849	\$85,912,241
Ending Fund Balance	\$16,157,922	\$11,344,830

*Includes 6% salary increases.

**Projected by Department of Revenue.

7-10-83

Department of Highways
1980

	<u>General</u>	<u>Revolving</u>	<u>Coal Funds</u>	<u>Earmarked</u>	<u>Federal</u>	<u>Total</u>	<u>FTE</u>
General Operations				\$ 4,701,303	\$ 1,738,838	\$ 6,440,141	244.19
Travel Promotion	\$599,891					599,891	7.5
Construction			\$3,450,000	21,630,992	76,691,701	101,772,693	764.88
Preconstruction				2,996,226	6,991,193	9,987,419	288.33
Maintenance				27,441,137		27,441,137	690.33
Motor Pool		610,708				610,708	6.00
Equipment Bureau		5,944,883				6,844,883	124.85
Railroad Plan					178,167	178,167	3.00
Interstate Acceleration:							
Construction				4,483,239	40,349,153	44,832,392	175.50
Preconstruction				303,952	2,735,564	3,039,516	-0-
Total	\$599,891	\$6,555,591	\$3,450,000	\$62,456,849	\$128,684,616	\$201,746,947	2,304.58
				676,349	976,947		

Eq. H. 3

Department of Highways
1981

	<u>General</u>	<u>Revolving</u>	<u>Coal Funds</u>	<u>Earmarked</u>	<u>Federal</u>	<u>Total</u>	<u>FTE</u>
General Operations				\$ 4,816,422	\$ 1,781,417	\$ 6,597,839	239.44
Travel Promotion	\$599,889					599,889	7.5
Construction			\$3,450,000	22,611,570	80,168,295	106,229,865	764.88
Preconstruction				2,997,912	6,995,128	9,993,040	288.33
Maintenance				28,275,408	28,275,408	28,275,408	640.33
Motor Pool		653,634		495,408	653,634	653,634	6.00
Equipment Bureau		6,170,973		900,000		7,070,973	124.85
Railroad Plan					100,000	100,000	3.00
Interstate Acceleration:							
Construction				5,575,555	50,179,995	55,755,550	235.50
Preconstruction				375,559	3,380,032	3,755,591	-0-
<i>Subtotal Construction:</i>	\$599,889	\$6,824,607	\$3,450,000	\$65,552,426	\$142,604,867	\$219,031,789	2,359.83
<i>Subtotal Preconstruction:</i>				772,426		281,789	

Mont. Dept. of Tax
 Analysis of Montana Domestic Ins. Co. Taxes
 For the Calendar Year Ended 12-31-78

14 3-22-78
 12

PRESENT TAX STRUCTURE

Type	Company Name	1978 Table Premiums	Gross Prem. Tax @ 2 3/4% Pr. 33-2-705	LESS: Tax offset	Taxes Paid
Life	Copri Ins. Co.	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 - (C)
Life	Farmers Union Mutual	259,042	23,629	- 0 -	23,629
Life	First Mont Title	1,047,337	28,817	20,712	8,105
Life	Glacier General Assurance	4,326,022	120,616	76,547	44,069
Life	Glacier Life	364,177	10,015	35	9,980
Life	Intermountain	- 0 -	- 0 -	- 0 -	- 0 - (C)
Life	Life of Montana	1,201,751	33,048	33,048	- 0 - (C)
Life	Montana Nat'l. Life	407,633	11,211	- 0 -	11,211
Life	Mountain States	1,319,244	36,279	- 0 -	36,279
TOTALS (Actual)		\$ 9,535,304	\$ 263,610	< 124,342 >	\$ 137,268

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ALTERNATIVE TAX PROPOSAL

② Assume all domestics qualified for the lowest prem. tax rate @ 3/4% (100% invested in Montana Securities)

Company Name	Amount of Assets	(SAME) 1978 Table Premiums	Tax to be Paid @ 3/4%

Date MAR. 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.